

Financing Critical Global Needs

A Draft L20 Communiqué

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We are living in a globalized world that has given rise to challenges that cannot be dealt with by any one state, no matter how wealthy. It is time, therefore, to examine how we can collectively deal with pressing global challenges and identify new ways of financing needed measures at a time when national budgets are stretched thin.

We, the leaders of twenty developed and developing country governments, have met to address three immediate global challenges that threaten the well being not only of our own citizens but also all people living on this fragile planet.

We reaffirm the commitments we made in 2000 and 2005 to give high priority to the achievements of the Millennium Development Goals, and to do so by meeting our pledges to increase Official Development Assistance.

The first challenge for which we must find means to finance is preparing for the increasing possibility of global pandemics, such as the possible spread of Avian Flu. The second arises from the need to respond to natural disasters such as the world experienced last year in Asia when the Tsunami hit and 280,000¹ people perished, and in Pakistan, when a disastrous earthquake killed more than 87,000.² Thirdly, we need to respond to the growing incidence and costs of dealing with post-conflict reconstruction and development.

All three share several common characteristics. First, they are unpredictable. Second, they all will require financing beyond that which is possible from national budgets. Third, all need near term investments which will have long term benefits. Markets, while beneficial cannot produce what is needed; because there usually are no financial incentives to deal with the issue. And because they cannot be predicted, some type of reserve fund will be needed to meet unexpected needs.

We agree that health is a critical issue. Since 1972, over thirty previously unknown diseases – including HIV/AIDS, Hepatitis C, Ebola, SARS and now the Avian Influenza – have emerged and most experts agree that others will appear in the coming years.³

¹ World Health Organization (WHO)

http://www.who.int/hac/crises/international/asia_tsunami/3months/report/en/index.html March 2005.

² Pakistan government official death toll, last updated 8 November 2005. (from Wikipedia)

³ National Intelligence Council (NIC) (2000) *The Global Infectious Disease Threat and Its implications for the United States*, [online] available: <http://www.cia.gov/cia/reports/nie/reportnic99-17d.html>

The most immediate threat is the need to ensure that all countries have the capacity to deal with Avian Flu and also with other disease threats that experts predict are likely to emerge in the coming decades.

Health authorities and government officials have concluded that US\$ 1.5 billion would be needed to address the threat from an Avian Flu pandemic. This figure does not include an additional US\$ 500 million, which will be needed to supply vaccines to developing countries.⁴ While the cost will be high to prepare for a global pandemic, the failure to respond will be infinitely more costly. The economic cost of a global flu pandemic will be significant. The World Bank estimates a two percent loss of global GDP which will result in a global loss of US\$ 800 billion over a year.⁵ Other estimates are higher.⁶

The World Health Organization recently has released a document laying out a strategy for rapid detection and containment to effectively respond to an emerging pandemic – giving the world the best chance to prevent a global outbreak. Pledges have been made for the initial stages of this strategy, but additional funding will undoubtedly be needed.

There are other health needs that will also have to be financed. One is creating incentives for stepped up research and development of vaccines for major diseases. The other is to strengthen public health institutions and infrastructure in developing countries to deal with threats from existing diseases, and to identify unknown diseases as they emerge.

Health also is a good example of an issue where creative use can be made of networks that bring governments, civil society and the private sector together with international agencies to address specific problems.

We also have learned from the experiences in dealing with the tragedy of last years Tsunami and with the earthquake in the Himalayas that the human and financial costs of dealing with natural disasters can be very high.

Last year marked a record number of deaths and displacement from a number of humanitarian disasters. The Asian Tsunami not only killed at least 280,000 people, but also injured over 500,000 and displaced 1 million people. The estimated cost for the reconstruction effort is over US\$ 7 billion.⁷ The earthquake in Pakistan was also a devastating natural disaster, with the official death toll reaching 87,000. Millions more find themselves homeless and at risk from cold weather and disease. The damage to the region is estimated to be US\$ 5 billion.

⁴ Yeh, Andrew, "Experts warn time is of essence in bird flu fight," *The Financial Times*, 17 January 2006.

⁵ "Avian Flu: Economic Losses Could Top US\$800 Billion," *World Bank News*; retrieved online at: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,..contentMDK:20715408~pagePK:64257043~piPK:437376~theSitePK:4607.00.html>

⁶ Oxford Economic Forecasting recently suggested that a Avian flu pandemic could reduce world GDP by up to five per cent over one year, resulting in a significantly higher number than US\$ 800,000.

⁷ New Scientist special report on Asian Tsunami Disaster, <http://www.newscientist.com/popuparticle.ns?id=in51>, and other sources: USGS, BGS, NOAA, WHO, UNICEF, UNESCO, Reuters.

Last December, the international community created a “UN Emergency Response Fund” on 15 December 2005 in response to the unprecedented size and destruction of these disasters. This fund should become an important mechanism through which the international community can provide immediate relief to natural and man made disasters and humanitarian crises.

Finally, we agree that the world is facing a growing need to provide security to help rebuild governments and societies in countries emerging from conflict. While conflict between nations has declined over the last two decades, conflict within nations has increased. A global peacekeeping force will add to the security of all nations.

The UN establishing a Peacekeeping Commission to take primary responsibility in post-conflict situations and to prevent the renewal of violence has been a major achievement. The Peacekeeping Commission is operational, but funding has not been made available to due to budgetary constraints. The Commission should be ensured a stable operating budget that is not influenced by political factors. Voluntary contributions will not be adequate to ensure that the Peacekeeping Commission is effective.

These three challenges pose problems that cannot be addressed by business as usual. Nor will they be met through the workings of markets, as beneficial as they may be for creating wealth. They will require financing beyond that available from our existing budgets. It becomes imperative therefore to begin to put in place more assured sources of funding for immediate global needs that benefit all countries but which are beyond the scope/ability of any one country to provide.

We agree that the time has come to seek new ways of financing the programs needed to meet these challenges. Several of us already have moved in that direction. For instance, the French government has just instituted a tax on airline travel. Chile and the United Kingdom have similar taxes.

We believe, however, that concrete steps must be taken to create new mechanisms to provide secure and sustained resources to address these global challenges. To that end, we have agreed to set up an wise persons group, one member from each of our countries, to make recommendations to us no later than six months from now. The group will be financed by contributions from each of the countries participating in this leaders meeting.

The experts group will:

- assess potential sources of funds from new sources, for instance, from a small tax on airline tickets, on aviation fuel (which is now not taxed), or a small tax on currency transactions;
- design the structure and governance of a ‘fund’ to receive and disburse the receipts;
- suggest a design for governance of the ‘fund,’ including criteria for disbursement;

- examine ways to engage not only governments, but also foundations, civil society organizations and private business in a manner similar that now taking place to stimulate the development of new vaccines for major killer diseases, and;
- suggest relationships with existing multilateral organizations.

We agree that the mechanisms should not be an operational mechanism, but rather a supplier of financing to other institutions and organizations to meet global needs in these areas. It will not be international taxation, but rather a pledge of nationally collected fees. The mechanism also should be time-bound, in order to end when the issue has been resolved.

Finally, we have agreed to meet again no later than one year from now to discuss the expert group's report and to decide what actions should be taken to implement them.