



# World Chronicle

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## Funding the UN Millennium Development Goals

In this edition of World Chronicle, Professor Anthony B. Atkinson, author of "New Sources of Development Finance: Funding the Millennium Development Goals", discusses innovative and often controversial ways to secure the funds required to achieve the Millennium Development Goals by 2015.

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**ANNOUNCER:** From the United Nations in New York, an unedited interview programme on global issues. This is **World Chronicle**. And here is the host of today's **World Chronicle**.

**JENKINS:** Hello, I'm Tony Jenkins.

The eight Millennium Development Goals were agreed upon at the United Nations Millennium Summit in September 2000. Nearly 190 countries have endorsed these goals, which range from halving global poverty and hunger, to protecting the environment, to improving health and sanitation, to tackling illiteracy and discrimination against women.

But meeting these goals is expensive...at least 50 billion dollars will be needed every year. Where will this huge sum of money come from?

Our guest today is **Professor Anthony B. Atkinson**, Warden of Nuffield College at Oxford and author of "The New Sources of Development Finance: Funding the Millennium Development Goals".

Joining us in the studio are Thalif Deen of *Inter Press Service* and ... Betsy Pisik of the Washington Times.

Professor Atkinson, welcome.

**JENKINS:** I have to say that all of the proposals that you are looking into as ways to raise money for these millennium development goals, one way or another, smell like taxes. And it has to be said that the biggest funder of the United Nations – which of course is the United States – is allergic to new taxes. How do you address that conundrum?

**ATKINSON:** Well, it is certainly true we do discuss taxes and they are an important part of the report. But I think one thing we try to stress is that there are alternatives to taxes, and I certainly wouldn't describe some of the ideas we discussed as being anything akin to taxation. For example the role of increased private philanthropy is clearly not taxation - that is voluntary action.

**JENKINS:** That's not going to get you to the fifty thousand million dollars a year that you need though, is it?

**ATKINSON:** No. But again one of the things we try and stress is that you actually probably need a package of things. And I would regard private philanthropy perhaps not anywhere near that sum. But it is an important significant step because it indicates the willingness of world citizens to support this and it may then be that their governments will, as it were, follow behind.

**JENKINS:** Alright, so what you are suggesting is that we take a package - - various of these different elements that you are suggesting, but you do point out in your report that the

two that are going to raise the most revenue, and that seem in that sense the most plausible for raising the huge sums of money that you need are in fact taxes. There is the carbon tax, in other words, something that people would pay every time they would fill up their car and there is a tax on currency transfers. Would those have to be part of your package to make this thing fly?

**ATKINSON:** Well I think the difficulty is that you alluded about taxation and one of the reason we try to look as it were for ways round this. For example, I mean one of the ideas that we suggest is, that while it might be the case that an energy tax would be a way of raising revenue, it would be levied on countries, and then countries would be free to decide how to raise that revenue. So it wouldn't actually necessarily be you filling up your tank, as it were, to pay. And if countries decided that it is not appropriate for various reasons, they could think of some other method to do it. Yet their national tax contribution would be based on their energy emissions.

**JENKINS:** Betsy, I am going to let you jump in here.

**PISIK:** Just keeping with the carbon tax for example, some of these sound like they will not be very well received in the countries where they would most likely to bring in the most revenue. Most developed nations – I know certainly Washington has slammed the door on that one, as well as the currency transfers, airline taxes, internet taxes. As Tony pointed out the word “tax” seems to be a non-starter, no matter how you phrase it. But I am curious; do you feel that you are making any headway with receptivity to some of these ideas?

**ATKINSON:** Well I think, again, we recognize the difficulties you very clearly described, and we are trying to think of ways of going forward from this situation where things like the currency tax has been discussed for a long time without making any progress. And that indeed is one of the aims of this is to have new ideas, as well as simply new sources - - and there are some things one could think about. For example, if the tax is set at a sufficiently low level, and it is certainly possible to think of say the currency tax, the tax on transactions and foreign currency as being levied say by the Euro zone, for example - without necessarily, if it's at a sufficiently low rate - it doesn't necessarily mean that money will simply move to the United States, particularly at the moment. This seems to me a rather opportune time - - when everyone is worried about the Euro rising relative to the dollar - - perhaps to think about that.

**PISIK:** Actually, I was going to ask is there a legal framework in place already? Or what would it take to create something like that – assuming there was will to do it?

**ATKINSON:** Well in the case of the Euro zone, there is now beginning to be the architecture to do these things. Obviously there will some additional measures - will be

needed to accompany it, but – and have I seen people have drawn up draft legislation for example, to cover this. But of course this is some way off yet.

**JENKINS:** Thalif.

**DEEN:** Yes, to follow-up on her question, Can you tell me whether you have any support from countries in the European Union? Because I am told France is ready to support you, Britain has lent some support and also countries outside of the UN like Brazil, are probably very supportive of the proposal.

**ATKINSON:** Yes, and indeed the President of Brazil, President of France, actually had a presentation in September here in New York, where they drew on a report which actually was partly influenced, I think, by the report we wrote for WIDER. So certainly I think there is a lot of active thinking going on in a range of countries; and of course, the United Kingdom has also made its own proposals for an international finance facility, which again would not be taxation, it would be a way of bringing forward those official development assistance.

**DEEN:** My question is in a country like the United States or Japan, where they are strongly opposed to it, do you think these proposals will fly? Because they are two of the major donors in the world.

**ATKINSON:** Yes, again, what we are trying... I think we can learn some lessons from the European Union because, quite often has been the case, it has been a controversial suggestion, which at least one country – one important country – has opposed, and what usually happens is that people thought – how can we be flexible to accommodate their concerns at the same time that will allow those who wish to go ahead to go ahead? So we have looked for ways in which this could be done. You can't, you can't for example have new issues with special drawing rights without the United States agreeing. There are various things like that which are simply stopped. But there are other things. I think we can begin to make some progress.

**JENKINS:** Professor Atkinson, it occurs to me that in our haste to pile on you and tell you why none of these ideas will work, what we forgot to establish was the reason that you were asked to look into this in the first place – which as I understand it – is because there is such a gap between the needs as they were identified by the Millennium Summit and the amount of money that is coming in now. If every Member Nation [excuse me - cough] of the United Nations [excuse me – cough], was to donate the nought point seven percent of its gross domestic product, that they have all – in one way or another – committed to it over the previous years, we wouldn't be facing this sort of exercise, would we? I mean in fact, I was doing some back of the envelope numbers just before we started taping. If the United States was to meet

it's obligation of nought point seven (0.7) percent that alone would fill the fifty billion dollars a year gap. Am I right?

**ATKINSON:** Yes.

**JENKINS:** Do you want to say something about why we have this gap and why you are being forced into these very creative ways of trying to raise money?

**ATKINSON:** Yes. You referred earlier on to it being a huge sum. And of course that in a way is right because it does...or more than the equivalent of doubling the current official development assistance. On the other hand, it is also quite a small sum in relation to the national incomes of the world, and it is about, essentially about a fifth of one percent of the entire world income that we are looking for. And you are quite right to say that if for example, in the United States alone, meeting the point seven (.7) wouldn't be sufficient. In fact if all countries were to reach point five percent they would fall short the point seven percent and that again would be enough. And I think that is. And I think we have seen steps in that direction. After all, the Millennium challenge for example, that the American administration launches is a clear indication that America knows its development assistance has gone up very substantially in the last couple of years. And a number of countries like, for example, France, and the United Kingdom have agreed to reach the point seven target. So it certainly it is quite possible. But I think, what I would say is that it seems to me that these things may well come through in time, but time is of the essence.

**JENKINS:** So just to clarify. You don't see this as a way of embarrassing those countries and saying, "look these are the proposals that we are going to push at you if you don't meet your commitments on the amount of money that you promised to donate." I guess it is essentially a donation.

**ATKINSON:** Well you said that rather than me. It is certainly the case that I think we were, by setting out some of the alternatives - - it does perhaps concentrate the mind as to whether these are the right way to go along the various global tax routes or whether it would it be better in fact, for countries to provide it directly in aide? That I think is actually the kind of question, which I hope our report will pose.

**PISIK:** One of the interesting ideas that you raise is the idea of maximizing remittances. Obvioulsy that's not going to go nearly as far as everyone paying the point seven. But, how would you see a way to...you mentioned the need to facilitate that, and the first thing that comes to my mind is that it's probably gotten an awful lot harder in the last three years – what with the banking secrecy laws, the war on terrorist financing and so on. Can you...have

you noticed a particular impact of those laws or the crack down on hawalas? Or is it just circumstantial?

**ATKINSON:** I am not an expert, I should say, on remittances. I'm not sure I can add. But I am sure you're right in saying that it has posed quite a lot of difficulties, 'cause many of the informal routes – as it were – which probably are a lot cheaper in many cases in going through formal routes, have become much more difficult for the reasons you just gave. But I think it is something one can look at because I think we have a mutual interest in a sense – I mean everyone has a mutual interest in a way to have a greater fiscal transparency on the one hand, which also is addressed to things like people not paying taxes they ought to be paying and so on...and various forms of money laundering. But also easing financial transactions because there seems to be a part of globalization is that....we should be allowing money to flow around the world. One would have thought that in this case, it was a meeting of minds as it were about making this easier.

**PISIK:** Right....Is there any kind of estimate of how much money we are talking about with remittances? The informal sector.

**Atkinson:** Well we do discuss in the report some figures, but I know recently, that OECD in Paris is currently the... (that's the Organization of Economic and Cooperation and Development), has actually been working on this and they have not yet sent me the latest numbers over - I was hoping to have it by now. But I think they are estimating at considerably larger as it were, than previously thought and I think the flows are very substantial.

**DEEN:** Among the many proposals that have been kicked around for years is one on taxing arms sales. But I noticed that it is not one of your seven proposals. Because, military spending is probably one of the major sources of funding, and if you can divert that into development, that would be a, be a.....big a...

**JENKINS:** Just to put it into context of the American budget that we were talking about, the United States spends about four hundred and fifty billion dollars a year on arms, and about fifteen billion dollars a year on overseas development aide. So, if you are talking about taxing four hundred and fifty billion dollars just from the United States, once we bring in the rest of the global community, couldn't we be talking about the fifty billion that you are looking for?

**DEEN:** And global military spending is about nine hundred and fifty billion.

**ATKINSON:** Yes, yes. I think that we explain in the report, we took two taxes as an example of what to examine those in depth and there are quite a number of other ones we could be looking at, of which, I think that is certainly one. Although, I haven't done enough research on that particular one to establish how easy it would be to determine the point at

which these taxes are going to be levied and to distinguish how far is the tax on international sales, and how far is the tax on all sales which clearly runs serious problems I would have thought in the United States. For example taxing domestic sales of arms and so on, so I think there are issues that lie behind it. But it was one of the issues, which was picked up in the report by President Chirac, I do refer to this as one of a number of other taxes of that kind.

**JENKINS:** At the end of the day though, it seems to me that certainly as far as it relates to these taxes that we are talking about, the arms trade or the carbon tax, or currency transfers, we are still talking about what is a global tax. People will think automatically...I mean there are a number of people around the world already who fear the United Nations is on the way to becoming a global government, I'm not quite sure where they get that idea from but would we be thinking in terms of a huge bureaucracy to administer this tax, to raise this tax? Or can it be done through national governments so that the UN is not seen as expanding its bureaucracy? How do you see it working?

**ATKINSON:** Yes, this is a rather interesting question. You must remember that we had international organizations for a very long time – long before the United Nations. And as we mentioned a little while ago, air transport tax now, we have an international air transport association which has been going for many years, which could well act as the agent as it were to collect that tax. I don't think it is a necessary reason to have a world tax body. On the other hand, there are good reasons why we may want to have such a body in terms of, for example, what the issues to do with money laundering and so on that we talked about just now. One of the questions about corporation and corporation taxation is actually having effective cooperation between major countries on tax collection and I think the United States has certainly got a strong interest as part of a working party on this. So I think when one talks about a world tax organization, we already have some elements of that which I think are regarded as improving governance rather than added bureaucracy.

**JENKINS:** Umm..., let me just say that this is World Chronicle, and we're talking about the Fund for the UN Millennium Development Goals with our guest, Professor Anthony B. Atkinson, Warden of Nuffield College at Oxford, also author of "New Sources of Development Finance: Funding the Millennium Development Goals". Betsy.

**PISIK:** Assuming you do win some support for these, how much concern is there [oh it sounds negative again – I apologize]. There has been so much trouble in getting the wealthier nations to meet their ODA commitments. How do you know that it is not going to come out of one pocket and the same coin just recycle?

**ATKINSON:** I think this is a genuine worry with many of the proposals; it's a question of whether it's an additional or whether it's re-arrangement? I think that there are two answers. One is if the governments were serious in signing up for Millennium Development Goals, then that does represent something of a shift, and a shift in their stated intentions. So it may well be that although they allowed development assistance to fall in the 90's, maybe that is a change, and so we will see that. And the other is that some of the schemes do in fact involve something of a commitment. Of course, some of them don't necessarily involve governments at all. For example, one proposal that we haven't talked about - the one for global lottery -- for example, is actually something which the success of that will depend on whether the people will actually go and buy global lottery tickets? And that is in fact the national government.

**DEEN:** There are some critics who say that this new debate on new sources of financing may divert donors from the obligation to increase ODA. How well is this, this argument?

**ATKINSON:** Yes, I think it may well be, if they sign up to a global tax for example then they will say we don't need to increase -- I think there is a risk of that -- yes, and I think...but then on the other hand again, I think the question really is to ask whether...what their underlying willingness as a government was to support this? And if they were serious about the millennium development goals and one would hope that they are in fact serious about supporting them. And as I said, some of the schemes don't involve governments.

**DEEN:** Yes, but some of the European countries pledge to meet their goals in the next couple of years, but that won't change your proposal for new sources of financing.

**ATKINSON:** Well, it not clear that they necessarily regard those as in competition, I mean I think that the proposals by President Chirac, is of a country which has agreed to do this; and he was raising issues about taxation more generally.

**JENKINS:** Talking about individuals, it is actually quite interesting to me that you actually talk about individuals in this. It is not often that the United Nations does -- and you talk about how individuals can contribute both on a huge scale when we consider some of the billionaires - I believe they are all from the United States -- people like Bill Gates and Ted Turner, who contribute many, many, many millions of dollars. You also talk about individuals at a different level. The implication, it seems to me, is that one of the things individuals could do, well you talked about the lottery, that's a possibility -- where individuals can participate...also the role of individuals in trying to affect government policy, in changing government policy in getting governments to meet their ODA obligations. One curious thing I have noticed is that every time they do an opinion survey in this country -- in the United States -- a majority of



Americans vastly overestimate the amount of money that the government is spending on overseas development aide. In fact, I think I am right in saying the majority of Americans actually think that it is the largest item in the U.S. budget. And they usually overestimate it by an order ten to one hundred times. Which if nothing else -- it seems to me - - indicates that they might be prepared to consider much larger sums, much larger distributions of sums. Is that true? And is it true in other countries in the developed world? Is there a proposal to reach out to individuals to get them to do more on this front; to put pressure on their governments? How do you see the role of the individual?

**ATKINSON:** Well there was a lot of very interesting questions contained in that. First of all I want you to know that United States citizens also are very generous in terms of charitable giving. I mean you have a very high proportion. I think one and a half percent of national income is in private charitable gifts. Many of them no doubt are with religious organizations, but nonetheless is very substantial factions. One has to bear in mind again, in looking as it were for a small shift to that towards development purposes would achieve a lot. And the same is true in other countries. And we don't know very much really about what determines why in some countries people give a lot to charitable, overseas charitable....and in other countries they don't. So I think that's one of the areas where we thought that it would be interesting to find out more about and possibly try and induce people to shift their concerns. But I think that the...your point about people's attitudes is very interesting, and I am sure that maybe it will be true in other countries, although interestingly the evidence I have seen for a range of countries has been that people's attitudes towards aid have not become more negative, I was surprised. I thought given the amount of negative publicity there has been, this sort would have a strong support in many countries for this, and so I think in a way we are more aware through the media and so on, on what is happening. I think campaigns like Band Aid and so on all serve to raise public awareness.

**JENKINS:** Does that mean that the idea of a global lottery might be actually the one that would be the easiest to get going?

**ATKINSON:** Well actually in the report I....there was a suggestion by Tony Addison and Abdur Chowdhury in the report, which was to address one of the concerns about the global lottery, which is that people are actually not keen about something where lose everything by buying it. And also, I think in some countries lotteries are clearly not very acceptable. This is instead, the idea that people could lend money in what is called a 'global premium bond', where you actually lend the money and then it's the interest that goes into the lottery. We have done it very successfully in Britain, it raises a lot of money, it is a very different audience too. It's an

audience of people who are often better off who buy these bonds, they keep the capital but the interest goes into a lottery.

**PISIK:** Is that the programme that funds the 'library programme' the lottery that...

**ATKINSON:** I don't know... that is a lottery...

**PISIK:** The book programme...

**ATKINSON:** That is a lottery. That - - is funded by a lottery. But this has been going on much longer than the lottery and it is a way of raising money, which as I said, avoids what the concern about people losing everything if they buy one of these bonds.

**PISIK:** Because the lottery, at least in theory, is so voluntary, it seems like one of the most feasible of all the ones in here. Would you see an actual dedicated separate international lottery administered separately? Or would this be halving off a piece of the lotteries that already exist?

**ATKINSON:** Well, there are several possibilities – in fact, you are right. There are at least two of them there and I think it partly depends on negotiations with national governments because many of them actually run the lotteries and are essentially beneficiaries from the various forms. So I think anything like this would have to be done really through some kind of negotiation with existing lotteries. I think there are some interesting questions about a global lottery - if it really was global – it would have very, potentially very big prizes and I mean you would have the very same prize structure as current lotteries and I think, and we do suggest in the report, it may be a lottery with a lot of very small prizes rather than having a billion dollar prize winner every one month or whatever.

**PISIK:** Is there any idea what kind of money you could raise with something like that? Even with a lavish prize?

**ATKINSON:** Well again, it isn't going to raise the fifty billion, but I think it could make five billion, that is the kind of possibility. It is certainly I think, worthwhile, but then again we don't really know and I am afraid in a way -- this area of gambling has taken off rather explosively in many countries, and so, it could be there's a lot more there.

**JENKINS:** Well just to close up on this bit on lotteries - - of course one of the problems, one of the criticisms of lotteries - - is that they are in effect kind of regressive form of taxation, that the people who participate, the people who use a greater proportion of their fixed income, their limited income, tend to be poorer people. Do you have any thoughts on that?

**ATKINSON:** Yes indeed...

**JENKINS:** ...I mean it would be ironic in other words, to tax the poorest people in developed countries to help the poorest in developing countries...

**ATKINSON:** ...Yes, if it is the lottery - - instead of increasing official development assistance funding by the income tax, of course, you are absolutely right. On the other hand - - if it's a net addition, then it is actually transferring money admittedly, as I say, from poorer people in developed countries, but to much poorer people in developing countries. I am not so unhappy about that.

**DEEN:** You refer to public awareness and I am told that there is a coalition of NGOs, which are planning to launch a worldwide campaign to support innovative sources of financing. They are trying to do this modelled on the lines of the NGO Coalitions for - - against landmines and also for the creation of International Criminal Court . Do you think this is going to help you in any way?

**ATKINSON:** Well, I hope I can help them. I hadn't heard that, but it sounds like a very interesting initiative – yeah.

**DEEN:** It was probably started by some NGOs in Finland.

**ATKINSON:** Alright, I will find out. Thank you.

**JENKINS:** I would like to try and pin you down actually on some of these numbers. From what we are talking about, from what you have been saying so far, it's fairly clear that - - we go back to where you actually started out – which is that we are really looking at a package, no one of these ideas is going to raise the fifty billion dollars a year that you need. So, it seems to me that you do think that there are some mileages to be made out of proposing a carbon tax. Do you have a specific number that would be comprehensible to people? You have already said well, the carbon tax could be levied on a nation and whether they choose or not to pass it on to the actual pump is another matter. But if they were to pass it on to the pump, what would we be talking about in terms of a gallon of gasoline?

**ATKINSON:** Yes, that raises what is I think is one important point we make in the report, which is actually, we talk about a carbon tax, they are often are concerned essentially with global warming, and they want to make significant change in people's behaviour. For that people talk about various substantial taxes. Thirty - - forty cents a gallon...

**JENKINS:** .....Which you are not, I take it...

**ATKINSON:** We are talking about order of magnitudes smaller. One or two cents a gallon kind of tax...

**JENKINS:** One or two cents...

**ATKINSON:** Yes, essentially it is not unimportant in terms of inflationary consequences and so on is important. But nonetheless, it is not going to make a major difference to people's consumption of gasoline. So I think that it has been a mistake, probably, to try and sell the

carbon tax as doing two things. One is raising revenue and one is saving the planet. I think these are two different objectives.

**JENKINS:** You will save the planet later?

**ATKINSON:** Well, if we do save the planet and stop people consuming gassing at all, there would be no tax revenue.

**JENKINS:** Right, but you're not going to do it with the two cent a gallon tax?

**ATKINSON:** No, I don't think so. No

**JENKINS:** To do that, most of the studies I have looked at says you will need to raise gas taxes by something like twenty cents a gallon to influence peoples behaviour; so, if there is an objection to the idea of a gas tax, such as you're describing, or a carbon tax, presumably, it would be that this would be the thin end of the wedge. This is your getting your foot in the door, your nose under the tent. You could start off with two cents but we all know that twenty years from now, you'll be taking fifty cents. Is that an argument you have run into?

**ATKINSON:** Well of course most countries do tax gasoline anyway, so it is two added to some other number...

**JENKINS:** ...Yes, but not on an international scale...

**ATKINSON:** ...No, no, you are very right, in that sense it's true. But I suspect that if there is enough of domestic pressure to stop this -- as we saw in Europe in the year 2000 -- there was a tremendous lorry, truck drivers blocking the streets because of the proposed increase. I think that is why I said some countries may choose not to even put the two cents on. They may decide to do it by some other means.

**JENKINS:** Alright, we don't have much time left, so what I am going to ask you to do, I am sure you loathe to do it, but I am going to press you anyway. Give me your gut sense as to which of these proposals you think could be made to fly? Which do you think that you -- the UN will be able to politically take up and push?

**ATKINSON:** Well, I think part of my answer will be that it may not be possible to do things at a global level. So I think that it may be that where it does involve -- for example, the European Union -- may be able to take some action on its own. A number of these give -- well, the proposal by the British government we haven't talked about very much, but international finance facilities really building a coalition of countries. So it may be that it would be actually effective if most, but not all of the G8 countries joined. So I would see something like that probably more likely and other things, I suspect, because of the difficulties of getting it through the U.S. Congress, for example, the special drawing rights, the IMF will revert, nothing will happen on that.

**JENKINS:** So if I hear you right, what it seems to me you are saying is - - to get this global solution, you want to pick off countries one-by-one. Which may be the perfect note on which to end. Professor Atkinson, thanks very much for being with us.

**JENKINS:** Our guest has been the author of “New Sources of Development Finance; Funding the Millennium Development Goals”. Professor Anthony B. Atkinson. He was interviewed by Thalif Deen of *Inter Press Service* and Betsy Pisik of the Washington Times.

I’m Tony Jenkins. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle**.

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