

## **A New Approach to Funding the Fight Against the World's Leading Killers** *A financial transactions tax to fight AIDS, maternal mortality, and extreme poverty by making globalization work for the most vulnerable*

---

**The reality:** Without a bold change in approach, the Millennium Development Goals (MDGs), set by world leaders in 2000, will not be met by 2015. These targets will be missed not because of a lack of capacity in the developing world, but because of a lack of global commitment and political will. We can achieve these crucial goals on health, education, climate, sanitation, women's rights, and poverty, and save millions of lives – but it will require that an additional \$100 billion be spent over the next 5 years.

In the midst of the economic crisis, several wealthy countries have started *shrinking* their development assistance budgets—with more countries threatening the same. As a result, developing countries are now showing signs of scaling back their own efforts and plans. This will threaten whatever fragile gains have been achieved—for example, 4 million people now have access to life-saving HIV treatment, but much more is needed to ensure that 10 million additional HIV positive people, who are facing death without HIV medicines, also have treatment access. A slowdown in funding would also lay the basis for much more costly health and development challenges in the future.

The impact of the economic crisis on the developing world has been severe: an estimated 46 million more people are living in poverty as a result of the crisis, global job losses could total 51 million, and health investments in particular are under threat. In poor countries, an estimated 200,000-400,000 more infants will likely die in developing countries as a result.

In September 2010 the world's leaders will gather again, this time to attempt to 'rescue' the MDGs at a UN Summit. But without a paradigm shift in development finance, any effort at rescue will only add up to a half-measure.

**What is needed:** Unprecedented public outrage at the financial sector, as well as massive gaps in access to essential services at home and abroad, have sparked new interest and momentum around the world in support of a **modest levy on financial transactions**, called a 'Financial Transactions Tax' (FTT). This tax would raise revenue to help finance the fight against AIDS, maternal mortality, extreme poverty, climate change and other development challenges, while also curbing speculative activity in the financial sector that contributed to the economic crisis.

Importantly, the revenue raised by an FTT would be invested in domestic as well as global priorities, at a time when rising deficits and unemployment in wealthy countries are affecting millions.

Proposals for an FTT have received widespread support from a range of European, U.S. and African leaders, as well as economists, business leaders, and civil society organizations.<sup>1</sup> These proposals are being explored and developed in multiple fora around the world. For example:

---

<sup>1</sup> FTT supporters range from Ethiopian Prime Minister Meles Zenawi to House Speaker Nancy Pelosi to UN Secretary General Ban Ki Moon. See: <http://www.cepr.net/documents/ftt-support.pdf>

- The High Level Task Force on Innovative International Financing for Health Systems Strengthening, co-chaired by Prime Minister Gordon Brown and World Bank Director Robert Zoellick, included a Currency Transaction Levy as a proposed mechanism to raise new funding for health systems strengthening;

- The Leading Group on Innovative Financing for Development—an intergovernmental forum with representation from around the world—recently established a Taskforce on International Financial Transactions for Development. An expert group is currently examining the feasibility of financial transaction taxes, including currency transaction taxes, and will present proposals for political decisions by May 2010; and

- In the run up to the G20 summit in Pittsburgh, European leaders, including German chancellor Angela Merkel and French President Nicolas Sarkozy, promoted the idea of a tax on financial transactions. As a result, G20 leaders tasked the IMF “to prepare a report for our next meeting with regard to the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system.” More than 80 NGOs have called on the IMF include in its report the recommendation of the establishment of an FTT.<sup>2</sup>

**What an FTT would raise:** It is estimated that a levy of 0.05% on financial transactions could raise approximately \$700 billion annually.<sup>3</sup> A smaller levy, only on wholesale currency transactions, at a rate of 0.005% would raise approximately \$33 billion per year, if applied to the four major currencies.<sup>4</sup> Foreign exchange is the largest market in the world—worth \$800 trillion a year, and it is the only area of the financial sector that has no taxation at all. A currency transaction levy is already being explored as a specific mechanism to fund the financing gap associated with meeting the MDGs.<sup>5</sup>

**How an FTT would work:** FTTs have already been in existence in a range of settings, so they have been well tested: In the UK a 0.5% tax on share transactions raises more than £3 billion each year. In the US a small transaction tax has already been implemented to fund the Securities and Exchange Commission; In Belgium an FTT on the transfer of shares, bonds and other securities, at a rate of 0.5-1.7%, raised 147 million euro in 2005. Collection of revenue from an FTT would be automated, simple and inexpensive—collecting the tax would typically involve the introduction of a couple of lines of software code.

**What is needed:** The G20, along with the World Bank and IMF, should express their public support for an FTT during the April G20 Finance Ministers meeting and Spring World Bank/IMF meetings in Washington DC, with a timeline for implementation agreed by the June G20 Summit in Toronto. Organizations and individuals who care about development should get involved in the global call for the Financial Transactions Tax and help put the world back on track to meet the Millennium Development Goals and boldly address climate change.

---

<sup>2</sup> [http://www.healthgap.org/imf\\_ftt\\_letter.htm](http://www.healthgap.org/imf_ftt_letter.htm)

<sup>3</sup> See Schulmeister, Stephan: A General Financial Transaction Tax: A Short Cut of the Pros, the Cons and a Proposal; WIFO Working Papers, No. 344; October 2009

<sup>4</sup> See *Currency Transaction Tax, Rate and Revenue Estimates*, Rodney Schmidt, 2008, available at <http://www.stampoutpoverty.org/?lid=10556>

<sup>5</sup> cf “Meeting the Millennium Promise: Report of the All Party Parliamentary Group for Debt, Aid and Trade into the Requirement for Additional Development Financing to Fund the Millennium Development Goals,” Phil Thornton, 2007, available at <http://www.stampoutpoverty.org/?lid=9816>