

A FINANCIAL TRANSACTION TAX FOR GLOBAL HEALTH

An extra 200 million people, in some of the world's poorest countries, are now living on less than \$2 dollars a day because of an economic crisis they did nothing to cause¹. The financial sector, on the other hand, is continuing to make huge profits.

If we are to achieve the health-related Millennium Development Goals (MDGs) by 2015, and address the needs of the poorest, we urgently need new and innovative sources of financing. A financial transaction tax (FTT) could turn the global economic crisis into a global opportunity, by making banks, hedge funds and other parts of the financial sector pay their fair share to clear up the mess they helped create – and provide long term financing for global health.

HOW DOES AN FTT WORK?

The financial sector is traditionally under-taxed relative to the rest of the economy. Taxes on the sector are also predominantly progressive, falling on the richest institutions and individuals⁴. An FTT collects a tiny percentage (between 0.5% and 0.005%) of the value of each financial product that is traded. An average tax of just 0.05% on transactions (such as bond and share sales) could raise as much as **\$409 BILLION** a year⁵. FTTs are already commonplace. They have been implemented over many decades in at least 40 countries, including United Kingdom, the United States, Brazil, South Africa and India⁶.

¹ Oxfam, Development Finance International (2010), The Impact of the Global Financial Crisis on the Budgets of Low-Income Countries.

² Leading Group on Innovative Financing to Fund Development (2010), Globalizing Solidarity: The Case for Financial Levies.

³ Baker, Brook (2010), A Currency Transaction Levy or Financial Transaction Tax for Health: Resource Needs Estimates and an Assessment of Funding Modalities, unpublished document, Action for Global Health, International Civil Society Support.

⁴ Matheson, Thornton (2010), Taxing Financial Transactions: Issues and Evidence, IMF Working Paper.

⁵ Leading group on Innovative Financing to Fund Development (2010). Globalizing solidarity: The Case for Financial Levies.

⁶ For more information, see: Beitler, Daiana (2010), Raising Revenue. A review of Financial Transaction Taxes throughout the world, a report for Health Poverty Action and Stamp Out Poverty, Just Economics. Available online at <http://www.healthpovertyaction.org/wp-content/uploads/downloads/2010/12/FTTreport.pdf>.

⁷ The International Finance Facility for Immunisation. www.iffim.org/about/overview

THE GLOBAL HEALTH FUNDING GAP

There is an estimated \$488 billion gap in resources for global health between 2009 and 2015². This includes³:

- Newborn, maternal, child health and family planning – \$127.4 billion
- HIV and AIDS – \$125 billion
- Malaria – at least \$27 billion
- TB – at least \$28 billion
- Human resources for health – \$68 billion

This funding gap is expected to get even bigger as countries such as Spain and Italy reduce their spending on aid. Some developing countries have made welcome commitments to increase national health spending – and provide free access to primary care services – but these will not resolve funding shortfalls on their own.

HOW AN FTT COULD ADDRESS THE GAP

An FTT could raise significant funds for disease responses and health system strengthening in poorer countries. It would be in addition to, not instead of governments' commitments to overseas development assistance (ODA), so could bridge the resource gap that currently exists to achieve the MDGs.



INNOVATIVE FINANCING WORKS

Remarkable results have already been achieved using other innovative private sector financing to support health care in developing countries. UNITAID, for example, which is funded through aviation taxes, has driven down drug prices and developed new treatments for HIV, TB and malaria. The Global Alliance for Vaccines and Immunisation (GAVI), which is funded through bonds secured by government pledges to finance immunisation (the International Finance Facility for Immunisations), will contribute **\$6.2 BILLION** to immunisation programmes and health system strengthening over **THE NEXT 23 YEARS**⁷. Compared to an FTT, however, these mechanisms only generate a limited amount of new resources.

WHICH COUNTRIES WOULD BE ELIGIBLE TO RECEIVE FUNDS THROUGH AN FTT?

This would depend on which international funds became recipients of FTT funding, how quickly their capacity to absorb new funds could be developed, and the geographic make-up of their disbursements.

The support of middle-income countries is vital. These countries could collect an FTT on national financial transactions, with the multilateral funds receiving the FTT proceeds ensuring that these countries receive back at least 90% of what they contribute, to support their own health and development programmes.

WHO IS SUPPORTING THE INTRODUCTION OF AN FTT?

- Politicians such as President Sarkozy of France, Chancellor Merkel of Germany, Prime Minister Zapatero of Spain, President of the European Commission José Manuel Barroso and members of the Finnish government.
- Individuals such as Financial Services Authority Chairman Lord Turner, financier George Soros, and entrepreneur Warren Buffet.
- Nobel Prize winners Joseph Stiglitz and Paul Krugman, Earth Institute Director Jeffrey Sachs, and many other economists from across the world.
- Millions of supporters in more than 25 countries.
- Health and development organisations, economic justice and environmental coalitions, faith-based organisations, trade unions and research institutes globally.
- Among many others - NGOs including Oxfam, Coalition Plus, Health Poverty Action, International HIV/AIDS Alliance, UK Consortium on AIDS and International Development, Action for Global Health, Global Call to Action against Poverty, RESULTS UK, Harm Reduction International, IPPF, Lacasso, Medsin-UK, Save the Children UK, Stop AIDS Alliance and Gestos, the United Reformed Church.

CHAMPION AN FTT TODAY

You can help bring about justice. 2011 is the make or break year for an FTT that could fund life-saving health and development programmes. Your action is needed to make it happen.

- Get in touch with national and international organisations campaigning for an FTT.
- Ask your government to join the coalition of governments pushing to implement an FTT in 2011. The leadership of the EC and the support of emerging countries is essential to make a deal on an FTT politically feasible.
- Like: WWW.FACEBOOK.COM/ROBINHOODTAX
- If you are in the UK ask your MP to support a financial transaction tax by taking action on WWW.ROBINONTHEROAD.ORG/ACTION

For more information, contact Olga Golichenko:

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For more details about an FTT visit <http://robinhoodtax.org>

Key documents:

1. PLUS, Coalition Internationale Sida (2011), FTT Briefing note.
2. Action for Global Health (2010), Financial Transaction Taxes: A crucial tool to meet the health MDGs.
3. Leading Group on Innovative Financing to Fund Development (2010), Globalizing Solidarity: The Case for Financial Levies.
4. Taskforce on Innovative International Financing for Health Systems (2009), More money for health, and more health for the money.
5. Taskforce on Innovative International Financing for Health Systems (undated), Taskforce factsheet – Currency Transaction Levy, available at http://www.internationalhealthpartnership.net/CMS_files/documents/factsheet_-_currency_transaction_levy_EN.pdf.