



Independent observer  
of the Global Fund

## WILL A FINANCIAL TRANSACTION TAX BECOME A REALITY? AND WILL IT HELP THE GLOBAL FUND?

Of every \$1 contributed to the Global Fund, more than 95 cents comes from the governments of rich countries. The Global Fund has been trying for years to obtain more revenue from other sources. Despite sizeable donations from foundations like Gates (\$750 million donated for the period 2011-2016) and private sector companies (Chevron pledged \$55 million for the period 2008-2013) – and despite product marketing campaigns such as (PRODUCT) RED™ which has generated \$180 million for the Global Fund to date – such contributions still account for only a very small proportion of revenues.

Governments and activists have been searching for innovative ways to generate additional revenues – not just for the Global Fund itself, but also for the fight against specific diseases and for health and development more generally.

Two of the ideas that have been explored are a tax on airline tickets and a tax on financial transactions.

The tax on airline tickets is already a reality. Between 2006 and April 2011, the tax raised \$2 billion for UNITAID, an international facility for purchasing drugs for HIV/AIDS, TB and malaria. As of September 2011, nine of UNITAID's 29 member countries were implementing the airline tax: Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger and the Republic of Korea.

The size and scope of the tax vary by country. For most passengers, the tax ranges from \$1 for economy-class tickets to \$10-40 for business and first-class travel. Some countries impose the tax only on international travel.

The airline tax constitutes 70% of UNITAID's revenues.

In September 2011, UNITAID commissioned a study on how to implement a financial transactions tax (FTT) on a national basis. Authors of the study estimated that a very small tax on a variety of financial transactions (e.g., 0.005% of the value of futures contracts linked to equities) could generate 265 billion euros annually in the G-20 countries.

The idea of using an FTT to fund international development has been around for at least a decade. It has been promoted mostly by civil society organisations, such as the Global Fund Advocates Network (GFAN), but the Government of France has also been supportive of the idea. GFAN is a network of organisations and individuals dedicated to ensuring that the Global Fund is adequately funded.

The following is a summary of some developments over the past few years:

- Several organisations began pushing for a “Currency Transaction Levy for Health” in 2009.
- In 2009, the idea of an FTT received support from Nancy Pelosi, Speaker of the U.S. House of Representatives.
- In February 2010, a coalition of 50 charities and civil society organisations launched a U.K.-based campaign for a tax on financial transactions (which they dubbed the “Robin Hood tax”).
- A proposal to implement an FTT was discussed at the G-20 summit in Cannes, France in 2011, but failed to win the backing of a majority of the G-20 countries.

The European Union has discussed imposing an FTT but has not been able to reach a consensus. France and Germany favour the idea, but the U.K. is opposed. Prime Minister David Cameron argued that such a tax would penalise the City of London where 75% of European financial transactions take place. Some E.U. countries have argued for an FTT to be implemented only within the 17-country Eurozone; this would exclude some reluctant governments such as that of the U.K. Some E.U. countries have signalled that they may be prepared to go ahead with an FTT on their own.

On 29 January 2012, French President Nicholas Sarkozy announced plans to introduce an FTT in France. Subsequently, the French parliament approved a bill instituting an FTT; collections will start in August 2012. The tax is expected to generate €0.4 billion in 2012 and €1.1 billion a year from 2013 onwards. There was no mention in either Sarkozy's announcement or in the bill adopted by the French parliament about using some of the proceeds of the tax for international development. This is of concern to French activists because Sarkozy had previously said that proceeds from the FTT should go to international development.

There will be presidential elections in France in May 2012. The candidates from the two major parties have included in their campaign manifestos a promise to increase the FTT (from what the French parliament has already adopted) and to allocate part of it to international development; but the manifestos don't say what portion of the tax might go to international development. French activists are afraid that this might turn out to be just another unfulfilled campaign promise.

GFAN and other activist groups are concerned about the possibility that as countries adopt the FTT, they may decide to use the proceeds exclusively or primarily to reduce budget deficits instead of to boost international aid (including for the Global Fund.)

Information for this article was taken from a variety of sources, including articles on the websites of [Wikipedia](#), the [BBC](#), the [Kaiser Daily Global Health Policy Report](#), [UNITAID](#) and [Agence France Presse \(AFP\)](#).

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