

December 2009 action:

A life-saving tax? – How a currency transaction levy could help meet the health MDGs

RESULTS
the power to end poverty

TAKE ACTION:

Write to your MP to ask them to contact Gordon Brown to commend his support for a CTL and ask him to ensure that the revenue raised through it is used to support progress toward the Millennium Development Goals in health. Also ask your MP to contact the head of their party to ask them to also support a CTL for health, so that we can build cross-party support for this initiative.

Introduction

Today is World Aids Day. Thirty-three million people around the world are living with HIV, 67% of them in Africa. In 2007 it is estimated that HIV/AIDS caused the deaths of 2.1 million people, while 2.5 million were newly infected with HIV. Each of these statistics represents a human story, like that of Christine from Zimbabwe profiled in Background Sheet 2.

Enormous progress has been made in recent years – in fact we are almost halfway there to halting and reversing the spread of HIV/AIDS and TB. In 2003, only 7% of people needing treatment with Anti-Retroviral drugs for HIV/AIDS received them, while by the end of 2008 this figure was 42%. However, there is a long way still to go, and funding is flatlining.

Progress toward the health MDGs

The Millennium Development Goals (MDGs) contain pledges to achieve universal access to treatment for HIV/AIDS for all those who need it by 2010; to have halted and begun to reverse the spread of HIV/AIDS by 2015; and to have halted and begun to reverse the incidence of Tuberculosis (the biggest killer of people living with HIV/AIDS) and Malaria by 2015; as well as commitments to reduce child mortality by two thirds and maternal mortality by three quarters and to achieve universal access to reproductive health care.

However, progress toward these goals is maddeningly slow. As we approach the 2010 goal the G8 seem to be stepping back from the pledge to achieve universal access to HIV services, and the High Level Task Force on Innovative Financing for

Health Systems (a group of world leaders brought together by Gordon Brown and the head of the World Bank Robert Zoellick to investigate additional sources of finance for health) has reported that even if current aid pledges are kept there will be a \$28-37 billion funding gap to meet the health MDGs by 2015.

The Global Fund to Fight Aids, Tuberculosis and Malaria

The Global Fund provides one quarter of all international financing for the fight against AIDS, two-thirds for TB and three quarters for Malaria. It is estimated that since it was formed in 2002 the Global Fund has saved 4 million lives. It currently supports 2.3 million people on antiretroviral treatment for HIV/AIDS; 5.4 million people on effective TB treatment; and has distributed 88 million insecticide-treated bednets to combat Malaria.

In early November the Board of the Global Fund approved a new round of grants to low-income countries, which totalled \$2.4 billion dollars over two years. However, they were not able to fund all applications that were judged to be of high quality due to the serious shortfall in funding, and even the best proposals were asked to cut 10% out of their total funding request to allow for a larger number of grants to be made.

The Global Fund faces a shortfall of \$4 billion in 2010. This means that crucial life-saving projects are in serious danger of going unfunded, further undermining progress toward the health MDGs. Overall overseas development assistance to health is inadequate, and currently unable to fill this serious financing gap.

Where can new finance come from?

It is clear that we must mobilise additional sources of finance for healthcare in low-income countries. This new finance must be long-term and sustainable. One of the proposals being looked at by the 'Taskforce on Innovative Financing for Health Systems' is a 'Currency Transaction Levy' (CTL). The CTL is a proposal to harness some of the vast wealth of the foreign exchange market through a very small tax – just 0.005% on currency transactions (see background sheet 1 for more details).

If the levy were applied to all of the world's major currencies it could raise \$33.4 billion a year, potentially meeting the financing gap for the health MDGs. Even a transaction on individual currencies could raise significant amounts: \$28.4 billion for the US dollar, \$12.3 billion for the euro, \$5.6 billion on the yen and \$5 billion on the pound. Proven, effective mechanisms are in place in global health to deliver this money to where it is needed. It could be used to scale up funding for the Global Fund, saving lives through extending programmes like the one that helped Christine.

Window of opportunity

There is currently a historic opportunity to implement a CTL. Until recently there has been opposition to the proposal from various quarters, including the UK government. But due to the global financial crisis, and the role the financial sector has played in this, there is a new demand to re-examine the rules, regulations, boundaries and 'social usefulness' of the financial sector. In the past year governments have had to step in to bail out major banks in Europe and the United States, spending trillions of dollars – a figure that truly dwarfs the potential revenue from the CTL – to prop up the banking system. The effective nationalisation of major banks needed to keep the financial industry afloat means that governments have greater ability to introduce regulation to curb risk.

Increased demand for a more equitable global financial system has led to calls for the implementation of the CTL. The Chair of the UK's Financial Services Authority, Lord Turner, has argued

for discussions on the CTL. G20 leaders, led by French President Nicolas Sarkozy and German Chancellor Angela Merkel, have expressed an interest in taking forward the implementation of a CTL. Most recently, in early November, Gordon Brown has expressed his support for a CTL. Even the IMF, who reacted hostilely to the G20's request at the Pittsburgh summit in September that they investigate the feasibility of levies on financial transactions, have now backed down. At the annual conference of the CBI (Confederation of British Industry) which was held on the 23rd November Dominique Strauss-Kahn, the head of the IMF called the proposal for a CTL 'interesting' and publicly promised to look into the pros and cons.

The financial crisis has hit the poorest hardest. It is fitting therefore that part of its legacy is to harness the wealth of the financial system that was responsible for the crash to help those most in need. As an additional source of revenue, a CTL would go a long way towards filling the funding gap faced by the Health MDGs and enabling developing countries to achieve these targets and provide effective healthcare to those who need it most.

The currency transaction levy has been an aspiration in the development community for many years; there are now signs that, with the right campaigning and widespread support it may shortly become a reality.

Taking action

With the campaign gathering pace, now is a crucial time for us to apply pressure on key UK political figures to ensure that the political will to establish a CTL for health bears fruit. Write to your MP explaining the need for a CTL for health. Ask them to contact Gordon Brown to commend his support for a CTL, and to ask him to ensure that the revenue raised through the tax is used to save lives by supporting progress toward the MDGs on health. It is crucial with an election approaching that there is cross-party support for this initiative. Therefore also ask your MP to contact the head of their party to ask them to support a CTL for health.