

# **Solidarity levies – UNITAID and beyond**

---

**David Hillman  
Coordinator**



**Marketplace on Innovative Financial Solutions for Development  
Paris, March 2010**

# Meeting the Millennium Promise

---



- ❑ **MDGs 2000 -> 2005 – \$100b. extra pa**
- ❑ **Leading Group launch, Paris, 2006**
- ❑ **Solidarity levies: aviation → UNITAID**
- ❑ **Borrowing: specialised bonds → IFFIm**
- ❑ **Voluntary → Massive Good**
- ❑ **Levies on Financial Transactions:  
General/stocks/bonds/currency**

# Financial Transaction Taxes (FTTs)

---

## □ **FTTs – commonplace:**

Stocks, Corporate Bonds, Government Bonds,  
Futures ie: Argentina (since 2000 at 0.6%);

US: SEC

Stocks: Austria, Belgium, India, UK - \$5b.pa

## □ **Exponential growth:**

Bonds: 1993 - \$20 trillion ; 2005 - \$60 tr.

Stocks: 1993 - \$7 tr.; 2005 - \$51 tr.

# Currency Transaction Levy

---



- **Currency – foreign exchange:**

  - 1973: \$4 trillion pa; mid-80s: \$40 tr. pa**

  - 2004: \$500 tr. pa = \$1.9 tr. per day**

  - 2007: \$800 tr. pa = \$3.2 tr. per day**

- **Rate: 0.005% - Intelligence Capital**

- **Revenue: min.\$33b. pa**

- **Criteria: long-term, sufficient, predictable**

# Why it is Feasible?

---



- **Automated payment at point of settlement**
  - \* **Real Time Gross Settlement**
  - \* **Continuous Linked Settlement Bank**
  - \* **SWIFT messaging**
  
- **UNITAID – important precedent:  
solidarity levies, nationally collected,  
internationally disbursed**
  
- **Legislation: France (2001); Belgium (2004)**

## Recoup, rebalance, re-evaluate

---



- ❑ **Relationship of deference v. Governments and Banks changed - the market could not save itself – re-evaluation**
- ❑ **Anger at banking sector for causing crash while earning disproportionate rewards, excessive profits and bonuses: desire to recoup, rebalance, re-write social contract**
- ❑ **In developing world – secondary effects: foreign direct investment, remittances, capital flight, commodities harder to sell, aid reduced**

# Political picture

---

- ❑ **G20 Pittsburgh – Merkel/Sarkozy - IMF tasked to explore banks paying for bailout**
- ❑ **LG taskforce on 'FTTs for Development' launched in October in Paris**
- ❑ **Nov: Gordon Brown advocates FTTs**
- ❑ **Nov: UK Chancellor announces a tax on bankers bonuses**

## Political picture (contd)

---

- ❑ **Jan: Obama announces tax on bank profits**
- ❑ **Obama announces re-regulation of banking activity**
- ❑ **February: Robin Hood Tax campaign launches in the UK**



# Conclusion

---



- ❑ **Time is now: CTL – stepping stone towards broader progress on FTTs**
- ❑ **Look forward to report of LG Taskforce – NGOs keen for rec. of early CTL implementation as successor to UNITAID**
- ❑ **Can we afford not to harness this hitherto untapped revenue stream?**
- ❑ **Who do you support?**