

# Civil Society Strategy Meeting on a Global Campaign for a Currency Transaction Levy for Health

5 December 2009, Lloyd Hotel Amsterdam



Photo Adriaan Backer

## Meeting Report

5 December 2009

Amsterdam, the Netherlands

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**Acronyms and abbreviations**

- CTL = currency transaction levy
- FTT = financial transaction tax
- Global Fund = Global Fund to Fight AIDS, Tuberculosis and Malaria
- ICSS = International Civil Society Support
- NGO = non-governmental organization
- ODA = official development assistance

Note on text: All figures marked in \$ are US dollar amounts.

## 1. Background and introduction

This report is based on a meeting held 5 December 2009 in Amsterdam, the Netherlands. The gathering, a “Strategy Meeting on a Global Campaign for a Currency Transaction Levy for Health”, was organised and hosted by a locally based non-governmental organization (NGO), International Civil Society Support (ICSS), and build on an initial meeting held in Washington DC in the summer of 2009.

As the meeting’s title implies, it aimed to broaden and deepen civil society engagement in a campaign for the implementation of a currency transaction levy (CTL), a particularly promising innovative financing mechanism that could raise billions of dollars for global health needs. The timing of the meeting was not by chance: one silver lining of the lingering global economic crisis has been the recent surge in interest in and support for new taxes on financial services, including a potential CTL, among policymakers in several countries, especially in Europe. With adequate information and resources, civil society advocates can help exploit this window of opportunity over the next several months. The Amsterdam meeting sought to raise awareness among advocates about the concepts, timelines and possible entry points for the civil society sector in the campaign for a CTL for health. If successful, such a campaign could significantly improve access to consistent, sustainable global health resources.

### 1.1 About meeting participants

More than 40 individuals attended the one-day gathering in Amsterdam. The majority were representatives of civil society organizations (CSOs) and networks that focus on issues related to global health. They were joined by several Global Fund Secretariat staff members, UNAIDS personnel, and two longstanding CTL supporters—one from a leading NGO advocacy group, and the other an economist who has written extensively on the issue. (Appendix 1 contains a list of all participants.)

All participants were from the global North, with most based in countries with currencies that are the main targets of CTL campaigners. Civil society advocates from these countries are likely to have the most in-depth knowledge of, and influence with, policymakers whose support for a CTL is most needed at this stage. Meeting organizers and participants also recognize the importance of building a global campaign that prioritizes the input and engagement of advocates and other partners in countries that would benefit directly from a CTL for health. The outcomes of the meeting in Amsterdam will be shared with campaigners from the global South at a meeting to be held early February 2010 in Geneva.

### 1.2 About this report and meeting objectives

This report is intended to serve as a preliminary guiding document for a coordinated, global civil society advocacy campaign for a CTL for health. With that objective in mind, it summarizes key information, discussions and observations from the meeting.

The meeting focused on both the broad concept—financial transaction taxes (FTTs) in general—and a CTL in particular. Both are versions of an innovative financing mechanism that could raise significant, sustainable revenues for development, including global health. Some individuals involved in or interested in the ongoing campaign, which has picked up speed recently as a result of the financial sector’s real and perceived responsibility for the global economic crisis, are hoping that revenue from an eventual levy can be used to finance the Global Fund and other leading global health initiatives.

The main objectives of the one-day discussion were to:

- brief participants, most of whom are from civil society, on the basic principles of a proposed FTT and/or CTL for health;
- update participants on recent developments in the ongoing campaign; and
- achieve a broad initial consensus among civil society advocates on FTT-related concepts, structures and priority action steps moving forward.

At first glance, the proposed mechanism is complicated and confusing. Awareness-raising was therefore an important initial objective, given that many civil society participants were unfamiliar with the campaign and components of either an FTT or CTL. Therefore, the first part of the one-day consultation consisted of a series of explanatory presentations by campaigners and financial system experts. Presenters not only sought to explain the concepts concisely and clearly, but also discussed developments since a previous meeting on the same topic involving another group of civil society advocates in July 2009, in Washington, DC. (Civil society advocates at that meeting were also briefed extensively on an ongoing campaign to implement a CTL. Many have subsequently prioritized a CTL as a sustainable and relatively simple way to raise billions of dollars for global health.) The 5 December meeting concluded with a series of working group sessions in which participants from different regions met to begin a process of identifying region-specific strategies and priorities aimed at building a coordinated global campaign in support of FTTs for health.

Information about the July 2009 gathering may be found in a meeting report available with other supporting material on the ICSS website. Also on that site are the full texts of some critical presentations delivered during the 5 December 2009 meeting in Amsterdam, including an extensive overview of important developments in the global health architecture that are driving efforts to identify new sources of funding for global health and other development priorities. Participants at the one-day CTL consultation in Amsterdam were urged to review the specific presentations when drafting fact sheets and documents to be handed out to during targeted advocates efforts among civil society allies, policymakers, parliamentarians, and public health experts.

Section 2 of this report provides a basic overview of FTT and CTL concepts. It also includes summaries of discussion focus points that were determined primarily by participants after hearing the presentations. Most of the issues and points discussed in this report refer to developments since July 2009, when the previous civil society consultation on a CTL for health was held. The ultimate goal of the 5 December 2009 meeting was to lay the groundwork for a broader, global campaign over the next several months. Issues related to the expanded campaign are discussed in Sections 3 and 4.

## **2. Overview of concepts: FTT and CTL**

The term “Financial Transaction Tax (FTT)” usually refers to taxes placed on one or more transactions that take place throughout the financial sector. Governments in various countries have at times imposed taxes (usually relatively low rates) on certain specific financial transactions, from stock and bond purchases to retail transactions involving banks. A broad-based FTT that would apply to all, or nearly all, financial transactions was first proposed in the 1970s (the “Tobin tax”). It was originally intended to curb speculation in financial markets, but more recent calls for such a system-wide tax focus on two other issues: i) a broad-based FTT could raise hundreds of billions of dollars every year for cash-strapped governments, and ii) a desire to “punish” the financial sector for causing the global economic crisis, which eventually forced many governments to bail out insolvent financial institutions.

A Currency Transaction Levy (CTL) is more modest, targeted form of an FTT. It can be defined precisely: a CTL would be a tax on conversions in wholesale market, between banks that work with foreign exchange. It would not be a tax on the retail market, and thus would not affect consumers directly. Unlike a comprehensive FTT, a CTL does not require a global or regional consensus (except in the case of the euro, for which all eurozone countries need to agree). Instead, countries could unilaterally apply a levy on transactions involving their own currencies, and the current financial market structure ensures that the levy could easily (and automatically) be captured wherever a trade takes place in the world.

In theory, a CTL could be levied at any rate. The rate proposed by a leading proponent, the UK NGO Stamp Out Poverty, is half a basis point (0.005 percent) of the value of each trade. This level was carefully selected because it is small enough to have no practical “distorting” impact on the currency trading market. Given the volume of transactions in the foreign exchange market, however, even a CTL levied at such a small rate would raise significant quantities of revenue.

Most advocates currently focus on the four currencies in which the vast majority of foreign exchange transactions are undertaken: the US dollar, the euro, the British pound and the Japanese yen. Based on the 2008 total volume of trading worldwide (some \$4 trillion), conservative estimates indicate that a CTL of 0.005 percent on those four currencies could raise between \$33 billion and \$60 billion every year<sup>1</sup>. A CTL applied just to the US dollar could raise \$28 billion a year. An important benefit of a CTL is that it would provide predictable, sustainable funds that can be collected quickly and efficiently.

A broad-based FTT would certainly raise far more revenue than a CTL. However, most experts note that such an FTT would be difficult to implement, both politically and in terms of process. Unlike a CTL, a broad FTT would need to be implemented in a coordinated fashion in several countries at once—for example, across all G20 nations. This process could take years to arrange. In comparison, a CTL could be up and running in a matter of weeks, and can be done by one country for its own currency without sacrificing any significant competitive advantage. Leading economists also caution that far too little research has been done on what the impact of a broad-based FTT would be on financial markets and whether, in fact, such a levy could prevent future crises (as some proponents claim).

### 3. Notable recent FTT-related developments

The overall FTT concept has gained considerable traction in recent months. Developments in the political sphere are among the most notable; they include the following:

- At its September 2009 meeting in Pittsburgh, the G20 tasked the International Monetary Fund (IMF) with drafting a comprehensive report on FTTs. That request was part of the group's exploration of ways in which the financial sector could reimburse the public sector for the ongoing bail-outs. It was also interpreted as a specific signalling of high-level political support for a CTL at the very least.
- In October 2009, British Prime Minister Gordon Brown publicly announced his support for the FTT concept in general. Brown's announcement came in the wake of favourable statements regarding a FTT by German Chancellor Angela Merkel and French President Nicolas Sarkozy.
- In December 2009, US Speaker of the House of Representatives Nancy Pelosi offered support for the concept, saying, "I believe the transaction tax still has a great deal of merit.... It is really a source of revenue that has really minimal impact on the transaction but a tremendous impact on helping us meet our needs."

Civil society advocates have helped drive such developments. An important development in the United Kingdom occurred in September 2009, when a handful of advocates began working on a new initiative called the UK Campaign for the FTT/CTL. This campaign is credited with helping raise awareness in the prime minister's office. It includes organizations that have long advocated for a CTL, such as Stamp Out Poverty, as well as other groups that are comparatively new to the cause and have more specific missions and objectives. For example, one new campaign partner, the International HIV/AIDS Alliance, focuses primarily on global HIV/AIDS issues.

The campaign's proposal aims to accommodate some of the key political demands of the prime minister's office—notably the allocation of a significant share of FTT resources for domestic priorities. Taking that into consideration, the proposal lays out a bold set of principles, demands and accommodations, including the following:

- the implementation of an FTT on all major financial transactions;
- "early delivery" of a CTL on the British pound and euro;
- an arrangement through which revenues from such a tax should be split 50-50 between domestic spending and spending on global public goods (including health)<sup>2</sup>; and

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<sup>1</sup> Rodney Schmidt, "The Currency Transaction Tax: Rate and Revenue Estimates", North-South Institute, October 2007. Available online: [www.nsi-ins.ca](http://www.nsi-ins.ca).

<sup>2</sup> A split of this sort is considered essential to obtain political backing for an FTT. It is highly unlikely that policymakers would implement any kind of FTT without being able to use some of the revenues for domestic priorities.

- an agreement that the revenues allocated to global public goods would then be split 50-50 between development/global health and other global public good priorities (e.g., education and climate change).

The estimates are that total annual revenues from such a broad-based FTT could reach \$700 billion globally, depending on the tax rate. Based on the proposed allocation noted above, the campaign estimates that an FTT could provide governments with \$350 billion for domestic priorities (such as fighting poverty) and \$175 billion each for development/global health and other global priorities<sup>3</sup>.

Campaign advocates say they are determined to ensure that a significant share of revenues from an FTT is allocated for global health. Otherwise, however, the principles and demands are not necessarily rigid; instead, they are intended to stimulate discussion and increase support for the overall concept. Moreover, advocates acknowledge the eventual need to focus on specifics, such as how a CTL would work with a regional currency (i.e., the euro); disbursement mechanisms; and priority recipients of revenues collected.

Several leading campaign participants believe that the Global Fund represents the most relevant model for spending on health, and that resources collected through an FTT would best be distributed either through the existing Global Fund or a new initiative with a similar structure. To date, however, there have been few in-depth discussions about models and mechanisms: most involved in the campaign are primarily focused for the time being on having governments commit to implementing an FTT. The more immediate main goal of most advocates is to obtain such commitments as soon as possible. That is the crucial first step toward ensuring that revenues from such a mechanism are available to address vital global needs, including the Millennium Development Goals (MDGs)<sup>4</sup>.

#### 4. Launching an expanded civil society global campaign

Based on the extensive presentations, participants agreed that there is a unique window of opportunity over the next several months to build sufficient support to implement an innovative financing mechanism such as an FTT. The final part of the meeting centred on identifying entry points and strategies for civil society at various levels to engage in the global campaign for an FTT that would raise significant revenues for health.

Participants recognized that there are—and will always be—competing demands for FTT revenues from other important priorities, including advocates focusing on issues such as education and climate change. Yet the consensus was that as health advocates, they have a responsibility (at least initially) to prioritize their areas of interest and expertise. **Participants therefore decided on the following campaign message: We support a broad campaign for a broad-based FTT in the longer term, but we want to see a CTL for health delivered first as proof of concept.**

Participants then divided into three working groups by specific geographic region: continental Europe (i.e., eurozone countries), the United Kingdom, and all other countries. Each group discussed how such a campaign might best be initiated and sustained in their own contexts. The conversations represented the initial step in identifying strategies, priority actions and common needs (e.g., relevant documentation and information, funding, etc.).

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<sup>3</sup> It is important to note that many financial system experts consider the campaign's FTT revenue-generating estimates to be extremely optimistic. One expert at the December 2009 meeting, Rodney Schmidt, stressed that a lack of comprehensive research makes it difficult if not impossible to accurately estimate how much revenue a broad-based FTT would generate. He noted as well that the amounts would likely vary widely depending on the range of transactions and levy rates. In the absence of substantial, verifiable information, he suggested that an FTT could raise "perhaps a few hundred billion" dollars in revenue each year.

<sup>4</sup> A growing number of other civil society groups have begun examining CTLs and FTTs, with some taking specific positions on various related issues. One such group is GlobalSida, which was represented at the Amsterdam meeting. The organization supports a CTL that is applied internationally, to all currencies, with the understanding that the revenues collected are applied directly to governments' ODA budgets. This would mean that revenues from a CTL are not considered "additional" to development assistance. GlobalSida believes that this could provide countries with a greater incentive to meet the target 0.7 percent of GDP for development assistance, a target that few developed countries have met. The ultimate result would be more resources provided for global development purposes, including global health and the achievement of the MDGs.

It was understood that these brainstorming sessions are just the first step in a more extensive process to develop a clear, coherent and consistent campaign in all contexts. All participants, regardless of region, agree that the first main priority is to increase their own knowledge and understanding of the CTL concept, including specific economic and financial aspects. This is considered of crucial importance when, during the course of the campaign, they seek to educate parliamentarians, policymakers, the media and grassroots allies.

Such awareness-raising efforts will require advocates to review existing documentation and analysis produced by economists and organizations already involved in the campaign, such as Stamp Out Poverty and the International HIV/AIDS Alliance. Representatives from those organizations vowed to be available for advice and consultation as advocates educate themselves more fully over the next several weeks.

Also of help in early 2010 will be a report to be released from the Leading Group<sup>5</sup> that will examine the pros and cons of implementing an FTT for development. This report will likely be released before a separate IMF report on similar issues; it is therefore hoped that the Leading Group's paper will influence the other.

### **Conclusion and next steps**

The meeting concluded with agreements that civil society advocates in the three separate geographic regions would have follow-up conference calls in early 2010 to discuss more specific campaign activities and priorities. Advocates were also urged to join the CTL Campaign Working Group, a listserv with more than 60 members ([ctl-campaign-working-group@googlegroups.com](mailto:ctl-campaign-working-group@googlegroups.com)). Experienced advocates said that forum is an excellent way to obtain updated information and resources on a regular basis. ICSS will schedule regular calls for activists to update each other on progress made in the various countries and to further strategize at the global level.

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<sup>5</sup> The full name is the Leading Group on Solidarity Levies to Fund Development. Founded in 2006, it currently comprises more than 50 countries and several multilateral and civil society organizations. The Leading Group seeks to "move forward discussions" about setting up innovative development financing mechanisms. It has played a significant role in the development and expansion of initiatives such as the UNITAID drug purchase facility, the International Financing Facility for Immunisation (IFFIm), and the Advanced Market Commitment (AMC) for pneumococcal vaccines.

## Appendix 1. List of participants

The following individuals attended the 5 December 2009 meeting in Amsterdam. Individuals within separate categories are listed in alphabetical order. The country indicated refers to where the individual is based as per affiliation, not his or her nationality or citizenship.

### Civil society organizations

<b>Name</b>	<b>Affiliation</b>	<b>Country</b>
Gemma Arpaia	ISCOS-CISL	Italy
Rachel Baggaley	Ecumenical Advocacy Alliance/Christian Aid	UK
Gabriel Boichat	Planeta Salud	Spain
Maria Bordallo	ICSS	Netherlands
Stefania Burbo	Osservatorio AIDS	Italy
Joanne Carter	RESULTS US	United States
Marie-Alexia Delerue	Action for Global Health	France
Khalil Elouardighi	Coalition PLUS	France
David Hillman	Stamp Out Poverty	UK
Louise Holly	RESULTS UK	UK
Amanda Hunt	International HIV/AIDS Alliance	UK
Anton Kerr	International HIV/AIDS Alliance	UK
Katy Kydd-Wright	RESULTS Canada	Canada
Rachael Le Mesurier	New Zealand AIDS Foundation	New Zealand
Pauline Londeix	Act-Up Paris	France
Vanessa López	GlobalSida	Spain
Sharonann Lynch	Médecins Sans Frontières (MSF)	United States
Marwin Meier	World Vision	Germany
Aki Ogawa	Africa-Japan Forum (AJF)	Japan
Martijn Pakker	Stop AIDS Alliance	Belgium
Alena Peryshkina	AIDS Infoshare	Russia
Beate Ramme-Fuelle	Action Against AIDS	Germany
Rebecka Rosenquist	Action for Global Health/Interact	UK
Asia Russell	Health GAP	United States
Lisa Schechtman	Global AIDS Alliance	United States
Katharina Scheffler	DSW-Hannover	Germany
Claire Seaward	Oxfam	UK
Jonathan Stambolis	AIDS Council of New South Wales (ACON)	Australia
Rodney Schmidt	North-South Institute	Canada
Nicci Stein	Interagency Coalition on AIDS and Development (ICAD)	Canada
Stephanie Tchiombiano	Solthis	France
Peter van Rooijen	ICSS	Netherlands
Bill Whittaker	Pacific Friends of the Global Fund	Australia
Jacqueline Wittebrood	ICSS	Netherlands

### Multilateral agencies and initiatives

<b>Name</b>	<b>Affiliation</b>	<b>Country</b>
Richard Burzynski	UNAIDS	Switzerland
Stefan Emblad	Global Fund	Switzerland
Michael O'Connor	Global Fund	Switzerland
Kate Thomson	UNAIDS	Switzerland

### Support personnel

<b>Name</b>	<b>Affiliation</b>	<b>Country</b>
Jeff Hoover	Rapporteur	United States
Elsbeth Timmer	ICSS	Netherlands