The Financial Transaction Tax – A Vital Tool in Health Financing

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European countries increasingly feel the impact of the financial and economic crisis, and face the pressure to consolidate rather than to expand their budgets. This leads to decreased Official Development Assistance (ODA) levels, threatening progress towards goals for health financing in the future.

While ODA should remain strong, it is recognised that the financial situation in a number of European countries is strained due to the crisis. Therefore, innovative financing mechanisms have become more and more important. Fortunately, there are mechanisms that could alleviate this situation, ensuring that targets for development cooperation and international health are reached. One of the best tools is a European Financial Transactions Tax (FTT).

In January 2013, 11 EU Member States (*Germany, France, Italy, Spain, Portugal, Greece, Belgium, Austria, Slovakia, Slovenia, and Estonia*) agreed on introducing an FTT in their countries within the 'enhanced corporation procedure'.[1] The draft directive for the introduction of the FTT prepared by the EU Commission has been discussed among the member states since the beginning of 2013. On the basis of the current directive, revenues of €35 billion could be generated annually. Besides the market stabilising effects that an FTT would have, one major benefit of the introduction of the tax would be its potential to hold the financial sector accountable for the costs of the crisis it has caused.

The draft directive by the European Commission for an FTT shows that revenues of €35 billion could be generated annually.

As a direct result of the financial crisis, developing and emerging country exports, migrant remittances, capital flows and foreign aid have all been lower than expected. The allocation of the FTT revenues for development financing is therefore not only a great opportunity to safeguard increasing ODA and ODA for health in the coming years, but also a moral duty.

France has introduced a national FTT with the allocation of a small revenue to health aid. While this illustrates a strong example of political will, it has not been as effective as it could have been. Instead of supplementing France's existing ODA allocations, in this case the FTT

[1] Council of the European Union: Financial transaction tax: Council agrees to enhanced cooperation, Press Release 5555/13.

has replaced them. Therefore, coalitions including AfGH have continuously stressed the importance that FTT revenues are in addition to existing resoueces. In order to avoid this replacement of funds, governments, NGOs and other advocates must make sure that revenues from an FTT lead to a significant overall increase in health and development financing to reach global health targets.

The Health Funding Gap

Due to cost escalations, decreasing budgets for development cooperation and the impact of the financial crisis on developing countries, the global health funding gap is growing.

According to the Global Strategy for Women and Children's Health, the overall funding gap for the health MDGs among the 49 lowest-income countries in the world will increase from US$26 billion per year in 2011 (US$ 19 per capita) to US$42 billion in 2015 (US$ 27 per capita)[2]. More specifically US$ 76 billion will be needed in the next 3 years to cover 87% of the funding needed for the fight against TB, HIV and malaria[3].

Even though an FTT in Europe couldn't fill this entire gap, it could help enormously to address the health challenges and increase access to healthcare. National governments have primary responsible for the health of their population but an FTT could raise significant funds for disease response and health systems strengthening in poorer countries, as well as supporting the increase of domestic resources for health.

Recommendations

1. Implement a broad-based FTT in Europe on the grounds of enhanced cooperation as soon as possible.
2. All Action for Global Health countries (Germany, Spain, The Netherlands, United Kingdom, Italy) should introduce the Financial Transaction Tax. The Netherlands and the United Kingdom should join the enhanced cooperation procedure and review their current opposition to an FTT.
3. Allocate a significant share of FTT revenues to the public global good, by financing development cooperation, including global health, and the fight against climate change.
4. Make sure revenues from an FTT that are allocated towards development cooperation and the fight against climate change are additional and do not substitute existing ODA budgets, but lead to a significant increase in the relevant budgets.

[2] http://www.everywomaneverychild.org/images/content/files/global_strategy/full/20100914_gswch_en.pdf

[3] Joint CSO paper : Ending AIDS, Tuberculosis and Malaria: How the Global Fund Can Make the Difference available at http://www.ghadvocates.eu/wp-content/uploads/2013/07/1305_position_paper_global_fund_web.jpg