

Rt Hon Gordon Brown MP
Prime Minister
10 Downing Street
London
SW1A 2AA

12 March 2009

Dear Prime Minister,

We are writing to congratulate you on your leadership in establishing and chairing the Innovative Financing Taskforce of the International Health Partnership (IHP). As the G8 countries explore how to deliver on commitments to health, it is imperative to locate and harness hitherto untapped income streams. Since the Currency Transaction Levy is capable of generating significant volumes of ongoing funds for long term health-related international development Civil Society Organisations across the world strongly recommend that this proposal goes forward for consideration at the forthcoming G8 meeting in Italy where large-scale financing instruments will be discussed.

Why does this initiative have so much potential? Firstly, trading volume in the foreign exchange (FX) market has now topped \$1,000 trillion a year. In this financial crisis, unlike most other areas of the finance industry, the FX market is still growing. This provides a very solid base from which the Currency Transaction Levy can produce a robust, sustainable and substantial income stream. As well, the market is fully electronic. Collection would be computerised with payment automatic every time a currency trade is settled. Thus it is efficient and inexpensive to implement with little scope for avoidance. Jonathan Freedland in his column in the Guardian of 25 February wrote of "levying a tiny percentage on every foreign exchange transaction" as an initiative that President Obama alongside our own Prime Minister might pioneer. In so doing Freedland adds his name to the likes of Larry Elliott, Bob Geldof, and eminent development economists, Joseph Stiglitz and Jeffrey Sachs, who have recently been published saying that of all times now is the moment to proceed with this proposal.

Financial transaction taxes are commonplace throughout the world on bonds, stocks and ordinary transfers. Examples include the UK stamp duty on shares that at a rate of 0.5% raises more than £5 billion each year for the Treasury and, in the US, a micro-tax on securities' transactions that funds the Securities and Exchange Commission. Indeed, the fact that to date there has been no levy on foreign exchange trades is an anomaly. At a time when the financial crisis has prompted a wholesale review of the entire banking system, this is an ideal time to seriously address the implementation of this measure.

This proposal differs markedly from James Tobin's proposition because the proposed rate of 0.005% is 200 times smaller than the rate Tobin proposed. This is too small to alter decision making in the market and yet high enough to yield a sizeable revenue stream. In recent work for the UN University, Professor Rodney Schmidt undertook the most detailed econometric modelling to date, showing this rate is too low to affect market structure whilst at the same time producing potential revenue of the order of \$30-40 billion a year.

Finally, the UNITAID drug purchase facility (supported by the UK Government) which is principally financed through aviation levies, represents an important precedent since it is funded through nationally collected tax revenue, pooled internationally, and spent on a global public good.

For these reasons Civil Society Organisations strongly recommend the inclusion of the Currency Transaction Levy in discussions at the G8 meeting in June as one of the most promising financing instruments to enable the IHP and the G8 to deliver on their health commitments.

We look forward to hearing from you at your earliest convenience.

Yours sincerely,

**The following undersigned organisations including:
Actionaid, Cafod, Christian Aid, Oxfam and Save the Children**

This letter to the Prime Minister is signed by the following UK organisations and networks:

Action for Global Health

Action for Southern Africa (ACTSA)

Actionaid

Africa-Europe Justice & Peace Network

The Baptist Union of Great Britain

Cafod

Christian Aid

The Communication Workers' Union

European Public Health Alliance

Hope for Children

The International HIV/AIDS Alliance

The Methodist Church

Oxfam

Results

Save the Children

Stamp Out Poverty

The Stop AIDS Campaign

Tearfund

The United Nations Association (UNA-UK)

The United Reformed Church

War on Want

The Welsh Centre for International Affairs

For correspondence purposes please contact Anton Kerr of the International HIV/AIDS Alliance, akerr@idsalliance.org or David Hillman of Stamp Out Poverty, dhillman@stampoutpoverty.org