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The G20 to discuss a bold new plan for financing development

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Today South Africa will have the opportunity to demonstrate leadership for the developing world as the G20 Finance Ministers gather in Washington D.C. to discuss a bold new plan for financing development, health and climate change.

The financing mechanism under discussion is a Financial Transaction Tax (FTT) that could potentially raise hundreds of billions of dollars to be spent on internationally agreed upon development priorities. This would involve placing a modest levy on financial transactions, between 0.005 and 0.5%. Transactions under discussion include equities/shares, debt/bonds or currency and their derivatives. Covering a range of financial transactions will maximise the revenue raised for development.

The tax has recently gained momentum with high-level political and public backing. France, the current chair of the G20, is pushing for adoption of the tax as a priority on the agenda of the G20, aiming to implement the tax by November of this year.

?South Africa already has an FTT in place, joining the global call for the establishment of FTT?s to raise additional funding for development could help secure significant new resources so desperately needed to meet commitments to the right to HIV treatment and broader health? says Vuyiseka Dubula, Treatment Action Campaign (TAC) General Secretary.

Leading economists including Nobel Prize winners Jeffrey Sachs, Paul Krugman and Joseph Stiglitz are backing the tax and on 13 April 2011 a letter signed by over 1000 economists was delivered to the G20 finance ministers supporting the tax.

Further, TAC supporter, Ethical Currency proves that this is possible through its first ever Currency Transaction Tax Levy (CTL) pay-out to the TAC, demonstrating that the CTL is feasible, easily implemented, calculated and collected. The CTL is calculated by multiplying the nominal amounts traded/exchanged through Ethical Currency by 0.005%.

Alastair Constance, Director of Foreign Exchange Trading at Ethical Currency says, ?I hope that future CTL payments are larger and we?re working to make them so. We hope that our small contribution goes some way to proving that the CTL (FTT) is feasible and desirable and helps the case for widespread take up.

As the only African country with G20 membership, South Africa must use its unique position to promote policies that support development in the region and across the developing world. Within the G20 South Africa must back France, Germany and other countries in their plans to implement the tax.

In addition, South Africa must investigate implementing its own financial transaction tax to raise money for development. The country already has a financial transaction tax in the form of a 0.25% tax on equity transfers, excluding new shares issued. This tax has not unduly negatively affected financial transactions.

?Significant funding gaps continue to undermine global progress to meeting internationally agreed upon development targets on HIV coverage, health, education, poverty, sanitation, housing and climate change. The financial transaction

tax could close the funding gaps and put the world on track to meet the millennium development goals by 2015.? says Anton Kerr, Head of Policy, The International HIV/AIDS Alliance.

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