

New Sources of Development Financing

Through the Millennium Development Goals, the international community has committed itself, within the UN, to reduce extreme poverty by half by 2015. This is a challenge for the developing countries, which need to expand their efforts with respect to poverty reduction, as well as for the wealthy countries, which need to contribute, if this ambitious goal is to be met. Aid needs to be doubled if poverty is to be halved. A development round in trade is imminent and, in addition to current development aid, new financial resources of about 50 billion dollars per year are required. The European Union has decided to increase substantially its development cooperation over the coming years. At the same time, new sources of development financing need to be made available.

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Innovative instruments for development financing which are under discussion include taxes on international financial transactions (“Tobin-Tax”), the information society (“Byte-Tax”), fossil fuels (CO₂-Tax), air tickets and the international arms trade. The various possibilities differ considerably with respect to their political acceptance, technical complexity and financial potential. A solution as universal as possible is needed in order to avoid competitive disadvantage and free riders. In this regard, there are voices calling for a Tobin-Tax on a European level. The mobilisation of new resources requires that they are used effectively and efficiently. Increased cooperation and coordination among donors, as well as orientation towards development successes, should provide an adequate framework to allow for the effective use of additional resources.

The Swiss Government remains sceptical. The Federal Council dismisses calls to contribute to new, global taxes, yet it is prepared to examine proposals on a case-by-case basis. France’s initiative for a solidarity levy on air tickets (see graph) offers a tangible opportunity to put this open attitude into practise. Such a fee would also fit into Swiss environmental policy on air traffic and so it would represent a “double dividend” for both development and the environment. It could be introduced unilaterally, is technically feasible, does not discriminate economically and is politically viable. Fourteen countries, including Brazil, Chile and Norway, want to follow France and also charge taxes on air tickets. An international working group, representing 40 countries, has been asked to address further possibilities of finding innovative mechanisms for financing development.

The Air Ticket Levy

Air traffic is a driving motor of globalisation. It could also contribute to financing development. The vision is: whoever boards a plane should pay an additional charge, which is graded depending upon distance (domestic, European, intercontinental) and class (Economy, Business/First), to contribute to international development efforts. The total income will vary depending on the number of countries that introduce the levy. France starts taxing as of July 1st, 2006. The income flows into the “International Drug Purchase Facility” and is dedicated to the fight against HIV/AIDS, tuberculosis and malaria. However, this “Chirac’s tax” is no more than a first step towards making additional resources available for the fight against poverty.



Depending on the travelled distance, passengers pay:
1 – 4 Euros per Economy Class Ticket;
10 – 40 Euros per Business/First Class Ticket.



Resulting in an estimated income of:
4 billion Euros if introduced globally;
1 billion Euros if introduced in Europe;
200 million Euros if introduced by France.



Facilitates, for example:
a reduction in infant mortality;
a provision of HIV/AIDS medication.

Sources: Weltwirtschaft & Entwicklung SD / 2005; SDC, New Sources of Development Financing, Bern 2005; Bundesversammlung (Federal Assembly)