

A Suggested first L20 package for 2006-07

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Any L20 package suggested here can be only a draft of a draft. The one that follows aims to strike at two points where the iron may just happen to be hot at the moment. It aspires to win agreement from the US for two items of potential longer-term importance by demanding very little concrete action or finance in the short term. Briefly it is:

1. To set in place a framework for a general air-ticket levy for global purposes;
2. To make the first-priority claim on the proceeds of the levy the adequate funding of the UN's new Central Emergency Response Fund (with the residue devoted to health objectives, particularly research on, and prophylaxis and treatment of, contagious diseases important in poorer countries ---malaria, AIDS and tuberculosis, together possibly with 'neglected' tropical diseases such as trachoma, leishmaniasis, and sleeping-sickness);
3. To provide an acceptable vehicle for administering in the first instance and allocating funds that may be raised in this way by coordinated cross-national action for global purposes.

1. Air-ticket levy

What I propose as the aim here is agreement 'in principle' on an air-ticket levy for global purposes as put forward in the Declaration on Innovative Sources of Finance at the UN Millennium Review summit in September 2005. This declaration has been signed, then or since, by around 80 countries. I suggest that the levy should be at an agreed uniform *ad-valorem* rate, say 5%, with each jurisdiction imposing and collecting it on all air-tickets for journeys, domestic or international, *starting* within that jurisdiction. The words 'in principle' would imply that the participants in the L20 would not necessarily commit their governments to apply the levy straight away, but that they would accept it as a world aspiration and would cooperate as might be required in its implementation on the part of those governments that had agreed to apply it. Various estimates from rates that could well be regarded as moderate point to yields of the order of \$10 billion a year if the whole world were to participate. Thus the Landau Report calculated that a 5% tax on first- and business-class tickets alone would raise around \$8 billion.

The levy, called a 'solidarity contribution' in the French 2005 proposal, would have the following points *either* in its favour from a global standpoint *or* conducive to its acceptance.

- It is 'on the table' at a Ministerial meeting in Paris involving a large number of countries that have expressed an interest, within the month in which we are meeting. It was put forward at first by France, Brazil, Spain, Chile and Germany; and France, Britain and Chile have apparently made a definite commitment to take part in it if it were to be established by wide agreement.
- It would have at least a crude 'double-dividend' character in that it would compensate in some degree for the distortion implied by the non-taxation of airline fuel while fuel for other transport purposes is usually and often heavily taxed---even though air travel is a major source of greenhouse emissions.
- It would fall mainly on a relatively rich minority of the world's people.
- Full participation by every country would not be necessary, as the French proposal recognized. There would be little or no ground for a country that applied a levy which

was not universal elsewhere to fear competitive distortions or disadvantages as a result. This is because passengers have to *start* journeys from *where they are*. Tactically, making actual raising of the levy voluntary (even for those states that approved the setting-up of the framework) would mean that agreement to the scheme by any L20 participant would *commit* it to virtually nothing definite other than approving some institutional developments in the relevant international forums. Clearly some major countries would need to promise active participation if the creation of the scheme was to have any substance, but France and Britain are already committed, and it would be hard for the other original proponents of the levy not to play a full part. And the existence of the levy framework, with some major active participants, would provide a rallying point for advocacy elsewhere.

- It would be administratively cheap: collected through airlines---a relatively small number of agencies---by the simplest and most transparent form of imposition. (Cost of imposing the UK's specific levy is reported to be c. 0.1% of revenue.)
- It would be of a size at which it could realistically be devoted, with significant effect, to reasonably specific purposes of bumper-sticker potential.
- As the first of its kind (a coordinated set of nationally imposed levies, in principle universal, earmarked for global purposes) it would set a precedent (perhaps break a taboo) and demand the erection of institutions that could make future levies of comparable character more readily conceivable.

2. Priority first for disasters and emergencies, secondly for health goals

I suggest that, as the second arm of the package, the first priority for allocation of the air-ticket levy's proceeds should be adequate funding of the UN's new Central Disaster Response Fund (and possibly any other multilateral provision necessary to respond to disasters, including famines, genocide and ethnic-cleansing). What would constitute adequate funding would depend in part on the level of response to be accepted, and it would be determined by the institutions whose creation is proposed under 3 below. The Secretary-General expressed confidence in December 2005 that he would find \$500 million for the first year, but at the time the announcement was made only \$200 million had been committed. Even if the whole amount is committed for 2006, it would be by no means clear that this would be enough to cover adequately a year's emergencies or that the commitments would necessarily continue (and be honoured) at that rate.

2005 was the bumper year for emergencies stemming from natural and anthropogenic disasters: the Asian tsunami; hurricanes and floods in Central America and the US Gulf Coast; famine in Niger, Mali, the Horn of Africa and Southern Africa; the Darfur atrocities; the Kashmir earthquake. Disasters are in the public eye as never before. Except possibly for the response to the tsunami, the deficiencies of emergency help have been all too evident. The UN has so far been expected to act with a one-off revolving fund of \$50 million and to beg for replenishment of what it spends, and of course has been blamed for not doing more.

This in 2006 is surely a bumper-sticker cause. The idea that disasters should be met by a kind of international social-insurance is thoroughly defensible. The air-ticket levy, with say 50% participation initially, would presumably raise more than enough to cover regularly any reasonable concept of disaster response. Institutions for allaying any hysteria that may arise over committing large sums to the UN are considered below.

I suggest that any surplus from the air-ticket levy should be devoted to developing-country health needs. The WHO 2001 (Sachs) Report of the Commission on Macroeconomics and Health identified a funding gap per year estimated at \$22.1 billion in 2007 and \$30.7 billion in 2015 for meeting the health aspirations of the MDGs (which refer to AIDS, malaria and tuberculosis, and child and maternal health needs). Some extra health-aid commitments have

been made since then, but not on anything like the scale suggested. There is still plenty to be done. (The neglected diseases mooted above are largely outside the MDG aspirations, and it would be for the institutions set up under the arrangements proposed below to determine the detailed priorities.)

3. A new World Bank arm as an intermediary

The proposals above entail a new source of funds, with priorities for their use expressed in general terms. There would need to be some body that made the operational decisions on allocating the funds. That body ('the intermediary') would naturally take responsibility for monitoring the uses made of the funds it had allocated. In the present and similar cases it might be expected to report accordingly to those that had raised the funds and those from whom they had been raised. At the same time its own decisions would need to be subject to scrutiny in order to establish that its allocative decisions had fulfilled the brief given to it for the uses of the funds.

The case for constituting the intermediary as part of the World Bank is that this would be a variant of the Bank's normal allocative role; that the Bank is the multilateral with by far the most technical and intellectual resources for this purpose; and that, among the multilaterals, it rouses less hostility and suspicion in the US than the possible alternatives.

So, as the third item of the package, I suggest that the intermediary should be a new arm of the World Bank authorized:

- to make *grants* for development and welfare purposes, though not necessarily to the exclusion of loans;
- to administer funds that it has received *earmarked* for particular classes of use;
- to make funds available not only to national governments but *also to other multilaterals*, including multi-sectoral global funds, (and possibly also to NGOs), with a wide discretion over the closeness with which the purposes of the funds should be specified.

In the particular case I am supposing, the intermediary might decide, for example, to commit a large share of the funds raised in a particular year from the air-ticket levy to the UN Central Disaster Response Fund and the rest (with or without closer specification) to the Global Fund against AIDS, Tuberculosis and Malaria and/or the Vaccine Fund. Alternatively it might allocate some part of the funds directly as grants to particular governments for specific health projects. It would monitor the uses of the funds, which, for cases in which they were given without further earmarking to the other multilaterals, would involve monitoring the general decision-making and administration of those bodies. In turn, the L20, if it had pursued this package, would have sought to have the brief proposed for the use of the air-ticket-levy proceeds validated by the UN General Assembly. The General Assembly, through the Secretariat, would set up a small outside monitoring body, probably of international civil servants from various agencies, to monitor the allocative decisions of the World Bank intermediary for conformity to the brief. By this system of mutual monitoring, reflex suspicions on both sides might be allayed--or honour at least satisfied.

The same institutions and procedure could subsequently be applied, *mutatis mutandis*, in other similar cases in which funds for 'development' or other GPGs were to be raised by joint cross-national action. Their existence would remove one obstacle to such action.

An advisory inter-agency committee of civil servants (possibly from just the Bank and the UN Secretariat, possibly wider) might meet to draft in detail the institutional changes. This format (with the Secretariat, the Bank and the IMF) apparently worked well in the preparation of the Finance for Development process.

The L20 members, in agreeing to this package, would undertake to use their positions in the relevant bodies--the World Bank and the UN--to support validation of the measures agreed.