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Press release

Transaction tax necessary to meet development needs, say MEPs

EU Member States must not only deliver on their international aid pledges, but also bring in a financial transactions tax and consider a possible temporary debt moratorium, to help developing countries to cope with the effects of the global financial and economic crisis, say MEPs in a resolution adopted on Thursday. At least 25% of the EU's CO2 emission trading revenue should be allocated to the fight against climate change in developing countries, they add.

"During the years running up to the current crises the developing countries already suffered from the food and energy crisis as well as from the impact of climate change. The financial crises exacerbated the difficult situation of these countries (…)

The initially economic crisis is becoming a development, social and humanitarian crisis", declared the rapporteur Enrique Guerrero Salom (S&D, ES), presenting his report in plenary on Wednesday.

The resolution was adopted with 283 votes in favour, 278 against and 15 abstentions.

"Fulfilment of the Official Development Assistance (ODA) commitments is imperative but still not sufficient to tackle the development emergency", so additional innovative sources of development funding are needed, say MEPs.

Need for a levy on international transactions

MEPs are convinced that taxing banking transactions "would be a fair contribution from the financial sector to global social justice". At the same time, they call for an international levy on financial transactions to make the tax system more equitable and to generate additional resources for development funding and global public goods such as water.

Financing climate change measures in developing countries

MEPs call on EU Member States and the European Commission to agree, within the European Union Emission Trading System framework, "to devote at least 25% of the revenues generated from the auctioning of carbon emission allowances to support developing countries in coping with climate change."

Possibility of temporary moratorium on debt repayments

Developing countries are expected to face a huge financial shortfall (estimated at US$ 315 billion in 2010), which imperils spending in vital areas like education, health and social protection, says the resolution

MEPs therefore consider it appropriate "to explore the grounds for an agreement with creditor countries to establish a temporary moratorium or debt cancellation for the poorest countries to enable them to implement countercyclical fiscal policies to mitigate the severe effects of the crisis." Parliament proposes "efforts to facilitate arrangements for debt arbitration".

Combating tax havens and illicit capital flows

MEPs warn that "the negative impact of tax havens may be an insurmountable hindrance to economic development in poor countries", because it undermines national tax systems and increases the cost of taxation.

Tax fraud in developing countries leads to an annual loss of tax revenue corresponding to 10 times the amount of development aid from developed countries, the report underlines.

MEPs therefore call for "a new binding, global financial agreement which forces transnational corporations, including their various subsidiaries, to automatically disclose the profits made and the taxes paid on a country-by-country basis, so as to ensure transparency about sales, profits and taxes."

Reducing remittance costs

One very direct consequence of the crisis for developing countries is the drop in remittances, the money sent home by migrants working abroad. Remittances fell by an estimated 7% in 2009 compared to 2008, which in turn had a considerable impact on the GDP of low-income countries.

To help remedy this, MEPs "ask Member States and recipient countries to facilitate the delivery of remittances and to work towards the reduction of their costs" and welcome the G8 commitment made in L'Aquila "to reduce the cost of remittance transfers from 10 % to 5 % in 5 years."

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