

WHERE IS THE MONEY?

**6 WAYS TO SCALE FINANCE FOR
CLIMATE AND DEVELOPMENT NEEDS**

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Conclusion

In recent years, the price tag of fighting extreme poverty, ensuring access to health and education for all, and addressing the climate crisis have steadily gone up.

The number of people going hungry every day has more than doubled since the pandemic. The green transition is a systemic challenge never faced by humanity, and the timeline is fast accelerating. Our global needs have far surpassed the funds that would be generated if every developed country actually met the .7% of GNI target for ODA.

We now need to look for additional trillions of dollars.

For two years, the reform of the global financial system has been on top of the political agenda, very often reduced to the reform of the multilateral development banks though. Ultimately, reforming the development banks will mobilize billions, if not trillions — but it won't be the silver bullet since all the financing will come from loans. In addition, more grant funding, at unprecedented scale, is needed to be able to fully support the poorest and highly indebted countries facing the polycrisis.

The reform of the global financial system won't succeed without a massive scaling of grant financing. This is possible, even in the short term.

This briefing highlights six concrete proposals:

- 1 taxes on the super rich
- 2 taxes on financial transactions
- 3 taxes on fossil fuel
- 4 taxes on air transport
- 5 phasing out fossil fuel subsidies
- 6 redirecting the freed money on-lending of Special Drawing Rights (SDRs)

All options have been implemented by some countries, and can be driven forward by individual countries without having to engage in lengthy global negotiations. Almost all of these ideas will generate significant sums of money in the form of grants. Several of the proposals also have the benefit of ensuring that those damaging our climate the most start contributing. They can be designed in a way that they don't weigh on the poor. While larger economies which adapt these ideas will yield the most revenue, smaller-income countries can also benefit by implementing. This paves the way to a truly global way of funding development and climate. Several of them come in the form of taxes or levies. Despite being seen for a long time as a taboo, they should be considered common sense. Now is the time to scale up financing for the world's poorest and most vulnerable countries.

"In the face of this report's findings, we must act with unprecedented urgency. We have the solutions—from levies on heavy emitting sectors to innovative financing mechanisms. What we need more than ever is the courage to implement them for global prosperity. The time for bold action is NOW. We cannot afford to wait. The climate crisis is sending more people into poverty and making it nigh impossible for poor people to stop being poor and vulnerable communities to stop being vulnerable. We must work together to forge a future where economic justice and environmental sustainability are not mere goals, but realities for our people. The moment to act is not tomorrow, but today!"

- Mia Mottley

Prime Minister of Barbados

"Next year's Financing for Development Summit will be critical to make progress on the Sustainable Development Goals. But our work to urgently mobilize financing from all sources and scale up our ambition to address global challenges, in particular those faced by the poorest and other vulnerable countries, must start now.

The Global Citizen Briefing is an important contribution to this search for bold and innovative multilateral solutions, such as specific taxes, levies and the use of Special Drawing Rights, to help finance our transition towards a fairer, greener and more sustainable development model for our planet and for humanity as a whole."

- **Pedro Sánchez**

Prime Minister of Spain

Who says no to an additional \$675 billion per year?

If we only take the proposals which are ready to implement and have been costed, we could generate at least **\$675B per year in grants**.¹ This doesn't even take into account all tax options, the amounts which will be freed once fossil fuel subsidies are being phased out and the full potential of the SDRs. This shows what's possible - if we are ready to act!

Why we need more grant funding

Loans are critical, but they need to be subsidized to be accessible for poorer countries. For some highly indebted, poor countries, loans are no solution; to support them, more grants that don't have to be reimbursed are needed. There are also priority areas that require massive scaling of grants, as they don't yield a financial return, such as providing access to education or addressing loss and damage.

GLOBAL MINIMUM TAX ON VERY HIGH NET WORTH INDIVIDUALS

Billionaires have increased their wealth by [\\$2.7B a day](#) since 2020, and emit 1 million times the carbon dioxide of an average person. But billionaires globally effectively pay [less than 1%](#) in tax.

GLOBAL MINIMUM TAX ON VERY HIGH NET WORTH INDIVIDUALS

PROPOSAL & REVENUE

Hence, a [globally coordinated minimum tax on billionaires](#), equal to 2% of their wealth, is a tool to address loopholes in existing tax systems and ensures that the amount of tax effectively paid cannot fall below a certain amount. The minimum tax would apply to less than 3,000 high-net value individuals worldwide, raising close to \$250B and would follow the same logic as the minimum tax for multinational companies that has been endorsed by more than 140 countries and territories in 2021.

WHO'S DONE IT

Countries like Sri Lanka, Argentina, Bolivia, Colombia and Spain are moving forward on taxing the wealth of the richest. [Similar discussions](#) are happening in Kenya, Canada, China, Chile, the Netherlands and Malaysia.

PROSPECT

In February 2024, the proposal of a global minimum tax on billionaires was [discussed at the G20](#). US President Joe Biden has called for a "billionaires tax," most recently in his [State of the Union speech](#) in March 2024. [260 millionaires and billionaires](#) themselves have signed a letter in January 2024 demanding to be taxed more.

GLOBAL MINIMUM TAX ON VERY HIGH NET WORTH INDIVIDUALS

EFFECTIVE TAX RATES

ULTRA RICH/BILLIONAIRE

<1%



AVERAGE EMPLOYEE IN THE EU

35%



average in the EU of the income tax: 35.12% in 2022, [Statista](#)

MULTINATIONAL CORPORATION

15%



minimum global corporate tax: 15% ([EU](#))

In January 2024, 250 billionaires and millionaires wrote an open letter to world leaders:

"Not only do we want to be taxed more but we believe we must be taxed more. We would be proud to live in countries where this is expected, and proud of elected leaders who build better futures. As the wealthiest members of society, we would be: Proud to pay more to tackle extreme inequality."

[Proud to Pay More](#)

"This is clearly a carpe diem moment—not only because the stakes are so high and the costs of inaction so great, but because such measures are more feasible than ever"

- Jayati Ghosh
Indian Economist
[Social Europe](#)

FINANCIAL TRANSACTION TAX

Financial transactions, such as buying and selling a share, go untaxed in many countries, contrary to other transactions, such as buying a shirt. At the same time, transactions on shares have been [constantly going up](#), even during crisis times. Existing stock market taxes, such as the UK and France share transaction taxes, have [not negatively impacted](#) liquidity of capital markets and do not impact the average citizen, who hardly buys any shares. But they can raise significant revenues.

FINANCIAL TRANSACTION TAX

PROPOSAL & REVENUE

Introducing a tax rate of .5% on shares in G20 countries could raise between \$169 and \$281B² per year. It could be implemented at the country level, on all exchanges of shares of companies located in the given country, regardless of the nationality or location of the buyer and be collected by existing national or regional authorities or share trading venues. Even better, there is [no need for a global agreement](#) to implement this.

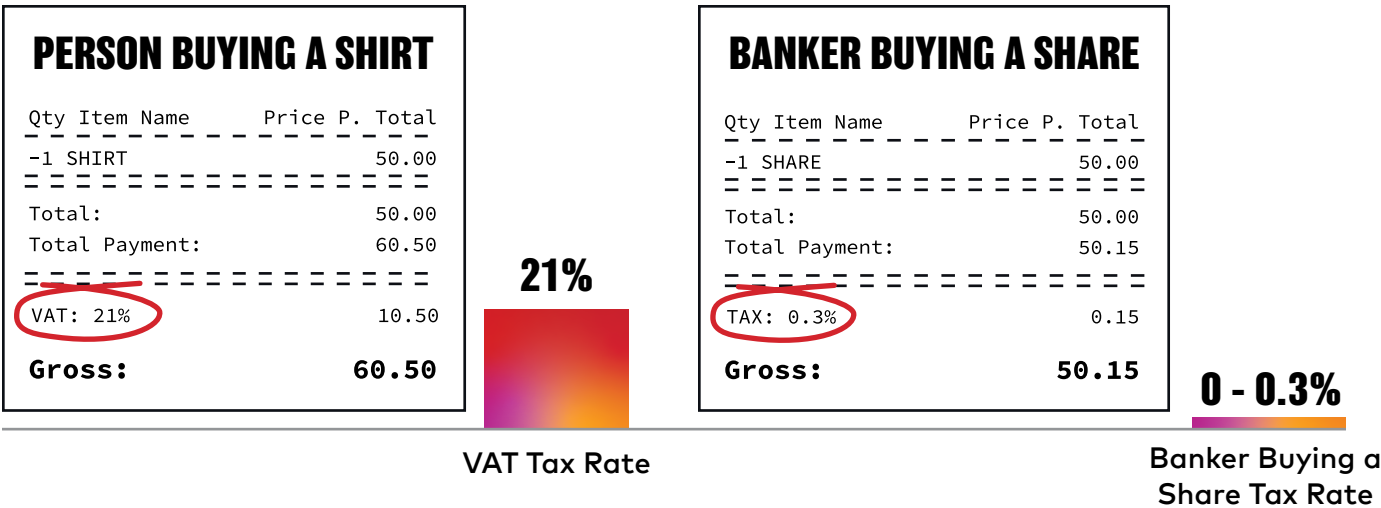
WHO'S DONE IT

More than 30 countries have a form of stock market tax. It is even the oldest tax in effect today in the UK, called the stamp duty, created in 1694. France is currently the only country with parts of the revenues being used for development and climate.

PROSPECT

The EU has been discussing a [proposal](#) to introduce a Financial Transaction Tax (FTT) generating \$61B per year, starting in 10 Member States. However, discussions have not progressed since 2021. Notable economists such as Nobel Prize winners Paul Krugman and Joseph Stiglitz, as well as Larry Summers [support a FTT](#). A [letter](#) from more than 100 economists in 2021, states that "introducing FTTs [is] long overdue and timely (..)". The finance sector has continued to fare strongly and even to thrive despite the pandemic and can afford this extra tax burden." [Bill Gates](#) has also been supporting the idea as a good way of raising additional resources for development.

FINANCIAL TRANSACTION TAX



FOSSIL FUEL TAXES

While coal, oil, and gas companies are by far the main contributors to the climate crisis, accounting for [more than 75% of global greenhouse gas](#) emissions, the five big oil and gas firms have made [\\$281B profits](#) in the past two years.

FOSSIL FUEL TAXES

PROPOSAL & REVENUE

There are multiple ways in which fossil fuels companies can pay for heating up the planet, this includes directly targeting extraction or companies' profits. One such [proposal](#) is a fossil fuels extraction levy: a fee on the extraction of each ton of coal, barrel of oil, or cubic meter of gas, in line with the amount of CO₂ embedded within the fossil fuel. This could generate at least \$210B per year.³ Another [proposal](#) would be a permanent tax on fossil fuel corporate income (not only on 'excess profits').

WHO'S DONE IT

While no permanent solution is in place, the EU agreed in 2022 on a temporary solidarity levy of 33% on fossil fuel companies' profits exceeding 20% of their average profits. Some member states have applied [even higher rates](#). The UK also implemented a [windfall tax at 25%](#) in 2022, increasing to 35% in 2023. Colombia taxes windfall profits in the energy sector [up to 15%](#). While these measures only target excess profits, and therefore do not reflect the permanent burden that the fossil fuel industry imposes on our planet, they show that when political will is there, measures can be set up in record time.

PROSPECT

Discussions on an internationally agreed fossil fuel tax are ongoing in various forums, such as the UN. Citizens are generally very supportive. For example, [76% in the UK](#) want to see fossil fuel companies share their profits.

"One way or another, there needs to be government intervention that somehow results in protecting the poorest. That may mean governments must tax people in this room to pay for it."

- Ben van Beurden

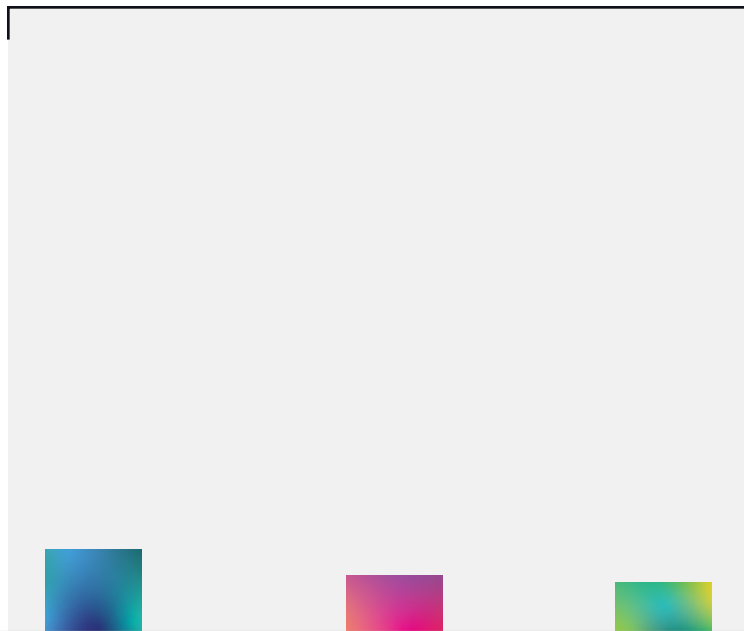
Shell CEO

at the Energy Intelligence Forum in London in 2022 ([Reuters](#))

REVENUES



NEEDS



**NEEDS FOR THE ECONOMIC
COST OF LOSS AND DAMAGE:
\$580 BILLION**

annually by 2030 in
developing countries⁴
([Markandya & González-Eguino](#))

**NEEDS FOR CLIMATE
ADAPTATION:
\$215-387
BILLION**

annually ([UNEP](#))

In 2022, oil and gas companies
made record profits -

\$4 TRILLION
I.E. \$13M PER MINUTE

**NEEDS FOR FOOD SECURITY:
\$300-400 BILLION**

of additional investment per year
for food systems transformation
([World Bank](#))

AIR TRANSPORT TAXES

The aviation sector as a whole accounts for approximately [11% of CO₂ emissions](#) from transport and has been [one of the fastest growing greenhouse gas emitting sectors](#). Jet fuel goes largely untaxed, due to a tax exemption on kerosene which dates back to 1944.⁵ In 2023, air traffic reached almost the same level as pre-pandemic, where [4.5B individuals](#) traveled by air. Global passenger traffic is projected to [double by 2040](#).

AIR TRANSPORT TAXES

PROPOSAL & REVENUE

Two proposals exist:

taxing kerosene and applying a levy on every ticket sale.

Introducing a kerosene tax of \$.36 in Europe, in line with the rate applied to diesel, would generate almost [\\$29B](#) in revenues every year. For regional or international flights, this requires a re-negotiation of the tax exemption clauses in the [Chicago Convention](#) or bilateral agreements; domestic flights could be taxed right away. Such tax would have [no net impact](#) on jobs or the economy as a whole.

In addition, a 2% levy on airline tickets globally would generate \$17B per year. It is collected as part of the ticket price, for flights leaving the country depending on the distance and gradual for ticket class.

WHO'S DONE IT

At least [42 countries](#) already in the world tax kerosene for domestic aviation, including the US, India, Japan, Australia and Canada. [Several countries](#) also have a solidarity levy on airplane tickets which funds global health, including Cameroon, Chile, the Republic of the Congo, France, Madagascar, Mali, Mauritius, Niger and South Korea.⁶ The UK, Austria, Norway and Sweden also have levies on air tickets, for other purposes.⁷

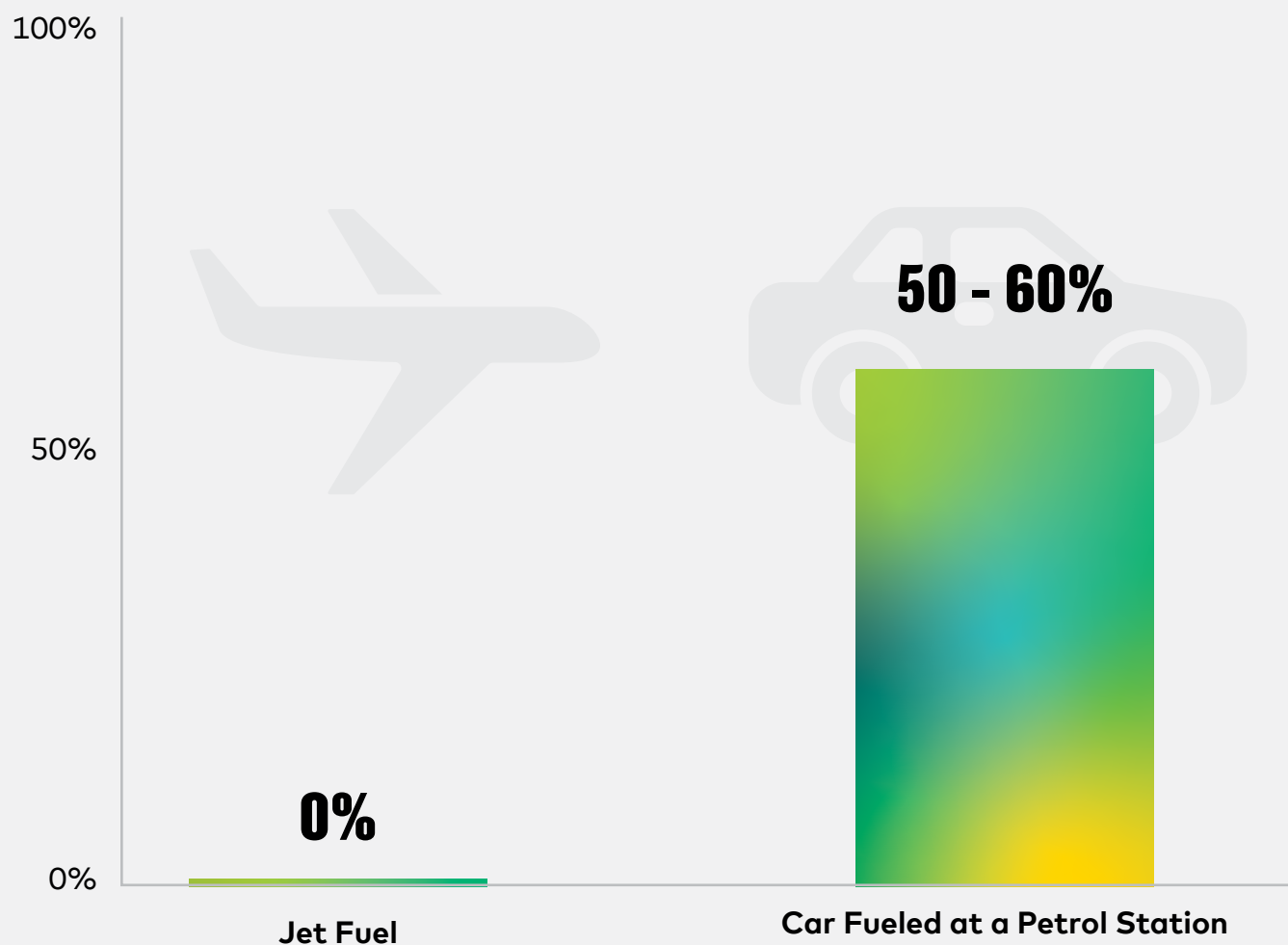
PROSPECT

Back in 2019, a [European Citizens' Initiative](#) called for an end tax exemption on kerosene. For the current [Climate Action Commissioner Wopke Hoekstra](#), the exemption of taxes on kerosene jet fuel is **"the biggest absurdity of all. (...) When I drive my car to a petrol station, 50-60% of what I pay is taxes, but when a jet is refueled, there is no tax due – zero."**

The existing air ticket levy for global health was spearheaded in 2006 among others by Brazil, which holds the G20 presidency this year and could table the idea. In addition, the Maldives developed a [proposal](#) to establish a small passenger charge for international flights channeled into adaptation finance.

AIR TRANSPORT TAXES

WHAT PERCENTAGE OF THE PRICE IS TAX?



PHASE OUT FOSSIL FUEL SUBSIDIES

Since 2009, the G20 has committed to phasing out inefficient fossil fuel subsidies; in 2016, the [G7](#) gave itself 2025 as a deadline. Yet subsidies are far from being phased out. In 2022, total subsidies for oil, gas and coal reached [\\$1.529T](#), which is almost double what the world spends on [education](#) and significantly higher compared to subsidies back in 2010.

PHASE OUT FOSSIL FUEL SUBSIDIES

PROPOSAL & REVENUE

Fossil fuel phase out plans should be included when countries update their [Nationally Determined Contributions \(NDCs\)](#) – i.e. plans to reduce national emissions and adapt to the impacts of climate change in line with the Paris Agreement – due in 2025. Governments should strategically align saved public expenditure toward global goods on climate action and development. Full price reform⁸ could raise revenues of [\\$4.4T](#), 3.6% of global GDP, in 2030.

WHO'S DONE IT

In 2014, Indonesia introduced major reforms, removing subsidies to gasoline. The fuel subsidy amount went [from 1.81% to 0.31% of GDP](#) in 2015. The reforms positively provided much needed fiscal space for social assistance programmes for the poor and for infrastructure development. [Canada](#) has published a methodology for phasing out inefficient fossil fuel subsidies as well as an implementation plan, which has the merit of existing, though it contains [too many loopholes](#).

PROSPECT

Ahead of COP28 in 2023, the [European Parliament](#) called for an end to all direct and indirect fossil fuel subsidies at national, EU and global levels 'as soon as possible and by 2025 at the latest'. The Netherlands launched an [initiative at COP28](#) to join forces with other countries and phase out fossil fuel subsidies.⁹

In 2023, ahead of COP28, more than 100 CEOs and senior executives from Alliance of CEO Climate Leaders called on world leaders to

**“PHASE OUT FOSSIL FUEL SUBSIDIES
IN A JUST AND EQUITABLE WAY”**

([World Economic Forum](#))

Fatih Birol, Executive Director of the International Energy Agency made it clear that

**“FOSSIL FUEL SUBSIDIES ARE
A ROADBLOCK TO A MORE
SUSTAINABLE FUTURE”**

([IEA](#))

SPECIAL DRAWING RIGHTS

In 2021, the International Monetary Fund (IMF) issued the largest allocation of [Special Drawing Rights \(SDRs\)](#) ever, to counter the crisis. However, the poorest 44 countries received only \$45.5B, just 7% of the \$650B, despite the fact that these countries are the ones needing SDRs most to address the afterwaves of COVID and climate change. To address this injustice, the worlds' leading economies committed to channeling \$100B of SDRs to countries most in need at subsequent G7 and G20 gatherings. [\\$108B have been pledged](#),¹⁰ with \$40B agreed and available to be on-lent [through the IMF](#). Of this, [\\$10.2B](#) have been channeled to countries in need.¹¹ Existing pledges now all need to be delivered. More commitments could be made on top of the existing ones, as [an estimated \\$400B in SDRs](#) are sitting idly in countries of the Global North.¹²

SPECIAL DRAWING RIGHTS

PROPOSAL & REVENUE

G7 and G20 nations should rechannel more SDRs to developing countries using the two existing IMF funds,¹³ but also other options. The [IMF on-lends the SDRs](#) as loans at preferential rates, inter alia to help vulnerable countries transition to clean energy or prepare better for pandemics; however, its total on-lending capacity is limited to \$60B. Another [option](#) is to channel the [SDRs via multilateral development banks \(MDBs\)](#) which could leverage every SDR three to four times on capital markets, thereby generating even more financing, again in the form of loans. The African Development Bank (AfDB) has developed such a [hybrid capital mechanism](#) together with the Inter-American Development Bank. Other options to maximize the impact of SDRs for development and climate could be explored, such as SDR bonds¹⁴ or using them to support other institutions such as IFAD.¹⁵

WHO'S DONE IT

20 countries¹⁶ so far have rechanneled SDRs via the two IMF funds.¹⁷ None has channeled SDR through an MDB yet.

Central Banks



You have money sitting in your Outbox waiting to be sent.

Exit and Send Later

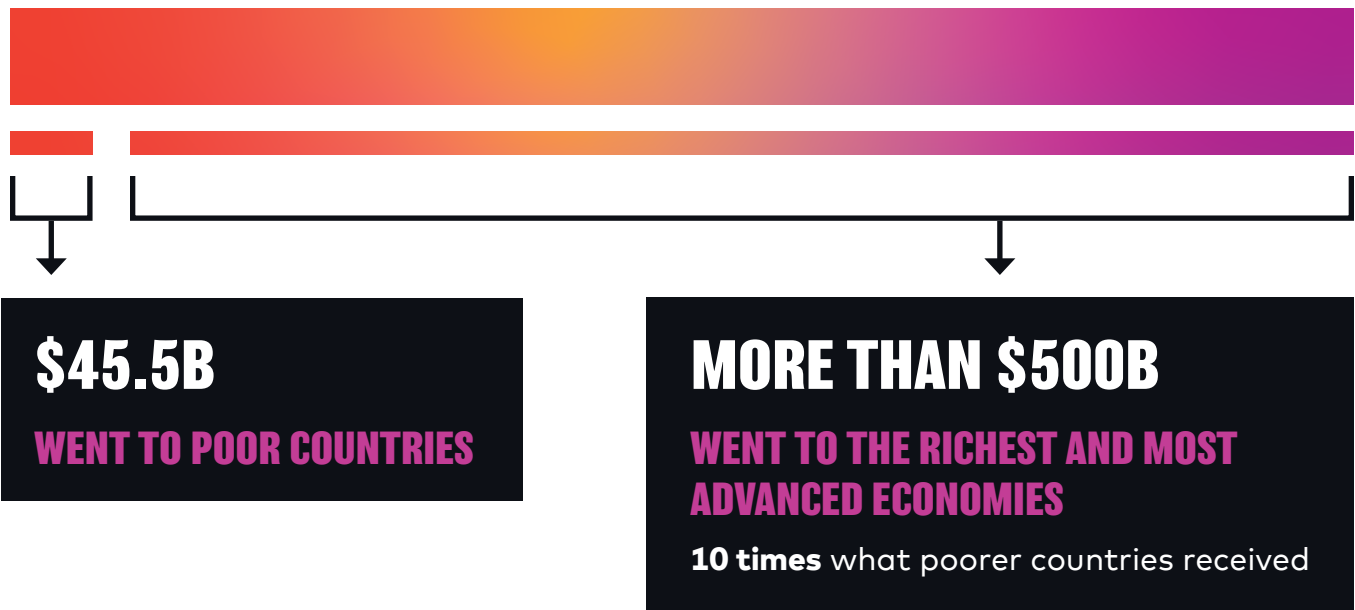
Send Now

PROSPECT

The \$100B target is a [G7](#) and [G20](#) commitment which remains on the agenda. Both groups agreed to "further progress on the exploration of viable options for voluntary channeling of SDRs through MDBs." At [COP28](#) in December 2023, Japan shared that it would be "accelerating its best efforts to make a contribution to the proposed hybrid capital." France is already supporting the AfDB mechanism proposal through a guarantee¹⁸ and other countries are showing interest. Calls for a new issuance of the IMF are also gaining traction. In 2023, African Leaders included a proposal for "a new SDR issue for climate crisis response of at least the same magnitude as the COVID issue (\$650B¹⁹)" in the [Nairobi Declaration on Climate Change](#).

SPECIAL DRAWING RIGHTS

HISTORIC ISSUANCE OF \$650B SDRS IN AUGUST 2021 TO URGENTLY HELP COUNTRIES IN NEED

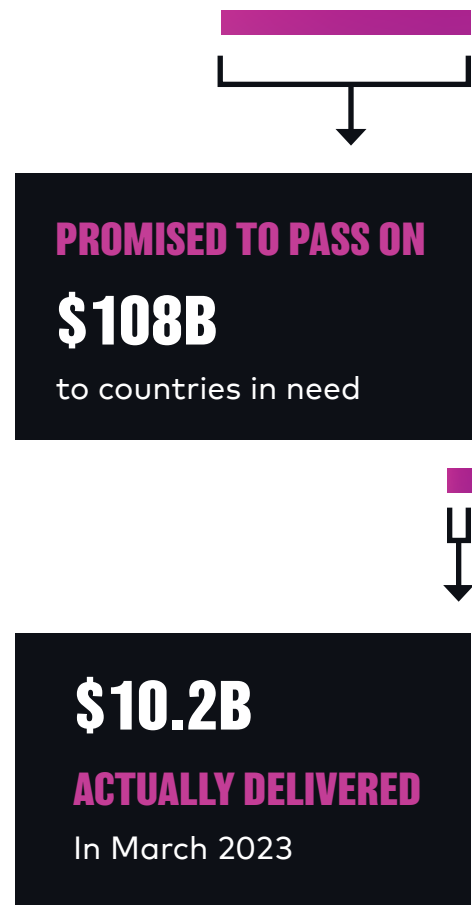


Dr. Akinwumi A. Adesina, President, African Development Bank Group:

"With the huge leveraging effects of rechannelling SDRs to multilateral development banks on accelerating development, perhaps SDRs should also be regarded as 'Supporting Development Revitalisation'" ([AfDB](#)).

Nobel Prize-winning economist Joseph Stiglitz supports rechannelling SDRs

"As the scale of climate change impresses itself more and more on us, we are going to need bolder things. (...) When the time comes and we are frying and somebody says: 'How do we get out of the frying pan?,' this [annual SDR allocations] is one way of doing so." ([Common Dreams](#)).



This briefing clearly demonstrates that we do not have a financing problem. Instead, we have a problem of political will.

**The solutions are there —
leaders just have to pursue them.**

THIS CHALLENGE IS NOT UNPRECEDENTED.

In the early 2000s, when global health did not have enough funding, the world innovated, and created the Advanced Market Commitment for vaccines and vaccine bonds, and some countries implemented airplane ticket levy mentioned above.

After the financial crisis in 2009, the G20 in 2011 commissioned a report with Bill Gates, outlining different possibilities to massively scale financing, including grant financing. The report also featured the financial transaction tax. In 2015, when the world came together to adopt the Sustainable Development Goals and the Paris Agreement, again, the question of financing came to the forefront, with the Addis Ababa Agenda.

Then, in 2020, when the pandemic hit, wealthy nations mobilized funding at unprecedented scale, trillions, but mostly for themselves. In spite of the global nature of the pandemic, climate emergency accelerating, and discussions about reforming the global financial architecture, the world has yet to make any major progress in scaling financing that works for the poorest and most vulnerable countries. Yes, the IMF issued a record number of Special Drawing Rights in 2021, negotiations on a global levy on maritime transport are progressing, the World Bank introduced debt pause clauses in case of natural disasters for existing and new loan agreements, a new task force is looking into other tax and levy options to fund development and climate as is the Brazilian G20.

THIS IS ALL PROMISING.

BUT WE DON'T HAVE TIME TO WAIT.

Solutions are on the table, most of them could be implemented right now by a single government without awaiting others, all of them have been tested.

WHAT ARE YOU WAITING FOR?

**Act Now,
Save Tomorrow.**

HOW TO MAKE SURE THE ADDITIONAL FUNDING GOES TO DEVELOPMENT AND CLIMATE?

Introducing a new tax or getting rid of harmful subsidies in itself won't guarantee more revenue to address global challenges such as hunger or the climate crisis. Treasuries around the world are reticent to earmark revenues in the budget law - though it actually happens frequently. Redirecting the proceeds into the right channel is possible, legally and technically speaking. While as activists, we would ideally want a binding agreement for revenues to go into development and climate, there is no need for a specific mechanism. What's needed is a political declaration and transparency to allow for the tracking of the revenues and their use. This could be done as part of a specific budget line or fund, ensuring that the total proceeds of a tax or levy and the amounts used for specific purposes are visible for parliamentarians and NGOs. In developing countries, revenues could be used domestically, but for the same purposes, again in a transparent and accountable way.

ENDNOTES

- 1 This represents the total minimum potential revenue figure for a global minimum tax on high net worth individuals, financial transaction tax, fossil fuel extraction levy, kerosene tax and an airplane ticket levy. All figures in this paper are in USD currency, calculated at a three month rolling average against April 1, 2024.
- 2 The [total revenues depend](#) on whether the tax only applies on transactions with transfer of ownership (like in the UK and France) which effectively excludes 'intra day transactions' and high frequency trading, so the bulk of transactions. If all transactions, without any exemptions are taxed, revenues would be much higher (\$28B for all G20 countries).
- 3 With a rate of \$5 per ton of CO₂e and increased by \$5 per ton each year. By 2040, it could yield \$300B.
- 4 Estimates for Loss and Damage vary.
- 5 When state parties to the [Chicago Convention](#) agreed to [promote international civil aviation](#).
- 6 The French levy for instance raises €227 million a year, used to fund Unitaid, the Vaccine Alliance (GAVI) and the Global Fund to fight AIDS, Tuberculosis and Malaria. [Brazil](#) does not have such a levy but contributes the equivalent of what such a measure would have raised from its national budget.
- 7 For example, the [UK government announced plans](#) in March 2024 to increase the tax for non-economy tickets, however, the revenue is not explicitly channeled into development and climate finances.
- 8 Full price reform entails removing all explicit subsidies and increasing taxation to cover the social costs incurred.
- 9 Others joining the coalition include Austria, Belgium, Ireland, Spain, Finland, Antigua and Barbuda, Canada, France, Denmark, Costa Rica, and Luxemburg.
- 10 Including \$21 billion from the US, only voted by Congress on 21 March 2024.
- 11 There are two IMF trusts that can be used to rechannel SDRs: [Poverty Reduction and Growth Trust](#) (PRGT) and [Resilience and Sustainability Trust](#) (RST).
- 12 These countries use the SDRs as reserve assets, but they don't actually need them, as they already have strong external positions (a good balance of payment).
- 13 The IMF's PRGT and RST.
- 14 The use of SDR-denominated bonds had already been supported by the [G20 back in 2016](#) and has been described as the [most innovative tool](#) in the absence of further capital injections. Latest proposal [here](#).
- 15 IFAD is among the limited number of funds and banks that are "[prescribed holders](#)" of SDRs.
- 16 While 30 countries have pledged to channel via the PRGT and RST, of these 20 have actually signed agreements and delivered: Australia, Belgium, Canada, China, Finland, France, Italy, Japan, Korea, Lithuania, Luxembourg, Malta, Netherlands, Norway, Oman, Qatar, Saudi Arabia, Spain, Sweden, UK.
- 17 Countries can also provide other resources than SDRs to support the two IMF funds which is important to allow the IMF to subsidize its loans and make them more accessible to poorer countries. In total, 50 countries have provided some kind of support to the PRGT and RST.
- 18 Through a so-called [Liquidity Support Agreement \(LSA\)](#).
- 19 An issuance of 650B\$ in SDRs doesn't require approval by the US Congress.

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