

Negotiations on a European levy on transactions are deadlocked, but surcharges on mobile telecoms could fill the gap

Global Voice Group uses incoming telephone traffic to find new revenue. This new revenue can be used to finance development projects.

CAPE TOWN, WESTERN PROVINCE, SOUTH AFRICA, December 23, 2015 /EINPresswire.com/ -- In 2011, eleven European countries launched negotiations into a levy on financial transactions. James Tobin[1] originally put forward this idea in a very different context—he promoted it as a way of stabilising currency markets after the Bretton Woods system of fixed exchange rates collapsed in 1971. His proposed levy on currency exchanges was intended to curb destabilising capital flows across borders. Tobin envisaged a global levy, which was impossible to avoid by moving financial markets offshore. The proceeds would be donated to developing countries.

Sweden's experiments in the 1980s with a transaction levy on shares, equity derivatives and fixed-income securities ended in failure as activity moved offshore to avoid the levies. In the first week of the fixed-income levy bond trading volumes fell by 85%; the amount eventually raised from the levy averaged only about 3% of what was predicted. By 1990, over 50% of Swedish equity trading had moved to London.

Frédéric Oudéa, Director-General of Société Générale has threatened to relocate 2 000 managers of his market activities to London if the financial levy becomes a reality. Faced with a determined financial industry, the States who initially supported the levy now appear to have a fragile front. After Slovenia, who retired from the negotiations in 2014, Estonia has now distanced itself from the debate.

After months of discussion, it seems that negotiations are nowhere near reaching agreement. The levy on financial transactions has been described as “having the ability to change the face of the world”[2] and, indeed, could make a massive contribution to innovative financing[3] for development revenues. Innovative Financing for Development can provide solutions for governments to implement their own funding mechanisms to:

- achieve economic self-sufficiency
- provide direct responses for their specific developmental needs
- spur economic development
- achieve sustainable development

Faced with the deadlock over the proposed levy on financial transactions, other potential sources of revenue should be examined. In 2011, over 20 countries—most of which are in Africa—imposed a surcharge on mobile airtime. There are several reasons why airtime surcharges are becoming popular:

- It is a micro-surcharge, but has the potential to unlock significant amounts of revenue,
- It is a sustainable, broad-based surcharge,
- The surcharges have minimal impact on local subscribers and service providers,
- The surcharges mean that the government concerned is using the country's own resources and does not incur additional debt,

- The revenue can be used to fund development projects
- Dependence on foreign aid is lessened,
- The surcharge can be included in the VAT base which increases revenue further.

In the developing world, many countries have harnessed the financial potential of telecommunications. [Global voice Group \(GVG\)](#) has made it its mission to help emerging countries like Ghana, Guinea-Conakry, Central African Republic, Tanzania, Rwanda, Liberia, Togo and Congo-Brazzaville leverage international incoming calls as an innovative funding mechanism, governments are empowered to take charge of their own socio-economic future through the integration of ICTs.

GVG's telecommunications governance solutions have assisted these countries to identify new sources of revenue which can be leveraged, unlocked and protected by through a multi-partnership approach. The revenue generated by international incoming telephone traffic is optimised so that both the local operators and the government collect their fair share of the revenue and fraud is eliminated. These revenues can be used to finance projects which meet the country's development goals[4].

GVG has shown how international mobile telephone calls could generate billions of dollars—that could be used for development priorities. This is a powerful solution for any country—it could be applied far more widely, especially as GVG's innovative financing for model is in alignment with the stance of the IMF and the World Bank.

[1] James Tobin who, in 1972, first suggested putting a levy on financial transactions.

[2] Nicolas Hulot, Special Envoy of the President of the French Republic for the Protection of the Planet.

[3] According to McKinsey & Company (2013), “innovative” refers to finance mechanisms that might mobilise, govern, or distribute funds beyond traditional donor-country Official Development Aid.

[4] However, to be successful, the Innovative Financing for Development process must be properly implemented through its three phases: resource mobilisation, revenue assurance and revenue utilisation.

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