Brief 18: Innovative Financing – Airline Ticket Tax

Since 2004, a group of countries led by France has considered implementing an additional tax, called the airline solidarity contribution, to existing airline taxes in order to generate resources for global health. The additional airline tax is not a global tax in the strict sense of having a single agreed-upon tax and a global authority that has the power to levy it and allocate proceeds. Rather, it is a domestic tax that participating countries have agreed to coordinate and allocate to support UNITAID, an International Drug Purchase Facility for AIDS, tuberculosis, and malaria. To date, UNITAID has not supported vaccines, although the current malaria vaccine in late stage development may provide such an opportunity.

UNITAID is supported mainly (70%) through the airline ticket tax, though a total of 29 countries support UNITAID. It is particularly unique in that it has support from both traditional donor countries and developing countries themselves. Chile, Côte d’Ivoire, France, Republic of Korea, Madagascar, Mauritius, and Niger apply the airline tax to passengers. Norway allocates part of its tax on carbon dioxide emissions from fuel to UNITAID. Additional countries aiming to introduce an airline ticket levy include Benin, Burkina Faso, Cameroon, Central African Republic, Gabon, Guinea, Kenya, Liberia, Mali, Morocco, Namibia, Senegal, São Tomé and Príncipe, and Togo.

The airline solidarity contribution is an innovative attempt to gain the benefits of a global tax (MassiveGood). An airline tax can be introduced using pre-existing airport tax systems, with relatively low implementation costs and possibly limited negative effects on the industry. The tax can be largely 'exported', for example, if developing countries tax only international first- and business-class passengers. Globally, air traffic has grown historically at a rate of about 8% a year, so it can become a consistent and growing source of revenue for global health. UNITAID has also worked with the Clinton Health Access Initiative to negotiate lower prices for HIV/AIDS drugs.

Key benefits of the airline tax

- **Broad participation:** By gaining participation from both traditional donors and developing countries, the tax expands the concept of development assistance.

- **Sustainable financing:** Unlike budget allocations that are typically only a few years in length, and can be stopped when the donor country has budgetary constraints or the government changes, the airline tax is a dedicated and sustainable source of funds.

- **Leveraging the market:** Barring massive changes in air travel, the ticket tax provides a predictable source of funding for development that can enable UNITAID to negotiate better prices for drugs and diagnostics.