

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD Trade and Development Board

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European Network on Debt and Development (Eurodad)

Item 2 (c)

Plugging financial leakages and mobilizing domestic and
International resources to deliver on the Sustainable Development Goals

*This written contribution is made available in the language and form in which it was received. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD

Written statement to the United Nations Conference on Trade and Development (UNCTAD), from the European Network on Debt and Development (Eurodad) on the topic 'Plugging financial leakages, mobilizing domestic and international resources to deliver the SDGs'.

Dear Trade and Development Board of UNCTAD,

Thank you for the opportunity to provide input. In response to the note by the UNCTAD Secretariat (TD/B/65(1)/4), as well as the discussion during the civil society hearing in Geneva on 24 May 2018, Eurodad would like to raise the following points:

Definition of illicit financial flows

When adopting the Sustainable Development Goals, governments acknowledged the importance of addressing illicit financial flows (IFFs), as opposed to only focusing on illegal financial flows. The concept of IFFs is important because it captures flows that might follow the letter of the law, but go against the spirit of the law, such as international corporate tax avoidance, which is costing developing countries many billions of dollars annually. When measuring progress towards the SDGs, it is important to maintain corporate tax avoidance within the scope of IFFs.

Proposal: Amend paragraph 19(a) as follows: *'...international cooperation to combat illicit financial flows, including corporate tax avoidance, is essential.'*

Public country-by-country reporting

Public country-by-country reporting (CBCR) is an important tool to increase transparency and counter corporate tax avoidance, and we therefore welcome paragraph 19(b) in the suggested policy recommendations. In terms of practical ways to promote public CBCR, the standard of the Organisation for Economic Cooperation and Development (OECD) unfortunately requires tax authorities to refrain from publishing CBCR reports received from corporations or foreign tax authorities. However, the 4th Capital Requirements Directive of the European Union (EU), which requires financial corporations to publish CBCR reports on an annual basis, constitutes an important example of how public CBCR can be introduced by governments and regions without having to renegotiate the OECD standard.

Proposal: Amend paragraph 19(b) as follows: *'for example by introducing legal requirements for corporations to publish annual country-by-country reports under the new standard of the Organization for Economic Cooperation and Development.*

Public registers of beneficial owners

We welcome the acknowledgement of the importance of public beneficial ownership registers and automatic exchange of tax information (paragraph 19(c)).

Tax haven 'blacklists'

Today, the central international standards on tax and transparency have been negotiated by the OECD and the Group of 20 (G20), while more than one hundred developing countries have been excluded. As a consequence, the standards suffer from a bias in the direction of developed country interests. Therefore, they do not constitute a good basis for blacklisting of non-compliant jurisdictions. Furthermore, concrete experience from, for example, the EU, shows that blacklisting processes tend to get highly political, rather than objective, fair and transparent. Therefore, while blacklisting can be an important tool to implement fair and balanced standards agreed through a fully inclusive and transparent intergovernmental negotiation, it is not a tool that has been helpful at this point in time.

Proposal: Delete the following text from paragraph 19(c): *Measures such as the blacklisting of non-cooperative jurisdictions may also be used to reduce financial relationships with financial secrecy jurisdictions that continue to avoid the required standards of transparency and cooperation.*

Intergovernmental cooperation and an international convention

We welcome the fact that the policy recommendations acknowledge the importance of ensuring that all countries, including least developed countries, are able to participate on an equal footing in international decision making on tax and transparency (paragraph 19(d) in document TD/B/65(1)/4). The Group of 77 (G77), which represents over 130 countries, has already proposed the establishment of an intergovernmental body on tax matters within the United Nations (UN). Such a body could serve as a forum for intergovernmental negotiations to deliver a framework convention on tax and transparency. However, if a convention is negotiated before a fully inclusive intergovernmental UN body is established, it is unlikely that the negotiating process would be able to ensure that all countries are able to participate on a truly equal footing. Therefore, we are concerned about the proposal in paragraph 19(d) to conclude an international convention before the establishment of a UN commission. Since the establishment of an intergovernmental body would not in itself have to be a time-consuming process, we also do not understand why this option should be considered the 'long road'. Finally, we believe that transparency should not be seen as an isolated goal, but rather a key element of the pursuit of a fair and efficient international tax system. Therefore, we recommend that an international convention should cover both transparency and intergovernmental cooperation in tax matters.

Proposal: Amend paragraph 19(d) as follows: *'Moving towards a high-level global commission under the United Nations is an urgent and central first step, ~~may be a long road, and in the immediate future, countries could take a lead in deciding~~ which should be followed by an intergovernmental decision to negotiate and agree on an international convention on cooperation in tax matters, including financial transparency.*

Public private partnerships

During the civil society hearing, participants also highlighted the importance of addressing public private partnerships (PPPs), as they can entail several risks for public finance and citizens. We strongly support a critical assessment of PPPs and their impact on sustainable development. At the EU level, the European Court of Auditors recently published the report *'Public Private Partnerships in the EU: Widespread shortcomings and limited benefits'* which, among other things,

highlighted that PPPs were *'not always effectively managed and did not provide adequate value-for-money'*.

Within the UN, discussions about PPPs are at the moment primarily taking place within the UN Economic Commission for Europe – a body composed of European countries, and we are therefore concerned that developing countries are not able to participate on an equal footing in this important work.

Proposal: We encourage UNCTAD to promote and engage in international debates about PPPs, and work towards intergovernmentally agreed standards, while ensuring full involvement of developing countries on an equal footing. Furthermore, we would welcome research and recommendations from UNCTAD on risks and benefits associated with PPPs.