

*AT/DP*

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17 June 2008

Mr. Oscar de Rojas, Director  
Financing for Development Office  
Department of Economic and Social Affairs  
United Nations, Room DC2-2170  
New York, NY 10017  
Fax: 212-963-0443

Dear Mr. de Rojas,

The World Association of Former United Nations Internes and Fellows (WAFUNIF), an international non-governmental organization in Special Category consultative status with the UN Economic and Social Council (ECOSOC) wishes to participate in the **Civil Society Hearings on Financing for Development** to be held in New York, on 18 June 2008, as part of the preparatory process for the forthcoming Doha Review Conference on the implementation of the Monterrey Consensus, 29 November to 2 December 2008, Doha, Qatar. Dr. Valdemar Prado, Senior Research Fellow on Science and Technology for Development, and Mr. Rudy Rodriguez, Fellow on Finance Planning and Marketing, will represent WAFUNIF at the Hearings.

In accordance with the requisite Rules of Procedure for the Review Session regarding the contribution of non-governmental organizations, WAFUNIF is pleased to submit the enclosed hard copy and electronic version of the document containing our Organization's comments regarding the informal summaries of relevant Chapters of the Monterrey Consensus and requests that it be made available to the participants in the Hearings as well recorded in any official document of the Hearing, including publication on the Ffd website.

Your kind assistance and cooperation are greatly valued. With best wishes,

Sincerely,

*Hope P. White-Davis*

Dr. Hope P. White-Davis  
President, WAFUNIF

Cc: Mr. Daniel Platz, Economic Affairs Officer, Fax: 212-963-0443



THE WORLD ASSOCIATION OF FORMER  
UNITED NATIONS INTERNES AND FELLOWS, INC.

UNITED NATIONS



ALUMNI SUPPORT

## Financing for Development General Assembly, Sixty-second session

Hearings of Civil Society on Financing for Development  
(18 June 2008, UN Headquarters, Conference Room 4)

### THE TAX-EFFECTIVE ROAD TO DOHA

#### WAFUNIF COMMENTS REGARDING INFORMAL SUMMARIES OF GENERAL ASSEMBLY REVIEW SESSIONS ON THE MONTERREY CONSENSUS

#### A. GENERAL COMMENTS

1. The World Association of Former United Nations Internes and Fellows (WAFUNIF), an international non-governmental organization in Special Category Consultative Status with the UN Economic and Social Council (ECOSOC), and General Category Consultative Status with the United Nations Conference and Trade and Development (UNCTAD), welcomes the opportunity to participate in and contribute to the preparatory process for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, to be held from 29 November to 2 December 2008, in Doha, Qatar. WAFUNIF particularly appreciates the convening today by the UN General Assembly (UNGA) of the Hearings of Civil Society as an integral component of the review process and recognition of the valuable role and contribution that NGOs and other civil society entities play on financing for development issues.
2. WAFUNIF has carefully reviewed the informal summaries of the President regarding Chapters I, II, V, and VII of the Monterrey Consensus and wishes to share its technical comments in the paragraphs below. We trust that the Hearing will take them into favorable consideration.

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3. It is regrettable that the tax-related aspects of the Financing for Development process have not been addressed in a comprehensive and coherent manner. In today's globalizing world, there is a lack of global tax governance resulting in enormous tax diversity and international tax competition. All this has a devastating effect on the budgetary policies of developing countries, and further aggravates the financial dependence of these countries, instead of helping them to establish sound fiscal policies leading over time to financial self-sustainability.

4. For these reasons, WAFUNIF has since long been advocating that the United Nations being the only international organization having a truly universal representation would gradually fill the global tax governance gap and play a more influential role with regard to matters of international tax cooperation.

5. WAFUNIF is satisfied to notice a growing awareness among the participants in the General Assembly Review Sessions that international tax cooperation forms an integral part of the Financing for Development process. Yet, the discussion summaries are not adequately focused as they deal with tax-related issues in a rather incidental manner without giving clear or reasoned guidance.

## **B. SPECIFIC COMMENTS**

6. The summary reports of the General Assembly Review Sessions include a panoply of recommendations on systemic and substantive issues which are scattered all over the different chapters. The following is an effort to organize and streamline these as follows:

### **1) Systemic issues**

- As advocated by WAFUNIF, the UN Committee of Experts on International Cooperation in Tax Matters should be upgraded from a committee of individual experts acting in their personal name (as it currently exists) to an intergovernmental commission reporting to ECOSOC;
- Moreover, such an intergovernmental body should be given the explicit mission to develop and promote international tax cooperation measures that support and strengthen the Financing for Development process;
- This intergovernmental commission should work in consultation with other bodies that are active in the field of international tax cooperation (e.g., OECD, The Leading Group on Solidarity Levies to Fund Development) in order to arrive at globally accepted proposals;

### **2) Substantive issues**

- It will be the task of this intergovernmental commission to select those substantive measures that are most likely to achieve progress in furthering the Financing for Development process;

- The measures suggested in the summary reports are basically twofold: (i) measures to improve the efficiency of existing domestic tax systems, and (ii) measures to raise new sources of tax revenues. By doing so, the summary reports omits to recognize that avoiding international double taxation and combating international tax evasion are equally important issues of international tax cooperation that are currently dealt with in (model) tax treaties. These (model) treaties (such as the United Nations Model between Developed and Developing Countries) still require significant changes in favor of the Financing for Development process (*inter alia*, by giving more rights of taxation to the source state particularly in the area of electronic commerce, and by reinforcing measures for the exchange of information and the assistance in the collection of tax claims);
- In terms of improving the efficiency of domestic systems, developing countries may be well served by reducing the number and complexity of existing taxes; experience shows that certain countries have taken benefit from introducing a system of flat tax that broadens the tax base and imposes fairly low tax rates (thereby sustaining their economies, avoiding capital flight and reducing tax evasion);
- In addition, the summary reports (see Chapter II, item 33) refer to abuses with respect to transfer pricing. It is probably correct that certain international groups of companies make use of transfer prices to improperly shift taxable income from a high tax to a low tax jurisdiction. However, this is only part of the problem. Another equally important problem is the arbitrary character of the existing transfer pricing rules, and the enormous compliance cost connected with transfer pricing rules both for taxpayers and tax authorities. This is particularly relevant for the revenue authorities of the developing countries. The many litigation cases involving transfer pricing indicate that compliance as well as non-compliance have an excessive cost, and may over time hinder the smooth development of the international economy. It is therefore of utmost importance that the international community starts considering the use of alternative methods to replace international transfer pricing methods by internationally accepted apportionment formulae that would allocate taxable income of international groups to the various territories where they operate, on more objective and controllable grounds;
- In terms of new tax measures, the summary reports pay very little attention to environmental taxes such as carbon dioxide emission taxes. Environmental taxes are innovative sources of taxation that may not only generate supplementary revenues for the Financing for Development process, but may also have a beneficial impact on climate change. Admittedly, the international community is currently divided on the issue of environmental taxes, but this only strengthens the relevance of this subject being discussed on a truly international forum to have the widest possible impact and to avoid adverse consequences (*e.g.*, unfair competition).