Statement on behalf of the European Network on Debt and Development (Eurodad)

Financing for Development – Session on Domestic Public Finance, November 11, 2014.

Thank you Mr. Co-facilitator,

I want to address two key steps needed to increase domestic availability of resources in developing countries. The first step is to address debt repayments, which continue to absorb large shares of resources which could have been used for development.

To free up these resources, we need a development-friendly debt resolution mechanism and cancellation of unsustainable and illegitimate debts.

Secondly, tax policies are the most crucial tool for domestic resource mobilization, as well as for combating inequality – both within and between nations.

If tax administrations in DC are to combat tax evasion, they need tools to identify wealthy individuals hiding their fortunes on secret foreign bank accounts.

Therefore, it is very problematic that the new standard for automatic information exchange, which has been developed by the G20 and OECD, is not designed in a way that will make it work for LDCs.

By requiring "reciprocity" – namely that countries can only receive information automatically if they have the capacity to collect and send the same type of information back – the model for automatic exchange of information will be anything but automatic and de facto exclude LDCs from participating.

And even for those who invest in building capacity, there is no guarantee that they will actually receive any information.

If developing countries are to expand their tax base, the most crucial step would be to ensure that transnational corporations pay their fair share of tax.

However, as we've seen through numerous scandals, most recently the so called LuxLeaks, transnational corporations are hardly paying any tax at all. The G20 and OECD have sworn to tackle this problem but as we can see, they are clearly failing.

One key reason for this is that the countries that are being hardest hit by international corporate tax dodging are not members of the G20 and OECD. On the other hand, many of the countries that have made sweetheart deals with transnational corporations to help them reduce their tax rates to almost zero are members of the OECD.

If developing countries are to raise domestic resources, we cannot have a global tax system where developing countries are being pushed to sign on to OECD model tax treaties that allocate the taxing rights to the country where the company has its headquarters – often an OECD country – at the expense of developing countries where this corporation is doing business. The OECD and G20 process on BEPS builds on this this OECD model treaty system and thus risks increasing the pressure on DCs to hand over more taxing rights to developed countries.

In summary, the so called global tax standards are failing to accommodate the needs of developing countries and undermining domestic resource mobilization.

But eventually, this lack of real global tax cooperation will undermine tax collection in all countries, as more and more countries are likely to fight for themselves by becoming tax havens.

This is why we need an intergovernmental body on tax matters under the auspices of the United Nations, to close the gaps in the global tax standards and support domestic resource mobilization in all countries.