

**Submission to the 3<sup>rd</sup> Financing for Development Negotiations  
January 26, 2015**

The Financial Transparency Coalition (FTC) welcomes the negotiations process of the 3rd Financing for Development Conference (FfD3) that will take place in Addis Ababa in July 2015. The FTC brings together nine non-governmental organizations<sup>1</sup> across five continents, 150 civil society allies, 13 governments and dozens of the world's foremost experts to curtail illicit financial flows through the promotion of a transparent, accountable and sustainable financial system that works for everyone.

We recognize that financial transparency, which demands curbing illicit financial flows, is a critical precursor to effective, sustainable development. It also generates needed revenue for developing countries, and enables important non-revenue benefits, for example reducing the impact of corruption on gender justice.

We welcome the UN Secretary General's Synthesis report that highlights the importance of curbing IFFs as a key contribution to negotiations, especially the call for an intergovernmental tax body under UN auspices. We actively support this crucial institutional change to enable further improvements in international tax matters, and we consider it a cornerstone of success in Addis Ababa in July.

**What We Like in the Report**

The Elements paper as the starting point for negotiations includes several acknowledgments that will greatly improve international cooperation to curb IFFs:

- The existing regime for international cooperation in tax matters is not fit for purpose. The FFD process must go further than strengthening dialogue and cooperation and actually strengthen inclusive bodies. This includes, but is not limited to, the possibility of upgrading the UN Tax Committee
- Country by country reporting is a necessary financial transparency tool to curb tax avoidance from multinational companies
- Information exchange of tax information should be multilateral and automatic
- Beneficial ownership registries should be public
- National, cross-departmental coordination task forces on IFFs to build joint capacity are helpful
- Both an official definition of IFFs, and mandating impartial official estimates, are helpful measures

**What's Still Missing**

Nevertheless, the Financial Transparency Coalition considers that crucial elements are still missing for an appropriate legal and political framework to efficiently curb IFFs. We stress the need for improving the FfD3 outcome document by including the following recommendations:

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<sup>1</sup> Centre for Budget and Governance Accountability, Christian Aid, Eurodad, Global Financial Integrity, Global Witness, Latin American Network on Debt, Development and Rights, Tax Justice Network, Tax Justice Network-Africa, and Transparency International

- **New UN tax body:** Establish an inclusive intergovernmental body under UN auspices where all developing countries, including LDCs, participate on an equal footing in global norm-setting in tax matters. The international financial transparency reforms led by the OECD and the G20 exclude most developing countries, even with the OECD's improvements in consultation and inclusion processes. An inclusive intergovernmental UN body needs to have a broad mandate and appropriate financing and staff to ensure it leads in collaboration with the OECD, the IMF, the WB, regional bodies and other relevant institutions, to effective global cooperation in tax matters. To that end, the two existing "UNTC upgrade" proposals should be debated, and an appropriate intergovernmental process, under the UN framework, leading to a convention on international tax matters, should be considered.
- **Inclusive Automatic Exchange System:** A truly multilateral system for automatic exchange of financial information should include mechanisms to ensure that low capacity countries are able to benefit. Some countries will need to receive information on a non-reciprocal basis for an adaptation period. In order to identify money hidden to avoid taxation or to avoid identification of proceeds of corruption and other crimes, developing countries must be given the opportunity to join the new, purportedly global, automatic information exchange mechanism. The UN should recognize the right of a country to tax its citizens, to fight corruption and other crime, and to repatriate stolen funds, regardless of another jurisdiction's opinion about that country's technical standards. In today's world of frequent data breaches and identity theft, no data collection system is failsafe, and OECD and G20 countries have experienced significant breaches of private data themselves. While we appreciate differing priorities and capacities among developing countries, we strongly believe that they should be offered "membership" on a non-reciprocal basis for a period of time before being expected to send information back.
- **Public Country by Country Reporting for Multinational Companies:** Right now, current OECD/G20 plans to combat profit shifting through the reporting of financial information by companies on a country-by-country basis instead of in global aggregates, may not be shared quickly or easily with developing countries. While the Elements paper recognizes the need for country-by-country reporting, FfD3 should make it clear to the global community that making country-by-country reporting information publicly available, as is already required of consolidated financial information, is critical to benefit developing countries. It is the most cost effective and efficient way of ensuring that developing country governments have timely and low-cost access to information that they need in order to determine the risk of a given multinational company engaging in aggressive profit-shifting activities in their contexts.
- **Publicly Available Country-level Foreign Deposit Data Collected by the Bank for International Settlements:** In line with the recommendation in the Elements paper to track information on cross-border financial flows, we believe that country-level foreign deposit data collected by the Bank for International Settlements would provide the world with a much clearer picture of the extent of the problem on a country-specific basis. The UN must demand the public release of this data so that the extent of the problem can be better determined, allowing citizens to ascertain the extent of the potential problem in their country and creating pressure on governments for stronger action.

Thank you for your consideration of these important points. We look forward to working with you to achieve meaningful financing for development through this FfD process. Questions or comments should be addressed to Renaud Fossard at [renaudfossard@latindadd.org](mailto:renaudfossard@latindadd.org) or Pooja Rangaprasad at [rpooja@cbgindia.org](mailto:rpooja@cbgindia.org).