

## **Fairer taxation for development**

### ***Note on the 3<sup>rd</sup> UN conference on financing for development (Addis Ababa, July 2015)***

*The third United Nations conference on financing for development was held from 13 to 16 July in Addis Ababa. 174 countries were represented and the outcome document was hailed as a breakthrough paving the way for the adoption of the final draft of Post – 2015 Sustainable Development Agenda on 2 August. The latter will be signed officially by the end of September at the UN General Assembly in New York. The following note shall provide readers with an overview on the forty pages Addis Ababa action agenda. It is composed of three parts:*

1) The introductory part on a **Global framework for financing development** (1 – 19) relates the Addis Ababa conference to its predecessor events in Monterrey (2002) and Doha (2008) and sets the tone for the September 2015 UN summit in New York. It records the progress in the global fight against poverty and hunger (3) and the considerable challenges ahead, especially concerns caused by the 2008 world economic and financial crisis and the degradation of the environment (4). It lists solutions, including “the transformative potential of people and the private sector” (5), “gender equality” (6) and “investing in children and youth” (6), and it reiterates the principle that “each country has primary responsibility for its own economic and social development” (9). A paragraph related to the global partnership for sustainable development fails to acknowledge the Church and other religions in a long list of potential stakeholders (10). In order to follow a “holistic and transformative approach” (11) a range of cross cutting areas is identified: social protection and essential public services for all (12); efforts to end hunger and malnutrition (13); the establishment of “global infrastructure forum” (14); sustainable industrialisation (15); full employment and decent work (16); the protection of ecosystems (17) and the promotion of “peaceful and inclusive societies”, including measures “to combat corruption and curb illicit financial flows” (18).

2) The second part “Action areas” of the action agenda which is by far the longest (20 – 124), is divided in six sub-sections.

- **Domestic public resources** are considered central to achieve the sustainable development goals (SDG): effective tax collection and transparent tax systems are a major prerequisite (22) to “reduce illicit financial flows” (23). International cooperation is encouraged, including “multinational enterprises reporting country-by-country to tax authorities”, and to advance towards “automatic exchange of tax information among tax authorities” (27) in order to stem capital flight from developing countries (estimated at 100bn \$/a). Taking into account the OECD initiative on base erosion and profit sharing (BEPS) (28) parties could not agree on the creation of an international taxation body, but decided instead to enhance the existing “Committee of Experts on International Cooperation in Tax Matters” (29).

- **Domestic and international private business and finance** are valued as “major drivers of productivity, inclusive economic growth and job creation” (35) and the states will “foster a dynamic and well-functioning business sector, while protecting labour

rights and environmental and health standards” (37). They will work to strengthen “financial literacy” and to allow “equal access to formal financial services for all” (39). Remittances from migrant workers are recognized as a positive contribution for growth (40) and the rapid growth of philanthropic giving is welcomed (42). It is noted with concern that “many least developed countries have been side-lined by foreign direct investment” (46).

- **International development cooperation** has a complementary role in the financing of development. The Addis Ababa action agenda welcomes the increase in official development aid (ODA) since the Monterey conference in 2002 but also emphasizes the need for rich countries to fulfil their promises. In May 2015 EU countries had pledged to attain 0,7% GDP development aid and to commit 0,15 to 0,2% to the poorest countries. However, the previous timeline to achieve this goal was extended from 2020 to 2030. It is now said that the GDP target should be achieved within the time frame of the post-2015 agenda, which covers the years until 2030 (51). In the same sub-section it is recalled that developed countries jointly committed to mobilize \$100 billion a year by 2020 in order to mitigate and adapt to the effects of climate change (60). The rest of this subsection deals with environmental matters and the prevention of armed conflicts that require financial assistance and covers different multilateral development initiatives.

- The fourth sub-section turns to **International Trade as an engine for development**. It promotes a multilateral trading system under the auspices of the World Trade Organisation (WTO) (79). A routine call for concluding the Doha Development Agenda from 2001 appeals to WTO members to correct distortions in agricultural markets, “including through the elimination of all forms of agricultural export subsidies” (83). In the sub-section on **Debt** special attention is paid to debt sustainability and the need to assist developing countries (94). Where necessary, debt restructuring should be “timely, orderly, effective, fair and negotiated in good faith” (98). In case of natural disasters and socio-economic shocks debt rescheduling and cancellation are encouraged (102). In the last two subsections, **Systemic issues** and **Science, technology, innovation and capacity building** are addressed. Measures to improve global economic governance (103) are announced, and it was decided to establish a technology facilitation mechanism (123).

3) In the concluding section on **Data, monitoring and follow-up**, the UN Statistical Commission is requested “to facilitate enhanced tracking of data on all cross-border financing” (126). “Greater transparency is essential.” (127). The UN Secretary-General is encouraged “to convene an inter-agency task force” of the UN system (133).

### **Comment**

The lengthy Addis Ababa action agenda has not attracted greater public attention; it has, however integrated with success development and ecological concerns, thus anticipating the new set of sustainable development goals. The reduction of capital flight and tax evasion by multinational companies and rich individuals at domestic and global level is considered more and more important for the financing of development, thus re-joining moves at the level of the OECD, G20 and the EU.

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