



2023 Financing for Development Forum

Panel Discussion 8: Advancing international tax cooperation and tackling illicit financial flows to safeguard and mobilize domestic resources

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Madame President, Your excellencies,

I would like to briefly make three points.

- 1) **Firstly:** We continue to be engulfed in multiple crises – recently exploding and exploding into a food, fuel, and debt crises – with devastating impacts not just on communities, but entire countries. The social, environmental, and economic costs and consequences, as has been repeatedly said, are disproportionately borne by countries and peoples of the Global South, especially by women and other marginalized sectors. **Unfortunately, the paradox is, those who suffer the worst impacts and consequences are the ones who have the least voice, representation in and access to decision-making on solutions, and, one could say, probably with the least role in the decisions, choices and processes that have unleashed these crises.** Very clearly, as the Secretary General said in his opening remarks last Monday, “something is fundamentally wrong in the rules of governance.” Indeed, the nature of the global crises has to do with global governance, and the locus of the solutions must thus be found in the governance structures, and it is right here, in the United Nations.
- 2) **Secondly:** At the intersection of the issues that underlie these crises is the issue of Finance. Since Day One of this Forum, the importance of **domestic resource mobilization** has been emphasized by several speakers. We could not agree more that scaling up domestic resource mobilization is very important step to raise resources urgently needed to address the crises’ impacts, build resilient, sustainable economies. **HOWEVER, scaling up domestic resource mobilization must not be done at the expense of the economically and socially marginalized sectors and communities who are already bearing the brunt of the crises’ impacts.** Indirect taxation has been mentioned a few times in the past few days – how it needs to be expanded, how collection of VAT and the like could be made more efficient, and so on.

But we all know these regressive taxes hurt ordinary people the most – women, workers, farmers, they all end up paying a bigger share of their income for these indirect taxes.

A BIG YES to domestic resource mobilization but it should be done through **progressive taxation, by fairly and sharply taxing wealth and income of corporations and individuals.**

The biggest barrier to effective domestic resource mobilization, however, does not lie in domestic policies but in the fundamental flaws in the international tax architecture.

As some delegates have already pointed out, the biggest AND MOST SERIOUS barrier to effective domestic resource mobilization, especially for developing countries, IS NOT THAT THEY DO NOT HAVE THE CAPACITY TO COLLECT MORE VAT FROM THE PEOPLE WHOSE IMPOVERISHMENT IS GROWING BY THE DAY – BUT IT IS THAT THEY ARE LOSING BILLIONS OF REVENUES EVERYDAY DUE TO MASSIVE AND SYSTEMATIC TAX AVOIDANCE AND OTHER TAX-RELATED CROSS-BORDER ILLICIT FINANCIAL FLOWS.

The most devastating impacts of this phenomena – this financial pandemic -- are once again felt on the ground, by communities, by ordinary people whose rights and access to public services are compromised because of dwindling revenues for the public coffers. **They thus suffer the costs of our flawed tax systems in multiple ways.**

The resolution of these cross-border, cross-jurisdictional tax-related issues -- this global financial pandemic -- lies in fixing the broken international tax system, once and for all.

As the CS FFD Mechanism has said, “Unless the failures of the international tax system are urgently addressed, our economies will be bled dry, as countries around the world will continue to lose billions of dollars of public revenues due to tax abuse by multinational corporations and their professional enablers.”

- 3) **FINALLY:** We thus very much welcome the adoption of the UN Resolution on international cooperation on tax matters and congratulate the Africa Group and the UN for this historical development. We have great expectations that Member States will demonstrate political will in moving the process forward, with strong resolve and commitment, to follow through with negotiations for a framework convention that will set global standards and norms on tax matters, that are fair, transparent, accountable, and responsive to the needs of people and the planet, especially of peoples and countries of the Global South who have long borne the brunt of a broken international tax system.

This should be one key step towards democratizing global tax governance, leading to the establishment of a universal, genuinely inclusive, intergovernmental tax body at the UN.

As we meet, the impacts of the multiple crises continue to unfold – many of such impacts – malnutrition, widening inequalities, setbacks in SDGs on health, education, and gender equality, have intergenerational repercussions with multiplier effects, and we may not even have seen the worst yet. As the Secretary General said, there is no time to lose, we need to chart a new course.

We call on your wisdom and resolve to chart a new course with the right political and economic choices.

Thank you.