

**AFRICAN GROUP INPUT TO THE SECRETARY-GENERAL'S REPORT ON  
PROMOTION OF INCLUSIVE AND EFFECTIVE INTERNATIONAL TAX  
COOPERATION AT THE UNITED NATIONS**

The negative socio-economic impact of the Covid-19 pandemic, rising inflation and slow economic growth, tightening monetary and financial conditions, unsustainable debt burdens, increased pressure on food, energy and the ongoing adverse impact of climate change have disproportionately affected developing countries and continue to undermine the continent's capacity to recover from the crisis and achieve the SDGs within the remaining decade of action. Therefore, the report must underscore the importance of financing the sustainable development agenda. The report must also be resolute at highlighting the essence for domestic resource mobilization and good governance for meaningful investments in relevant developmental Agendas.

2. It is clear that with climate change and the challenges of poverty and inequality, much work needs to be done with public finance as a critical component. Though the private sector is important, we must not leave every issue to market forces as some of the occasioned challenges can only be addressed through public action. It is a well known fact that many countries in Africa, and elsewhere, are facing enormous debt sustainability challenges that could potentially result in widespread sovereign debt crisis in the years ahead. Bearing in mind that with just seven years away from the target of the 2030 Agenda, there is an urgency to act quickly. This requires public finance, including international public finance in the short term. Domestic revenue must play a role as well, but this will be a medium term role. However, we do not expect fiscal problems with a short-term fix to revamp the international tax framework.

3. The heightened importance that African countries and all developing countries have placed on tax cooperation in the last one and half decade, is evidenced by the many initiatives and efforts being made to strengthen revenue

mobilization, and to make it more fair and equitable, nationally and internationally. African countries, like many others, were focused on the role of strengthened tax systems during negotiations of the Addis Ababa Action Agenda. African countries have invested heavily in tax policy and tax administration, which has increased their capacity in recent years, including support from donors and international institutions. This has dramatically strengthened African participation in international tax cooperation efforts.

4. Therefore, we must build the basis for all countries, leaving no one behind and strive towards innovative means of raising sufficient revenue sources for the much needed investments. However, African countries are not under the illusion that reforming international tax cooperation will solve all their tax challenges. This would also not be a short-term fix for the fiscal challenges of developing countries in the midst of compounding international crises. Reforming international tax cooperation and strengthening its inclusivity at the UN is a necessary component of wider efforts to strengthen revenue for the medium and long term. A stronger revenue system will finance development plans over a sustained period and it will be the growth of that revenue that will set developing countries on the long-term path of economic and financial sustainability.

5. The report should equally address combating illicit financial flows as an essential development challenge, noting that developing countries are particularly susceptible to the negative impact of illicit financial flows, emphasizing that illicit financial flows reduce the availability of valuable resources for development financing, and recognizing the importance of cooperation at the national, regional and international levels in combating illicit financial flows. The report should reiterate calls by the Group of 77 and China on the need to strengthen international cooperation on tax, and noting with concern that there is still no single global inclusive forum for international tax cooperation at the intergovernmental level.

6. The report must reaffirm its resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, in which Member States committed to scaling up international tax cooperation and stressed that efforts on international tax cooperation should be universal in approach and scope and should fully take into account the different needs and capacities of all countries, in particular countries in special situations and those facing specific challenges. The report must commit Member States to work at improving the fairness, transparency, efficiency and effectiveness of their tax systems. The report must also emphasize the need for all countries to work together to eliminate tax evasion, tax base erosion and profit shifting and to ensure that all taxpayers, including multinational companies, pay taxes to the Governments of countries where economic activity occurs and value is created, in accordance with national and international laws and policies.

7. Furthermore, the report should also welcome the resolution adopted by the Conference of African Ministers of Finance, Planning and Economic Development, in which the Conference of Ministers called upon the United Nations to begin negotiations under its auspices on an international convention on tax matters. Also welcome the Secretary-General's report on international coordination and cooperation to combat illicit financial flows to provide the expertise and knowledge to support Member States to take the next steps needed to ensure inclusive international tax cooperation and coordination. There is therefore an urgency to prepare an inclusive instrument that strengthens international tax cooperation. Since there are already multilateral conventions for IFFs related to corruption (UNCAC) and transnational crime (UNTOC), tax-related IFFs is therefore what is missing and a UN tax convention will fill this gap.

8. Therefore, the report must highlight that an effective and inclusive international convention on international tax cooperation at the United Nations is timely and beginning the elaboration of such an instrument in New York at United Nations Headquarters accordingly. We therefore recommend the

establishment of a Member State-led open-ended, ad-hoc intergovernmental committee under the auspices of the United Nations for the preparation of the terms of reference for the negotiation of a United Nations convention on international tax cooperation. The emphasis is on Member State-led negotiations with the expectation that countries would nominate relevant experts to serve on the committee. The committee has the most important purpose to set the terms of reference for the negotiation of a convention. The terms of reference will set out the basic structure for a convention. Also setting out what areas will be covered by the convention, essentially what the chapters of the convention will be.

9. Meanwhile, the report must take note of the publication by the 'EU Tax Observatory', funded by the European Commission, which analyzed 'global minimum corporate tax' as part of the G7/OECD deal that "Developed countries would benefit more than the developing countries because most MNEs are headquartered in high income and developed countries. The least-developed countries would probably have very limited or no revenues. Also, UN DESA's 2022 World Economic Situation and Prospects (WESP) report also noted that the recent tax deal of the OECD/G20 Inclusive Framework will only benefit a small number of developed countries and that developing countries stand to lose out the most.

10. The report must take into account that the current OECD 'Inclusive Framework' excludes over a third of the world's countries, including most LDCs. Almost half of G77 are not members of the OECD Inclusive Framework. A coherent international tax system that has the buy-in of all countries of the world is only possible through a global negotiation process at the UN. Efforts such as regional blacklisting exercises aimed at coercing countries that were not part of the OECD negotiations to begin with, has repeatedly proven to be politically biased and inefficient. A UN Tax Convention will ensure a level playing field that is central to a coherent international tax system.

11. However, the report should note several concerns even within many European countries that the current OECD tax deal will not result in generating additional resources. Including that it might result in actual loss of revenue in some instances. So also in EU countries there are real concerns that the OECD deal will not result in a fair and effective corporate tax system. Therefore, Tax is a core issue of national sovereignty, and international decisions on tax are highly sensitive. It is important that all countries have a seat at the table and participate on a truly equal footing. Agreeing to have a UN Tax Convention is aligned with G77's long-standing demand to upgrade the UN Tax Committee to a universal, intergovernmental tax commission. This would enable negotiating a legally binding, multilateral tax instrument as a sure and stable path (away from the thousands of bilateral tax treaties signed over the decades) towards a coherent, international tax system that is fair to developing countries.

12. The report should note that the United Nations in fact has a long history of working on issues of international tax since 1921 at the time the United Nations Organization was known as the League of Nations (predecessor to UN). The League of Nations had at the time commenced work on addressing the challenge of allocation of taxing rights between developed and developing countries. Built on the colonial trading blocs of the 1920s, the system had historically been against the interest of developing countries.

13. The UN, after it took over the League, was invited to continue this work in a balanced forum with expertise from developed and developing countries. The work stopped in mid-1950s in the UN. We therefore reiterate that International tax cooperation has always been on UN's agenda and a UN tax convention is long overdue.

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