Interventions by Amit Narang, Counsellor, on International Cooperation on Tax matters and South South Cooperation during the 3rd Informal session of Intergovernmental Negotiations on 3rd International Conference on Financing for Development on June 9-10, 2015

Thank you Mr. Co-Facilitator for giving me the floor,

Good morning colleagues,

I would like to supplement what my colleague representing the G77 just said and to add a couple of points from my national capacity. We hope these discussions are useful in the context of our negotiations on the outcome document.

In our view, the issue of international cooperation on taxation is in many ways the key issue for Addis Ababa. Colleagues always mention in the context of the Financing for Development that this conversation is not merely about ODA. This is of course something that we agree with and we have always maintained that we must look at financing in a holistic manner and that our objective in Addis Ababa must be primarily to get the international system right so that countries can generate the resources themselves.

In this context, this issue of international tax cooperation sits at the centre of all issues relevant for financing for development. It has connections right across the document with all the other issues. It is centrally connected to the issue of domestic resource mobilization. It has direct relevance to the illicit flows. It also has direct relevance to creating the right international system for the movement of finance so that finance can assist development. That of course is ultimately the overall objective of this Conference.

Mr. Co-Facilitator,

In our view, the timing is right to deliver something concrete on this topic in Addis Ababa. We have discussed this issue for several years now. It was there in Monterrey, it was mentioned also in Doha. In the meanwhile, a lot of work has happened in the intervening period across various platforms which in our view substantiates the need for the upgrade of the Committee of Experts into an intergovernmental body.

This, in our view, is also the right issue for the legacy of Addis Ababa. If there is any legacy which we feel Addis Ababa could leave, this will certainly qualify as the central issue.

I wanted to take just couple of minutes to address some of the issues, first in a wider philosophical sense and then in the practical sense, also reacting to what we have heard.

From a larger philosophical sense, the strong call of G77, and indeed all the developing countries and even some within OECD, for an intergovernmental body in the UN on
taxation is essentially founded on the principle of inclusivity. It is a call based on the principle of transparency. It’s a call that is also linked to what we hear from partners about universality.

**Mr. Co-Facilitator,**

We find it odd that those who stress the importance of universality, then go on to circumscribe it in the name of efficiency.

From our perspective, international cooperation on taxation is a very good candidate to be considered a global public good. In a globalized world, actions on taxation in one country affect practically everyone else. And if this is a global public good, then all of us should have an equal seat at the table to decide global norms on it.

I am conscious that I am saying this on behalf of India, even as we are part of several of the initiatives which have been mentioned in the context of international cooperation on taxation.

We are part of the Global Forum. In fact, we are among the developing countries who have helped push the Global Forum to where it is today. We are also of course a member of G20. But we feel that the work being done in these institutions is not in contradiction to what the UN can do. We strongly feel that everybody, every country, rich or poor, big or small does have a right to an inclusive and equitable place on the table to decide on an issue as important as international cooperation on tax.

And coming from India I can also say with confidence that the fears of developing countries politicizing the discussion on taxation is simply misplaced. Countries like mine have no interest in politicizing discussions on tax. Attracting foreign investment and capital is something which is very important for us. The current Indian government has made tax reform a matter of utmost importance. So clearly it is not in the interest of developing to politicize the issue of international tax. We want to derive benefits from international cooperation on tax.

**Mr. Co-Facilitator,**

In terms of international expertise, I wanted to flag this report of the Independent Commission on Reform of Corporate Taxation which had as members Prof. Joseph Stiglitz from US and Ms. Eva Jolly from Norway among other experts. This Commission has also concluded that the institutions promoting international cooperation are not inclusive enough. And in fact one of their recommendations is precisely what we are talking about. They recommend unequivocally that the member states should upgrade the UN Committee of experts on international cooperation in tax matters to an inter-governmental commission and provide it with adequate resources.
Mr. Co-Facilitator,

On a more practical level, we have heard several concerns and fears from other governments and I would like to address some of these issues.

Several concerns have been raised. Some in our view are genuine and need to be addressed purposefully. Some concerns on the other hand we feel perhaps are not that genuine. They might even be motivated to multiply fears in some people’s minds.

The first concern that has been raised is that an inter-governmental setting won’t work when discussing taxation issues. It is contended that this issue can only be discussed at the expert level.

Now let’s be very clear. All the processes so far working on taxation internationally are inter-governmental. All OECD bodies working on international tax cooperation are also inter-governmental. The Committee on Fiscal Affairs and other bodies in OECD, they are all inter-governmental. None of these bodies are expert bodies. The Global Forum itself is an inter-governmental body. People there are not in their personal capacities. They represent their countries or tax jurisdictions. So this notion is simply factually incorrect.

Secondly, what we heard so far is that developing countries are already been given a role in international norm setting on taxation. In this connection, the Global Forum has been mentioned several times.

But the Global Forum does not do any norm setting. Global Forum only implements the norms decided by the OECD. Global Forum has indeed done excellent work so far. Countries like my own have benefited a lot. But the Forum is only a platform for information exchange. It’s not a platform for norm setting. Norm setting on international taxation currently happens only in the OECD.

Thirdly, we also heard that if you entrust the consideration of taxation to bodies with large membership and those that work on consensus based methodologies, things will not work. It is contended that this is a very technical issue.

The fact however is that the Global Forum today has 126 members and as was explained by the Head of its Secretariat yesterday, it also works based on consensus. So clearly, large number and consensus based approach is not an hindrance to effective cooperation on taxation. Moreover, there are several UN bodies which are universal but do excellent technical work. Several examples can be given.

Fourth, we are told that there are things working well in OECD and other forums and so let’s not change them. However, just because things are working well in some platforms does not in our view detract from the need to make the work more inclusive under the auspices of UN.
Multiple organizations can work and complement each other. OECD works on everything, not just taxation. But that does not mean that we should stop working in the UN! What we should look at here in terms of multiple organizations is complementarity. We have not heard anyone say that we should upgrade the Committee in the UN and then disband everything else. The idea is to see how to create complementarity among multiple organizations to produce coherence in the international system.

**Fifth**, we heard that the expert committee is doing good work so why disturb it?

From our perspective, it is very heartening that the work of the Committee is considered productive because it proves that taxation can indeed be discussed in the UN. It is good to recall that the United Nations started working on taxation in 1946. In other words, UN's association with taxation is almost as old as the UN itself! So it's not something of an alien subject that is being unnaturally grafted onto UN. UN discusses several technical issues and this includes taxation. In other words, I think the good working of the committee on taxation is a pointer that good work on taxation can be done in the UN.

**Sixth**, the issue of technical expertise. This is one of the genuine concerns and it is important that we understand each other. We do not believe that upgrading the committee of experts into an inter-governmental commission, will automatically or ipso facto politicize the discussions. Concerns have been raised that if you upgrade the committee then diplomats and Second Committee experts like your's sincerely will be sitting and negotiating tax.

This is a false notion and there are several examples in UN which show that good work can and is being done in the inter-governmental settings on technical issues. Statistical Commission is just one example. There are several other examples where technical expertise in intergovernmental settings is maintained.

Moreover, if this is a serious concern, then modalities can be tailored to ensure professional expertise in the inter-governmental body. That should not be a problem. In our view, it is in the interest of all countries to maintain technical robustness of discussions in the intergovernmental body.

**Mr. Co-Facilitator,**

To conclude, we agree with the European Union that there is an urgent need to strengthen the inter-governmental committee of experts but we feel that this strengthening can be done only through upgrading it and making it intergovernmental and universal.

By doing so, we will make it both more inclusive and more effective.

Thank you.
Thank you Mr. Co-Facilitator.

I wanted to wait and hear some more views from colleagues but my G77 Chair is leaving so I wanted to ensure that I speak in front of him and don’t violate any Group discipline!

Actually, there is nothing much to say. We strongly support what was said by Suriname for G77 also by my colleague from Chad.

I wanted to thank my colleague from the European Union for a very positive statement and also my colleague from Mexico who highlighted the issue of additionality of climate finance which is in our view is key to this discussion on ODA.

I wanted to just briefly touch upon one particular issue in South-South Cooperation. But before I do that, I would like to strongly echo this concern which Chad just raised about double counting and additionality of ODA and Climate Finance. This is a very important concern. In fact, as we presented earlier, if you analyze the figures they seem to suggest that increased allocation of ODA to climate related objectives is already leading to a squeezing out of resources away from the LDCs and also away from social sectors where the needs remain very high - sectors like education, sanitation, health etc.

In fact, if you look at the figures, ODA to LDCs has declined by 16% over the last year. During the same time period, the allocation of ODA to climate change is also roughly the same, about 16%. I am not saying that the two are directly related. But there does seem to be a link between increasing ODA to climate related objectives and declining ODA to LDCs.

Moreover, since most of this climate related ODA seems to be going for mitigation related objectives, it is also not going to the SIDS which is also a concern. So I think this issue of additionality of climate finance, which is part of the agreed language and agreed commitments by Governments in the climate change context is very significant. It is important to ensure that ODA is not diverted away from those who are most in need and also from social sectors where needs are greatest.

Moving on to South-South Cooperation, we in fact support what was said by European Union on South-South Cooperation. Yes, you heard me right!

There is however a specific proposal in your text which we have an issue with. This is regarding South-South Cooperation to have ‘targets and timelines’ which we think is misguided.

Now, there are several principles that have been proposed for South-South Cooperation by G77 and by others. But there is one more principle which I would like to propose when it comes to the issue of targets and timelines for South-South Cooperation. And that principle is “Don't fix what is not broken”!
There is no evidence to suggest that lack of targets and timelines has hindered the growth of South-South Cooperation. In fact the evidence would point to the contrary. Precisely because it has been allowed to grow on its own steam, on its own principles, on its own basis, South-South Cooperation has, as we know, literally flowered in the last two decades and has come to occupy a very important space in the international public finance.

We feel that tying down South-South Cooperation into aid like parameters particularly with targets and timelines will actually have the opposite effect. It will clamp down on and discourage South-South Cooperation and not increase it.

It is important to realize that you cannot put a very monetary value on South-South Cooperation because it takes several different forms. Attempts to monetize and put targets on it also violates the core notion of solidarity which underpins South-South Cooperation. Moreover, these kind of targets and timelines will also have the effect of dividing developing countries among themselves.

Why do I say that? Let us see for whom are these targets and timelines being proposed for? We often talk in the context of the ‘emerging economies’ which however is a category that does not exist. Then maybe in the last session, I think the delegate from UK mentioned that all ‘upper middle income countries’ or UMICs should take specific targets. Who are these UMICs? As per the World Bank criteria, there are about 40 of them, including the likes of Suriname, Thailand, Tunisia, Tuvalu, Uruguay, Panama, Peru, Angola, Algeria… the list goes on. So if this logic were to be taken forward, you are implying that Suriname should allocate aid and give it to Panama or Iran should give it to India. Why India? Because India is not an upper middle income country. We are actually a lower middle income country!

This idea is therefore quite bizarre. It simply won’t work. So the short point that I wanted to make is essentially that there is no doubt that South-South Cooperation will increase. There is no doubt that South-South Cooperation will contribute even more to the agenda going forward. But the notion of targets and timelines will do the opposite and for us it is a non-starter.

Thank you.

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