

# The FfD Chronicle



**CIVIL SOCIETY  
FINANCING FOR  
DEVELOPMENT**  
Mechanism

The CS FfD Mechanism is an open civil society platform including several hundreds of organizations and networks from diverse regions and constituencies around the world. CS FfD Mechanism's core principle is ensuring that civil society can speak with one collective voice.

## CLOSING WEEK 1: WHAT WAS MISSING

The first week brought interesting exchanges, but also made it very clear that more time will be needed to ensure we get all the relevant challenges on the table.

Specifically, the debate about the commitment on sustainable development never really reached the point of a real conversation about what commitments will be needed to deliver on the objective to create "an international tax system for sustainable development". The following problems deserve a central place in the debate going forward:

- **The "Tax and Environment Challenge":** i.e. the complete mismatch between the global environmental goals and the fact that large polluting companies, as well as wealthy individuals with highly polluting habits and assets, commonly pay very little tax. Instead of the "polluter pays principle", the failure of the global tax system has resulted in a "polluter profits principle". The consequence is a fundamental lack of incentives for big corporations and wealthy elites to reduce their pollution, and a desperate shortage of financing to pay for the just transition, adaptation and loss and damage. The UN Tax Convention has a key role to play in introducing progressive environmental taxation – which addresses both environmental, social and economic sustainability in a balanced manner. This issue is relevant for the commitments of the Convention, but also for elements such as international mechanisms.
- **The "Tax and Inequality Challenge":** i.e. the fact that the current tax system de facto promotes regressive tax systems that exacerbate inequalities – both within and between countries. The sustainable development commitment must ensure a strong link between the international tax system and the global goal of reducing inequalities (SDG 10).
- **The "Tax and Gender Challenge":** Linked to the inequality challenge, the current tax system is deepening gender inequalities. The UN Tax Convention must include a commitment to reverse this, and at the same time follow up on the Sevilla agreement to consider gender-responsive tax systems (see also page 2).
- **The "Tax and Development Challenge":** In order to ensure a strong link to sustainable development, the UN Tax Convention must include commitments by governments to ensure coherence between taxation and the existing commitments related to development and human rights, including the provision of quality public services for all.

Similarly, the discussion about transparency omitted some of the most important components that need to be in place to combat international tax abuse. For example, the UN Tax Convention must follow up on the Sevilla decision to consider "the creation of a central public database for country-by-country reports" and the "utility of a global beneficial ownership registry".

### Week 2: looking forward!

As we head to next week's session, and the discussions about the protocols on taxation of services and disputes, the FfD Chronicle foresees a week of very frank conversations about the failure of the transfer pricing system and the arm's length principle. And we are looking forward to that! Our only worry is whether one week will be enough for us to express all the challenges that that system has caused.

The idea that subsidiaries of multinational corporations should be considered as independent entities is funky fiction, which has unfortunately turned into real-life tax policy. The list of devastating consequences of this is long, and obviously include deep unfairness in the allocation of taxing rights; a complete failure to effectively tax digital services; and a rapidly escalating number of international tax disputes and uncertainty.

The bottom line is a critical erosion of government tax bases. Keeping in mind that corporate tax abuse causes governments to lose several hundreds of billions of dollars in tax income each year, the OECD Transfer Pricing Guidelines really deserve a prominent place on the list of the most expensive policy failures in the history of mankind.

But rest assured – these are not problems to which there isn't a solution. The Convention should include a commitment to replace the failed transfer pricing system by developing and implementing a new international corporate tax system that taxes multinational corporations as coherent entities, on the basis of their global profit (also known as unitary taxation with formulary apportionment), supplemented by the introduction of an ambitious minimum effective corporate tax rate. The new system should include a balanced formula that fairly allocates taxing rights to countries on the basis of the level and significance of economic activity that the corporation has in each country.

# THE ONE WHERE WE FUTURE PROOF IT

The latest buzz word at the UN Tax Convention negotiation is **future-proof** – and we can see why! This year alone we've witnessed how quickly things can change, and how one person, one country can trigger very far-reaching changes across the world. We're also in a world constantly reeling from the shocks made more and more likely by the climate crisis, ecological breakdown, and conflict.

A Convention that is able to respond effectively to these challenges both now and in the future is essential. This will require a substantive Convention that is clear and actionable, laying a firm foundation for the transformation we need. A future-proof Convention rewrites the rules to ensure progressivity and the fair allocation of taxing rights, including equitable taxation of multinational enterprises.

A future-proof Convention must effectively address inequality, both within and between countries, and address gender inequality. While tax policies claim to be gender-neutral, in practice, they are not. A tax system that fails to consider gendered economic realities, reinforces inequality. The skewed international financial architecture, including cycles of debt crises for countries in the global south, has fuelled a continued reliance on consumption taxes, which not only places a heavier burden on those least able to pay, but also fuels instability and further entrenches gender and economic injustices.

Care work remains to be the invisible driver of economies yet remains chronically undervalued and underfunded. Austerity measures and regressive tax policies, often imposed in the Global South as conditions for loans, have dismantled public care services, deepened gender inequalities, and pushed more unpaid and underpaid care work onto women. Cuts to public spending force women to fill gaps left by the state, acting as the shock absorbers of society.


At the FfD4 Conference, countries agreed in the outcome document, the *Compromiso de Sevilla*, to advance gender-responsive taxation and address gender biases within tax systems. These commitments and measures must now be included in the UN Tax Convention and will enable developing countries to progressively increase their domestic resources necessary to adequately invest in gender transformative public services, including education and healthcare, that are the foundation of sustainable development, and the fulfilment of all human rights.

A future-proof tax Convention is indeed vital. And for this to be achieved, we echo the words from Cameroon: *the effectiveness of the Convention will be measured by how boldly and quickly we address the inequalities that undermine sustainable development.*

## Lost in translation?

The FfD Chronicle was surprised to read - in the submission from Sweden to Workstream 1 - that: *"We believe that "should" in this context must be interpreted as a flexible term or concept meaning that it will be up to the INC to agree to include in the FC, any commitment."*

Dear Sweden,  
You might have confused the word "should" with "could" (similar, but very different meaning). In our humble opinion, you "should" consider purchasing a dictionary.



**YOU SHOULD  
GO CLEAN  
YOUR ROOM...**



**... "SHOULD"  
IS A  
FLEXIBLE  
TERM!**

## CIVIL SOCIETY PRESENTS

# INFORMAL INFORMAL

**A ROOFTOP  
EVENT TO CLOSE  
WEEK ONE OF  
THE UN TAX  
CONVENTION  
NEGOTIATIONS.**

**NO SEPARATE  
ACCREDITATION  
PROCESS.  
EVERYONE WHO  
SHOWS A UN  
BADGE  
WELCOME.**

*Party*

**6:00 PM - 10:30 PM  
FRIDAY, 8 AUGUST**

**FREE OPEN BAR AND  
APPETIZERS TILL 8:00 PM!**

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