On the Outcomes of the 2019 Economic and Social Council (ECOSOC) Forum
on Financing for Development (FfD) Follow-Up

APMDD
ASIAN PEOPLES' MOVEMENT ON DEBT AND DEVELOPMENT

Off track in Realizing the Pledge to Leave No One Behind

With only 11 years remaining to 2030, it is clear from our realities and experiences in Asia that the Sustainable Development Goals (SDGs) -- especially the first goal to end poverty in all its forms everywhere — will not be met in time and millions of people will be left behind. Worse, from the outcomes of the 2019 ECOSOC Forum on Financing for Development Follow-Up (FfD Forum), we are moving farther away from achieving sustainable development in its various dimensions and closer to a future where people and planet, rights and resources, are held in the grip of profit and capital.

According to the Inter-agency Task Force on the FfD, global economic growth has not picked up and will likely go no higher than the current 3%; per capita GDP growth lies well below the levels required for the eradication of poverty "in all its forms". More countries are approaching or are already in debt distress. Developing countries are experiencing substantial capital outflows reaching around $200 billion in 2018 alone. Inequality in the most populous regions continues to deepen, with wages falling to 1.8%, the lowest point since 2008, even as labor productivity rises. Greenhouse gases rose further by 1.3% in 2017, foreboding intensifying climate events and no hope of relief for communities in the South.

This year, the UN FfD Forum raised anew calls to mobilize sufficient financing as a central challenge for SDG implementation to move forward. Indeed, finance in massive amounts is urgently needed particularly by developing countries. The Forum, however, remained strongly insistent on heavily sourcing finance from the private sector, even as market approaches to economic crisis and climate change have failed, and tax abusive behavior of corporations continue to spur the rise in illicit financial flows (IFFs).

While the Forum's reiteration of IFFs as a major impediment to raising public domestic resources is welcome, it is gravely worrisome that rampant tax avoidance by multinational companies is not named as the main instrument for IFFs. Excluding tax avoidance in the range of activities that enable IFFs strengthens yet another loophole that allows multinational corporations with the help of big accountancy and legal firms to dodge tax obligations and shift profits where they will be minimally taxed or not at all.

The urgency of curbing IFFs by 2030, as targeted by the SDGs, is further emphasized by the continuing dependence on borrowings, as indicated by the growing number of countries that are facing heightening risk or are already in debt distress. These include Pakistan, Sri Lanka and Lao PDR, whose debt to national income ratio has gone beyond 60%. In addition, higher external debt levels than the developing world average have been tracked in Cambodia, Vietnam, Indonesia, Thailand and the Philippines.

IFFs represent a net transfer of development finance resources from developing to developed countries globally, and from the broad population to wealthy, politically influential elites and corporations at the national level. The siphoning of public money to private pockets through IFF channels pose structural and systemic obstacles to SDG implementation in several ways, such as:

- Railroading developing countries' efforts to potentially raise funds to support public expenditures on essential social services, on long-term resilience for the most climate-threatened countries of the South and other development needs, and thus impeding progress towards states fully realizing international human rights commitments;
- Fueling continued dependence on aid, which has been declining over time; and on debt, as indicated by an increasing number of developing countries experiencing or dangerously approaching debt distress; and,
- Providing the push for the adoption of regressive tax policies that shift the burden

of revenue-raising to the mass of ordinary working people, rather than taxing corporations and the very rich. The inequitable impacts on the poor and low-income are well-documented, including disproportionate gendered consequences for women usually tracked into lowly paid service sector jobs, or struggling on a daily basis in precarious, unprotected informal work.

Moves to curb resource erosion have not gone the necessary distance to plug the gaps through which they flow. Instead many measures have acted in the very direction that emboldens illicit financial flows with the strength of law and hides it farther from public scrutiny and ethical standards. Many Asian developing country governments, for instance, have done away with what would have been easy-to-collect trade tariffs, and persist in offering tax incentives as a way of attracting investments, despite studies disproving this correlation and with the knowledge that they result in lowering effective tax rates for corporations and open more opportunities for tax avoidance and abuse. For similar reasons, they sign tax treaties that in effect, cede more of sovereign taxing rights to investment-sending developed countries. We also see more states trying to make up for the shortfalls in revenue collection by imposing broad-based consumption taxes that unfairly burden the poor. These have set in motion a mutually annihilating race-to-the bottom, of which developing countries will all be losers.

We are also alarmed by the expanding influence of international financial institutions led by the International Monetary Fund and the World Bank in debates on financing SDG implementation. The International Monetary Fund, for instance, vigorously champions regressive consumption taxes as the money-machine for developing countries, despite recognition that these pass on the burden of revenue-raising on ordinary working people rather than highly profitable corporations, and discriminate against women. It still asserts that lowering the corporate tax and offering tax incentives would be good for developing countries to attract foreign investment, although many studies have already shown otherwise. The World Bank's private sector arm, the International Finance Cooperation, supports coal corporations and other firms that also use tax havens to further boost profits, on top of exacerbating the climate crisis.

Establishing an inclusive intergovernmental tax commission grows ever more urgent in the face of these developments. A proposal put forward by more than 130 countries in the G77 since 2015, such a body in the auspices of the UN would enjoy comparatively more democratic space than the IFIs and have greater credibility and authority than the 34-member country Organization of Economic Cooperation and Development (OECD). A core task is to ensure a gender-just system where tax laws and practices promote, and not undermine, women's rights and empowerment, in line with the Women's Convention or CEDAW. Further, it shall help develop progressive tax systems, such that corporations and wealthy individuals pay their share, and resources are mobilized to adequately finance public services, which are key to fulfilling women's rights and achieving gender equality.

In line with this, we urge states to require public country-by-country reporting from multinational corporations operating and/or registered in their jurisdictions to report on their global commercial activities, structures and tax payments. We must deter and weed out tax avoidance by multinational companies, and ensuring fairer returns for developing countries "where economic activity occurs and value is created", as stipulated in the Addis Ababa Action Agenda.

We further call for the automatic exchange of tax information, with the objective of shining a light on illicit finance, their channels and enablers, including tax havens and freeing up these resources that could go into SDG implementation and the enjoyment of human rights. Developing countries require time and finance to capacitate their tax administrations; and until such time, it is only fair that reciprocity is not imposed as a condition in information exchange. Clearly, for the automatic exchange of information to be effective, are mechanisms for the public disclosure of the beneficial, or actual, owners of companies.

On a final note, we invite a diligent look into the gender implications of the Forum's market-based approaches and privileging of the private sector in development finance. Profit-driven interests, as experience has shown, compromise the quality, reach, acceptability, integrity and over-all effectiveness of development interventions,

especially the delivery of essential social services which are critical to women, especially in light of the disproportionate weight of unpaid care work that they bear. Secondly, we express concern that while women's productive capacities are being recognized, this comes with the underlying assumption that their enjoyment of human rights is predicated upon their integration into the market economy. Increasing women's participation in the market and providing them access to capital have not necessarily led to their economic empowerment and gender equality. The case of the Rana Plaza tragedy six years ago in Bangladesh, where more than 1000 garment workers, mostly women and girls, were killed is only one example. It shows how capital increased its power and profitability with a workforce of mostly women and girls, in below-standard infrastructure, under precarious sweatshop conditions, without social benefits and receiving the lowest wages.

Increasing women's participation in labor markets is also driven by gender biases and assumptions about how the market economy can benefit from women's economic participation. Women are targeted as "reliable" borrowers and consumers of goods and services, including financial services. While there may have been individual success stories about women's greater access to financial services, these have been limited in scale, neither lifting women out of poverty nor delivering gender equality by and large. Moreover, there is little attention given to other long-term impacts or consequences such as increasing their multiple burdens, reinforcing discriminatory gender roles and further embedding them in debt.

We join other civil society organizations and movements in calling on UN member-states, especially in the Asian region to –

- Plug the loopholes and address flaws in tax law and policy, including liberal incentives regimes, that allow tax avoidance and other forms of tax abuse by corporations to persist and proliferate, thus enabling the continued loss of precious revenues through illicit financial flows.

- Take decisive steps towards the establishment of an intergovernmental tax commission under the auspices of the UN.

- Pursue the establishment of a system of automatic exchange of tax information, with the objective of shining a light on illicit finance, their channels and enablers, including tax havens and freeing up these resources that could go into SDG implementation and the enjoyment of human rights; Ensure that the process and requirements of setting up such a system includes capacity building for developing countries with adequate time and finance. Until developing countries are able to build adequate capacity, reciprocity should not be imposed as a condition in information exchange.

- Put in place mechanisms for the public disclosure of the beneficial, or actual, owners of companies. Without these registries, automatic exchange of information stands to lose meaning and credibility.

- Require public country-by-country reporting from multinational corporations in all jurisdictions where they operate and/or are registered. These reports should include their structures, their country level and global commercial activities, and their tax payments. This is a crucial step for deterring and weeding out tax avoidance by multinational companies and ensuring fairer returns for developing countries "where economic activity occurs and value is created", as stipulated in the Addis Ababa Action Agenda.

- Promote the prevention and control of IFFs through progressive tax policies at the national level that proportionally increase the weight of direct taxes on income and profit capital, while reducing that on the poor and low-income groups, particularly women.

- Ensure that revenues mobilized and recovered from reducing illicit flows and amending other tax-eroding laws and policies are equitably allocated to progressively fulfill human rights obligations and ensure a swift and just transition to just, equitable, sustainable and post-carbon development pathway.

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