



**CIVIL SOCIETY
FINANCING FOR
DEVELOPMENT**
Mechanism

The FfD Chronicle

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.

THE BIG PICTURE – A VERY IMPORTANT U-TURN!

These past 2 weeks marked the point where the UN Tax Convention negotiations hit the road and started working on substance. And we very quickly bumped into the key question: "where should substance go?".

During week 1 – as we saw the first discussion about commitments in the Convention – we were scratching our heads on the back row of the Conference Room, as delegates seemed to think every little piece of substance will eventually need its own protocol. Faced with the prospect of large-scale fragmentation through protocolization, we started getting worried.

It also seemed to us that the discussion about some of the key commitments under the Convention were far too top-level and failed to reach the point of real in-depth discussion – not least on key issues such as the link between taxation and sustainable development.

The "Aha moment"

But then, in week 2, as we started diving into the discussion about the substance of the protocols, it was as if the collective penny dropped. Specifically, the question about how disputes under Protocol 1 will be resolved caused delegates to rub their eyes and call for more coffee. It suddenly became clear to all that the protocols risk becoming side-tracks that get disconnected from the larger framework, and that the most obvious way to solve that is to keep as much substance as possible under the actual framework convention.

This moment became a very important u-turn in the debate about where substance should go, as it turned the focus from the protocols back to the convention. And obviously, we couldn't agree more! The importance of the content of the actual convention cannot be overstated. That – more than anything – is where we have to deliver on the ambitious objectives of the ToR, including the task of establishing "an inclusive, fair, transparent, efficient, equitable and effective international tax system for sustainable development."

Breaking the ice

Another important development concerns the constructive engagement between the Member States. Whereas week 1 was still marked by quite a bit of "new relationship anxiety", week 2 became the moment when delegates really started sharing thoughts, engaging and debating. It was an absolute joy to see the transparent and inclusive global tax discussion that started emerging.

In conclusion, we feel we leave New York with a higher level of collective awareness about exactly how important Workstream 1 will be. Unfortunately, since this workstream came up first on the agenda, it didn't benefit from the growing collective understandings and constructive intergovernmental spirit of cooperation we saw in week 2. But we have very high hopes and expectations for the future, and look forward to a broad range of extremely interesting and important discussions. And as always, we will be bringing our own concrete civil society proposals for what this process must deliver. We hope that you – dear Member States – will be doing the same!

FAIR, INCLUSIVE AND TRANSPARENT TAX SYSTEMS DO NOT GET WRITTEN BEHIND CLOSED DOORS

As we stressed in the very first edition of the Chronicle during these sessions, we have very strong concerns with the fact that civil society have been unable to participate as observers during the online intersessionals of the INC. Paragraph 21 of the ToR invites civil society and other actors to contribute to the work of the committee. But being out of the loop for months makes it impossible for us to do our jobs and deliver on this invitation, because we cannot provide informed and timely inputs to the discussions.

Over the last two weeks, we have brought our points to delegates. In response, we have received the reply that shutting out observers is the only point in these negotiations on which all Member States are in agreement. Let us be absolutely clear. We want you all to build joint understandings. But when the one point that brings you all together is on cancelling democracy and shutting off transparency, something has gone very very wrong.

The UN General Assembly has given the committee a task of delivering an "inclusive, fair, transparent, efficient, equitable and effective international tax system". Shutting the doors to the negotiations is a very serious step in the wrong direction – away from the spirit of the ToR, and back towards the exclusive and opaque tax governance systems of past times.

We've heard the argument that civil society presence would make it impossible for delegates to speak their minds. But this argument makes absolutely no sense to us. The UN has an extensive track-record of civil society participation during negotiations, including in "informal informals". We are used to working in informal settings, and the last thing we want to do is to disrupt the negotiations. In fact, what we bring – more than anything – is a strong urge to see these negotiations succeed. We therefore urge all Member States to reconsider and let us bring our contributions to this process.

TAKE AWAY MESSAGES – FROM NOW UNTIL NAIROBI

For all of us who have been camped in Conference Room 3 these last two weeks: it seems important to give ourselves credit for all the hard and constructive work we have delivered. We're off to a very good start! That said, there is no time to rest on our laurels. The task of delivering an "international tax system for sustainable development" is immense and very urgent, and we have much important work ahead of us.

Between now and Nairobi, here are some of the important tasks we see - for all of us:

Bursting the tax bubble. A UN Tax Convention is not just relevant for tax administrators. Taxation plays an absolutely crucial role in our societies, and it is not merely an issue of "technicalities". Similarly to what we have already started doing on the civil society side, we urge all government delegates to engage in an inclusive and open dialogue with other ministries and experts beyond the area of taxation. This includes development, environment, human rights and global governance experts.



A STORY ABOUT HOW THE UN TAX CONVENTION NEGOTIATIONS CAME TO BE

THEY HAVE BEEN A PROMINENT FIGURE IN CIVIL SOCIETY'S FIGHT FOR A FAIR, EFFECTIVE AND PROGRESSIVE UN TAX CONVENTION.

WATCH THE HISTORY OF THE GLOBAL TAX BODY!



Thinking beyond the commitments. While we support the approach of taking the commitments as the starting point of the discussions, it is also important to keep a holistic overview of where we are heading, and bear in mind that the Convention will need to include many other important components. For example, the issue of mechanisms will be crucial. This includes transparency mechanisms that can support the operationalization of the transparency commitments in the Convention - both in relation to public and non-public information. Such mechanisms will inevitably also have to be linked to reporting requirements that can ensure that the relevant information gets collected and shared. We also need to discuss specific international tax cooperation mechanisms - for example in relation to progressive environmental taxation and effective taxation of high-net worth individuals. As a cross-cutting issue, and building on the ToR, we also need to elaborate on the issue of principles, and make sure the Convention will include balanced and strong principles that can underpin all of the future work under the Convention, and ensure strong links between practical implementation and the overall objectives.

Getting ready for a deeper conversation about the commitments under the convention. As explained on page 1, last week's conversation about the convention did not reach the level of depth and constructive collective thinking that we need to elaborate the commitments under the convention, and on issues such as tax and sustainable development, we barely scratched the surface. We need to get ready to do a lot more work on this in Nairobi.



I CAN SEE THAT YOU'RE MAKING VERY GOOD PROGRESS IN YOUR RELATIONSHIP. I'M VERY HOPEFUL ON YOUR BEHALF.

IF YOU KEEP WORKING TOGETHER IN GOOD FAITH, YOU WILL SUCCEED.