The Tax Chronicle

A special edition of 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.

WE ONLY GOT ONE YEAR TO SAVE THE (TAX) WORLD!

What an intense INC5 we have been through! Despite the fatigue, as intense as the days of negotiations that have passed, the Tax Chronicle could not leave its dear readers without looking back and taking stock of the past two weeks. One thing is certain, first of all, this process, for the first time in a forum where all countries have an equal voice, is moving forward, and it is moving fast! The question now is whether it is moving sufficiently in the right direction?

Regarding the Framework Convention, the negotiations on the zero draft have finally allowed a long-awaited political and legal discussion. We see a large number of countries that are clearly in favour of a real reform of the system, while a few would prefer to stay in a costly and unfair tax status quo, at their own expense. As civil society, we were delighted to witness real discussions in the room, and even ambition on some key articles. Still, there is a lot of work to be done (and substance to be added on critical issues) to build a Framework Convention capable of bringing about a fair, efficient, inclusive, and transparent international tax system for sustainable development (see Chronicle #68 for our summary of the first week).

As for the protocols, what can we say except that these two weeks have not allowed us to get out of some... confusion is probably the most appropriate word. Negotiating three binding agreements at the same time was always going to be tricky - and we urge you, dear delegates, to build these instruments on a firm foundation (the Framework Convention!).

Unfortunately, the signal will be cut off to civil society tomorrow, when secret discussions will resume on Zoom. There is still time to correct this opacity for the good of this process, its legitimacy, and its transparency. Before Nairobi (INC6), you will have to complete your written submissions. Civil society strongly encourages you to reread and be inspired by its catalogue of proposals for articles for the Framework Convention. We invite you to find in it the inspiration and the courage to draft an ambitious, fair, substantial, future-proof Framework Convention capable of fulfilling the historic mandate given to this committee. **We only got one year to save the (tax) world!**

WE DISPUTE!

Protocol 2 is only at the level of the 1st draft, but already, we spot it is going in a concerning direction. The words "taxpayers may" suggests an approach where multinational corporations are put in the seat as rightsholders, and tax administrations are obligated to service them.

This is not the typical approach at the UN, where it is most common for the Member States to define their commitments and hold each other to account, but not to define rights for corporations. We believe that dispute prevention mechanisms can be introduced without inventing "taxpayer initiated mechanisms"!

NO SPENDING WITHOUT FINANCING

A legal text without funding is just words on paper. We, in this room, know this better than anyone - we are, afterall, the finance geeks!

Rights, objectives, commitments, none of it stands without money behind it. And yet, last week, in the discussion on Article 18 of the Convention (Financial Resources), we heard some member states push back hard on the idea of mandatory financial commitments for the Convention.

This week, we watched those same states, in the Protocol 2 discussions, negotiating a text that is resource-intensive by design, including by potentially relying on subsidiary bodies and foreseeing a heavy role for the UN in implementation.

For civil society, the request is clear: we want a Financial Mechanism to be established under the Convention. One that supports and provides resources for the implementation of the Convention, its Secretariat, its core mechanisms, subsidiary bodies, and protocols. International tax cooperation is not a one-off effort, but an ongoing project that requires building and maintaining shared infrastructure, and thus, the Convention will need sustainable sources of finance, including mandatory contributions on a regular basis. On a positive note, a key function of the Convention is to boost domestic revenues for the vast majority of the world’s countries, so governments are about to make a very excellent investment!

But to be clear - we should not accept a Framework Convention with no guaranteed funding, where states cherry-pick which projects and protocols to bankroll. That's not flexibility, it is a strategy doomed to starve the Convention's core, redirecting resources toward whatever little element happens to serve a given state's priorities in a given year.

Delegates, a Financing Mechanism is what will secure, among other things, not only the technological infrastructure and the necessary technology transfers, but also the staff who will sit at the heart of this new international tax framework. We urge you to guarantee not only that you yourselves have access to the tools you need, but that your future colleagues have adequate funding to carry out the important work we will demand of them.

A Financing Mechanism will also help to ensure that the resources are distributed between the different components of the new UN Tax System. Speaking of which - we can’t help but notice the way that resources are already becoming very unevenly spread across the three negotiating workstreams: four member states hold formal roles in Workstream III, compared to one in Workstream I, and none in Workstream II at the moment. It’s clearly high time to talk about commitment to the process, including resourcing!

LISELOVE!

We have not always agreed with, but we have always appreciated, respected, and admired the amazing Liselott Kana. Her expertise, insights, exceptional listening skills, and indisputable commitment to a fair, transparent and inclusive process has brought great value to us all, and to the UN Tax Convention process. At the end of the day, this process depends on the skills and commitment of individuals, and in the role as co-lead, she leaves very big shoes to fill. However - Liselott - we sincerely hope that we will still be seeing you around. Whether as an academic, expert or stakeholder - you are warmly welcome in the backrows of the conference room! But one kind word of advice - you will only get to speak once per agenda item, and you must keep your remarks to 3 minutes ;) We sincerely hope to see you very soon, Liselott, and until then, please accept our warmest thanks, congratulations and warmest appreciation for your amazing contribution.

Job opening

Title: Co-lead of Workstream II
Mission: Lead inclusive workstream sessions to transform the current draft Protocol 1 into an instrument for the fair allocation of taxing rights on cross-border services.
Core Skill: Deep empathy and active listening to honor lived experiences of countries disadvantaged by their current DTAs.
Impact: Adopting a protocol that truly delivers on the objective to build an international tax system for sustainable development.