

Response to ‘Zero Draft’ of the Addis Ababa Accord

April 2015

Overarching Recommendations for inclusion in the Outcome Document of the Third International Conference on Financing for Development

- Agreement on the creation of a new, well resourced, intergovernmental body for tax co-operation under the auspices of the United Nations by 2017.
- Agreement to reduce illicit financial flows by 50% by 2030.
- Endorsement of mandatory principles for integrated financial and sustainable development reporting for large and medium-sized companies by end of 2018, with the methodology agreed by end of 2017.
- Agreement that all sources of development finance will be ‘climate proof’ by 2020, including commitments relating to taxation, private financing and development assistance.
- Agreement on recommitting 0.7% of developed countries’ GNI towards official development assistance by 2020, with national timetables agreed by end of 2015.
- Endorsement of intention for developing countries to raise domestic resources to finance sustainable development goals, in an equitable and progressive manner and according to national timetables agreed as quickly as possible.
- Improve to 100% the share of tax and budget laws and policies subject to periodic, participatory gender equality analysis, and public expenditure tracking, especially as they impact poor women.

The Third International Financing for Development (FfD) summit is critical for developing countries.

In 2015, the global community faces a set of closely linked opportunities to move the world onto a path of equitable and sustainable development, as described in our [FfD position paper](#). To be successful, the FfD outcome document must establish time-bound targets on financing and systems to ensure monitoring and follow-up from all actors.

An ambitious Addis Ababa Accord will pave the way for a successful implementation of the Sustainable Development Goals (SDGs) in New York later this year. It will also support an international deal to tackle global warming at the 21st Conference of Parties to the UN Framework Convention on Climate Change (UNFCCC COP 21) in Paris later this year and the setting of the new agenda for global humanitarian action at the World Humanitarian Summit in May 2016.

In this briefing we have identified the key paragraphs in the Addis Ababa Accord Zero Draft, noting the main positive aspects in the second column and recommending ways to improve the existing draft language in the third column. In the final column, we compare the ambition of the existing text with our earlier position paper – using a green light to show a close match, amber where some further progress is needed, and a red light to indicate where the Zero Draft falls far short of our position.

Key	
	close match
	further progress is needed
	Zero Draft falls far short of our position

Para	Comments	Recommendations	
18	We welcome the agreement to ‘incorporate sustainable development, and promote equity, including gender equality, as an objective in all tax and revenue policies including incentives we give to domestic and foreign investors, and tax treaties and agreements’.	We fully support that gender equality and tax incentives are being discussed, but we would encourage sustainability and human rights-based assessment of tax policy to be the basis of assessing tax incentives, tax treaties and agreements. We recommend the regional follow-up focuses on adopting an effective mechanism in reviewing tax incentives and ending harmful tax competition.	
20	We welcome the work to ‘improve the fairness and effectiveness of our tax systems’.	We would like to see clear targets for improving the effectiveness and progressivity of tax systems.	
20	We welcome the commitment for ‘countries with government revenue below 20 per cent of GDP [to] agree to progressively increase tax revenues’.	Countries should determine their own tax per GDP ratio, based on national SDG action plans, with 20 per cent used as a benchmark along side with measures of progressiveness of tax systems.	
30	We welcome the reference to ‘gender-sensitive public financial management, and promotion of equity’.	We would like to see a specific commitment to review the impact of macro economic policies on gender equality. In particular, a commitment to improve to 100% the share of tax and budget laws and policies subject to periodic, participatory gender equality analysis, and public expenditure tracking, especially as they impact poor women.	
33	We welcome the ‘gradual elimination of harmful subsidies including for fossil fuels’.	We recommend taking out the word ‘gradual’ and call for immediate elimination of fossil fuel production and exploration by developed countries, and a clear phase out schedule for other countries.	

Ending illicit financial flows

21	We welcome the call to ‘strengthen national regulation and international cooperation to combat illicit financial flows (IFFs), tax evasion and corruption’.	We would like to see specific targets on reducing IFFs and recommend a 50% reduction by 2030 as a target, to be based on official estimates of IFFs on a 2015 baseline.	
24	We welcome the commitment to ‘public country-by-country reporting by multinational enterprises; public beneficial ownership registries; and multilateral, automatic exchange of tax information’.	We would like to see a timetable for these policy measures, and we propose 2017 as a realistic timetable for their adoption. In addition, we would like to see explicit recognition that the agreement of global targets for these measures should not preclude earlier action at the national and regional level.	
27	We welcome the commitment for the ‘United Nations, the IMF, the World Bank and other relevant stakeholders, to develop a proposal for an official definition of IFFs’.	We believe that the roles of different institutions should be made clear. The primary responsibility for measuring illicit financial flows should sit with the United Nations, as is the case already with the United Nations Economic Commission for Africa who have already published research on IFFs.	

Tax body under the auspices of the United Nations

28	We welcome the call for all initiatives to ‘further enhance the voice and participation of developing countries in norm setting for international tax cooperation’.	This commitment is in line with an ambitious Accord and we would like to see strong commitment from developed countries.	
28	In this respect we welcome the acknowledgement of the need to upgrade the UN Tax Committee to an intergovernmental body.	We have concerns in the following areas: <ol style="list-style-type: none"> 1. how existing technical expertise will be retained and enhanced within the UN system 2. how the needs of developing countries can be effectively represented in a UN body with global influence over the tax system 3. how this new body will relate to other existing institutions already exerting influence over the global tax system. 	
28	We welcome the statement that the UN Committee of Experts on Tax Matters should continue to work on issues ‘including on double taxation treaties, transfer pricing, exchange of information, the taxation of extractive industries and capacity building.’	While it is important that there is a UN Committee of Experts in International Tax Matters, this body does not have a mandate to take political decisions. This seems to contradict the earlier part of the paragraph, on the upgrading of the Committee.	

Official development assistance (ODA)

55	We welcome the call for 'all developed countries that have not yet done so to substantially increase their ODA starting immediately with a view to implementing by 2020 their commitment to allocate 0.7 per cent of GNI as ODA to developing countries' and for 'donor countries to establish, by the end of 2015, indicative timetables to illustrate how they will increase their assistance'.	This is in line with the ambition of ODA being scaled up. It should be followed up in terms of mutual accountability between donor and recipient countries. The UN has a particularly important role in connecting ODA with other resource flows of the FfD process at the United Nations Development Cooperation Forum. We would like to see clear recognition of the role of humanitarian aid and especially disaster risk reduction (DRR) in this section.	
61	We strongly welcome the recognition that 'we need to build climate and disaster resilience considerations into development assistance to ensure the sustainability of development results'.	The Sendai Conference on Disaster Risk Reduction decided to refer financing of DRR to the Addis Ababa Accord by deciding a target concerning humanitarian aid as a share of ODA and, critically, Christian Aid reaffirms its call to raise the proportion of humanitarian aid spent on DRR from 6% to 10%.	

Private sector role and accountability

40	We welcome the statement that parties 'agree to create strong regulatory frameworks on Environmental, Social and Governance practices, including mandatory integrated reporting for large companies'.	We would urge that there is a quick timeline on this commitment, as we believe the rules should be set by 2017, with first reporting becoming available in 2018 for all large companies followed by priority sectors for medium-sized companies.	
42	We strongly welcome the Accord 'encouraging the private sector to contribute to advancing gender equality through ensuring women's full and decent employment, equal pay and equal opportunities'.	We believe that there should be time-bound commitments for advancing equal pay and equal opportunities through national legislation, including ratification of ILO standards, as voluntary initiatives are inadequate in this area.	
46	We welcome the acknowledgement that 'public policies must provide the enabling environment, as well as the policy framework and incentives to ensure that private investment is aligned with sustainable development, norms and standards... We commit to ensuring appropriate and stable access to credit for micro, small, and medium sized enterprises (MSMEs)'.	We believe that an inclusive and supportive business enabling environment (BEE) is critical for inclusive market development. In addition to affordable credit, a BEE for MSMEs should include a supportive policy environment, technical capacity building, adapted legislation for all sizes and types of enterprises, adapted infrastructure, decent job or market opportunities and fair taxation for MSMEs, due to their significant and proven impact on poverty reduction and supporting sustainable development.	
56	We welcome the statement that 'PPPs should not replace or compromise state responsibilities, nor should they impose unsustainable debt burdens or contingent liabilities on governments'.	However, we do not believe that monitoring should be limited only to financial risks of public-private partnerships. It also needs to cover a wider range of issues including gender equality, decent work, land tenure, environment and taxation as examples of safe guards.	

Climate change and resilience

12	We welcome the statement that 'investments in rural development and sustainable agriculture are essential for eliminating hunger, achieving food security and nutrition, creating decent job opportunities, in particular for rural youth and women, and will lead to rich payoffs across the SDGs'.	We believe that, to become truly sustainable, corporate agribusiness investors need to comply with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems, including the right for farmers to save, use, exchange and sell seeds and other genetic resources and enable farming systems to support climate change adaptation. Policies should encourage market access for smallholder farmers, in particular women.	
60	We welcome 'acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change' and a 'need for transparent accounting for climate finance and welcome the ongoing work in the UNFCCC'.	We urge that a transparent accounting mechanism is decided with a timeline for 2020 to demonstrate both the additionality and co-benefit of development and climate financing. The Secretary-General's Sustainable Energy for All initiative is a useful framework in this regard in demonstrating a co-benefit in development and climate financing, as recognised in paragraph 109.	

Systemic issues, monetary policy and debt

83	We welcome that the Accord agrees 'to work in the appropriate forums towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives'.	However, we are concerned at the proposal for the 'IMF and the World Bank to work in an open consultative process with relevant stakeholders, to further strengthen their analytical tools for sovereign debt management'. Instead of just 'acknowledging' UNCTAD's principles on Responsible Sovereign Lending and Borrowing the document should recommend all countries use UNCTAD principles.	
92	We welcome the acknowledgement that 'regulatory gaps and misaligned incentives continue to pose risks to financial stability, and suggest a need to consider further reforms to the global monetary system'.	The recognition that financial crises have far-reaching effects means that greater cooperation between monetary authorities is required. We also call for commitments to create policy innovations around new ideas such as 'functional money' which could provide new ways for developing countries to access counter-cyclical financing.	
92	We welcome the recognition that 'national policy decisions can have systemic and far-ranging effects well beyond national borders'.	Specific actions should include full spillover analysis of different national and international policies, other factors affecting countries' budgets such as changing commodity prices, and volumes and riskiness of transactions in certain international markets. Furthermore, we welcome the efforts by the UN Special Rapporteur on extreme poverty and human rights in calling for <u>human rights assessments</u> of tax policies.	

Data, monitoring and follow up

117	We welcome the recognition that 'greater transparency can be achieved by publishing timely, comprehensive and forward-looking information on development activities in an independent, standardized, open, electronic format'.	However we believe that this commitment lacks detail. Governments should agree to publish budget documentation, using international standards, in a timely, comprehensive and accessible manner. The data monitoring on the private sector should include mandatory company reporting both on financial and non-financial information on sustainable development.	
123	We welcome the initiative for the 'Secretary-General to convene an inter-agency Task Force, including the major institutional stakeholders, to report annually on progress in implementing the present Accord'.	We urge that this task force, in coordination with the UN FfD Office, should commit to a follow-up conference no later than 2020. The High-level Political Forum on Sustainable Development needs to be integrated into follow-up activity to ensure coherence and cross-comparisons with the SDGs.	