

Promoting inclusive and effective tax cooperation at the United Nations

Technical report



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Introduction

As part of efforts to combat illicit financial flows, the adoption of fair and effective international tax cooperation mechanisms is pivotal. The aim of the present report is to provide analysis and a strategic road map to facilitate efforts by African States to design inclusive and transformative international tax cooperation and governance mechanisms. The report sets out guidance for African policymakers and leaders to recalibrate international tax cooperation while also upholding the principles of inclusivity, equity and transparency.

Since the establishment by the Economic Commission for Africa (ECA) and the African Union Commission of the High-level Panel on Illicit Financial Flows from Africa in 2012, Africa has been at the forefront of the global campaign to address the detrimental impact of illicit financial flows, which drain the continent of much-needed resources and hinder inclusive development. The international community has also recognized the importance of addressing illicit financial flows in the context of sustainable development. In target 16.4 of the Sustainable Development Goals, for example, the international community emphasized the need for international cooperation to combat illicit financial flows. Additionally, the adoption in December 2022 of General Assembly resolution 77/244, on the promotion of inclusive and effective international tax cooperation at the United Nations, is a significant step towards advancing international tax reform. Furthermore, the report of the Secretary-General of the United Nations on the promotion of inclusive and effective international tax cooperation at the United Nations (A/78/235) laid out options for how Member States could make international tax cooperation fully inclusive and more effective.

The present report builds on the invaluable input contained in the final report of the High-level Panel on Illicit Financial Flows from Africa, published in 2015. That report set out key findings and recommendations that reflected the urgent need for Africa to shape the international tax agenda so that it would promote the interests of African countries. In the report, the High-level Panel recognized the historical dynamics of colonial dominance that had hindered equitable cooperation and called for a paradigm shift towards a globally inclusive and intergovernmental process at the United Nations. The present report draws on the expertise and contributions of esteemed African institutions, including the African Union Commission, ECA African Tax Administration Forum, and Tax Justice Network Africa, and on reports issued by the Forum on Economic and Fiscal Policy, the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, the United Nations Tax Committee and the United Nations Conference on Trade and Development (UNCTAD). Invaluable input was also drawn from the report of the Secretary-General on international coordination and cooperation to combat illicit financial flows (A/77/304); public documents submitted in the context of the report of the Secretary-General on the promotion of inclusive and effective international tax cooperation at the United Nations (A/78/235); research, policy briefings and position statements by intergovernmental organizations from across the global South; and key contributions from civil society organizations, including the draft United Nations tax convention developed under the auspices of the European Network on Debt and Development in collaboration with the Global Alliance for Tax Justice. The present report also assesses the three options for facilitating progress on international tax cooperation that were set out in the report of the Secretary-General (A/78/235) and describes the institutional features and substantive issues that need to be addressed to create fully inclusive and effective international tax cooperation mechanisms.

Furthermore, the present report, taking a pragmatic and results-oriented approach, sets out proposals for an accelerated timeline for action. Those proposals include the adoption of a resolution during the seventy-eighth session of the General Assembly, in 2023, along with the setting of a clear timetable for negotiations, to commence in early 2024, on a framework convention on international tax cooperation which, when adopted, will support action on option 2, as set out in the report of the Secretary-General (A/78/235). With the aim of presenting a draft instrument for signature at an international summit on financing for development in 2025, that timeline emphasizes the need for expeditious progress that reflects the realities, aspirations and priorities of African States. To make

progress on that ambitious vision, effective collaboration among all entities with a role in combating illicit financial flows will be paramount. A strong African voice can drive meaningful change and ensure that the African continent has a seat at the table in negotiations to shape the global tax agenda, thereby accelerating action on the continent’s development aspirations.

The aim of the present report is to provide comprehensive analysis of the historical legacy of international taxation and its implications for Africa. It is divided into several sections that provide insight into different aspects of taxation. In the first section, an overview is provided of the evolution of international taxation mechanisms, from early efforts in that area by the United Nations to the increasingly prominent role played by the Organisation for Economic Co-operation and Development (OECD). The way in which various models and conventions have shaped tax norms is examined, while attention is drawn to the limited representation of Africa in that process. In the second section, the challenges and shortcomings of the current international tax architecture are highlighted, and attention is drawn to the disparities and the power imbalance that continue to marginalize Africa and other developing regions. The section contains an overview of the asymmetry in decision-making processes and the hegemony of certain countries, which is critical to shedding light on the inherent inequity within global taxation mechanisms. In the third section, insight is provided into current debates and discussions regarding the establishment of fully inclusive and effective international tax cooperation mechanisms and of an intergovernmental process to be led by a body other than OECD. The section contains an analysis of the role of Africa in advocating effective tax cooperation, and provides an examination of efforts by regional bodies, including the African Union and the Economic Commission for Africa, in advancing the African tax cooperation agenda.

Furthermore, the report contains an assessment of the critical institutional features that international tax cooperation should embody, taking into account the need for effective inclusion and the need to address post-colonial dominance. The key criteria for tax rules and transparency standards that should guide international tax cooperation reforms are also examined. Lastly, the report contains a number of recommendations for African States to facilitate their active engagement in an effort to shape the future of international tax cooperation mechanisms.

I. Historical inequalities

International taxation mechanisms have developed through a complex evolutionary process involving the adoption of tax norms by a range of global institutions. From its origins, rooted in colonial economic exploitation, to the present day, international taxation has served as a tool for domination, enabling wealthier countries to assert control over the economic affairs of less powerful nations.¹

During the colonial era, major powers imposed extractive tax regimes on their colonies, siphoning off resources and capital to fuel their own development while stifling economic growth in the colonized territories.² That asymmetrical tax system, coupled with unfair trade practices, laid the foundation for the economic disparities that persist in the world today. Despite the formal end of colonialism, the legacy of unequal taxation remains intact.³ The international tax architecture, shaped, primarily, by Western powers, has continued to favour the interests of multinational corporations, and facilitated tax avoidance and profit shifting.

¹ David Vital, *The Inequality of States: A Study of the Small Power in International Relations*, pp. 7–8 (Oxford, Clarendon Press, 1967); Alan Henrikson, “Great powers, superpowers, and global powers: managerial succession for a new world order” in *A United Nations for the Twenty-First Century: Peace, Security and Development*, vol. 65, pp. 65–66, Dimitris Bourantonis and Marios Evriviades, eds. (Kluwer Law International, 1996).

² Ogbu Okanga and Lyla Latif, “Tax vulnerabilities in Africa: revisiting inclusivity in global tax governance”, *African Journal of International Economic Law*, vol. 1 (2) (April 2022).

³ Lyla Latif, “Imperilled welfare states of eastern Africa: a comparative analysis of the policy legacies of taxation politics in Kenya and Uganda”, in *State Politics and Public Policy in Eastern Africa: A Comparative Perspective* Gedion Onyango, ed. (Palgrave Macmillan, 2023).

Aggressive tax planning strategies, facilitated by tax havens and opaque financial systems, have allowed corporations to exploit loopholes and shift their profits to low-tax jurisdictions, depriving developing nations of much-needed revenue.⁴ Moreover, international tax rules, predominantly based on the arm's length principle, have proven inadequate in capturing the economic realities of an interconnected global economy.⁵ Multinational corporations, through transfer pricing and other mechanisms, have manipulated their financial flows to minimize tax liability, exacerbating the revenue shortfalls experienced by developing countries. The historical legacy of international taxation also reflects a power imbalance in decision-making processes. Institutions such as OECD have wielded significant influence in shaping global tax norms, with limited representation of and participation by developing countries.⁶ That lack of inclusivity has perpetuated a system in which the interests of powerful nations and multinational corporations take precedence over the needs and priorities of the most vulnerable.

In the early twentieth century, the League of Nations established financial and fiscal committees, which played a crucial role in formulating early international tax norms.⁷ The Geneva Model of 1927,⁸ the Mexico Model of 1943, and the London Model of 1946⁹ were significant milestones in shaping international tax principles during that period. However, Africa, along with many other developing regions, was not adequately represented in those discussions and decision-making processes. The voices and perspectives of African nations were largely ignored, perpetuating the historical exclusion and power imbalance within the international tax arena. As the century progressed, the focus shifted to OECD, which became the primary platform for the development of international tax rules and standards. The OECD Model Tax Convention, first developed in 1963, has served as a blueprint for bilateral tax treaties and influenced the tax policies of nations worldwide.¹⁰ The limitations of the OECD Model, especially for developing countries, were recognized by the United Nations, which published the United Nations Model Double Taxation Convention between Developed and Developing Countries (commonly referred to as the United Nations Model Convention) in 1980. Crafted to address the distinct needs of developing countries and to serve as a counterweight to the residence-based taxation approach adopted by OECD, the United Nations Model Convention emphasized greater taxing rights for source countries, a shift that was particularly significant for regions like Africa. Despite those advancements, the lack of representation from Africa and other developing regions in OECD has continued to restrict their influence in shaping taxation norms, resulting in a system that predominantly serves the interests of the most economically powerful nations.

Undoubtedly, the final report of the High-level Panel on Illicit Financial Flows from Africa has been a significant catalyst for the African continent's rejection of the OECD-centric international tax system.¹¹ Chaired by former South African President Thabo Mbeki, the High-level Panel was established by ECA and the African Union Commission in February 2012 to address the issue of illicit financial flows from Africa, which continue to undermine the continent's development and governance. The Panel shed light on the pressing issue of illicit financial flows and their detrimental impact on African economies, including the significant loss of revenue for African countries as a result of

⁴Léonce Ndikumana and James Boyce, *On the trail of capital flight from Africa* (Oxford University Press, 2022).

⁵ Bill Parks, "Arm's length: principle or cult?", Taxnotes, 26 October 2020.

⁶ Sissie Fung, "The questionable legitimacy of the OECD/G20 BEPS project", *Erasmus Law Review*, vol. 10 (2) (2017).

⁷ Preparatory Commission of the United Nations, letter from Hill to Gerig, UNOG:PO—C.1633/529/17/3 (proposing that the proposed World Economic Council should have the scope to deal with, inter alia, "double taxation, fiscal evasion and other fiscal problems") 11 March 1943, *Report by the Executive Committee to the Preparatory Commission*, (PC/EX/113/Rev.1) (12 November 1945).

⁸ League of Nations, Committee of Technical Experts on Double Taxation and Tax Evasion, *Double Taxation and Tax Evasion: Report*, League Document C.216.M.85.1927.II (April 1927).

⁹ League of Nations, Fiscal Committee, *London and Mexico Model Tax Conventions: Commentary and Text*, League Document C.88.M.88.1946.II.A (November 1946).

¹⁰ Council of the Organisation for European Economic Co-operation, recommendation of 25 February 1955. See Organisation for Economic Co-operation and Development, *Model Tax Convention on Income and on Capital 2017 (Full Version)*, vol. 1 (2019).

¹¹ Economic Commission for Africa, *Illicit Financial Flows*.

aggressive tax avoidance strategies by multinational corporations and the exploitation of tax treaties. Prompted by the findings of the High-level Panel, African States have become more assertive in international tax discussions, challenging the norms and practices established by OECD countries that disproportionately favour wealthier nations and multinational corporations.

Efforts by the High-level Panel to combat illicit financial flows and promote tax justice have paved the way for a new era of engagement in international tax matters. Those efforts constitute a decisive move towards the establishment of a globally inclusive and equitable tax system that respects the needs and particular circumstances of all States, not just the economically powerful ones. The African continent's continuing struggle for tax justice, highlighted by the work of the High-level Panel, is a testament to the continent's resilience and determination to challenge the status quo and shape a fairer future.

Africa is in a unique position as the only continent that has adopted a common position on illicit financial flows. The High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, established by the President of the General Assembly and the President of the Economic and Social Council, produced its report in March 2021. That report built on the findings and recommendations of the High-level Panel on Illicit Financial Flows from Africa, updating analysis of global developments since 2015 and extending the scope of action to encompass the entire world with a view to mobilizing resources to accelerate the achievement of the 2030 Agenda for Sustainable Development.

Africa continues to call upon the international community to undertake appropriate action at the national, regional and global levels to ensure that illicit financial flows are treated as a systemic challenge, and to call for the adoption of global coordination mechanisms that will allow the international community to monitor illicit financial flows in a systematic manner, thereby avoiding a siloed approach that can undermine efforts to address illicit financial flows

II. Current international tax mechanisms: challenges and opportunities

A. Challenges

African countries are often underrepresented in international forums that shape global tax governance policies. This has led to the adoption of policies that fail to address the interests of African countries and may even harm their economies.¹² In that regard, the political influence of the global North remains a persistent challenge for African countries. The dominance of developed countries in international organizations and forums has meant that their interests often take priority over those of African countries. This has been particularly evident in the area of tax governance, where policies have often been shaped to protect the interests of developed countries and their multinational corporations.¹³

Both the High-level Panel on Illicit Financial Flows from Africa and the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda have sought to address those issues. One of the critical challenges that the Panels have identified is the lack of transparency in international financial transactions. This opacity facilitates illicit financial flows and hinders international tax cooperation. Furthermore, the Panels have both noted the challenge posed by the skewed balance of power in the global tax architecture. As it stands today, that architecture largely favours high-income, developed nations, especially OECD member countries, often leading to the

¹² Jaco Oelofsen, "Global South perspectives on international tax reform", *Report of the Global South Project for Combatting Profit Shifting and Illicit Financial Flows* (2022).

¹³ Niels Johannesen, Thomas Tørsløv and Ludvig Wier "Are less developed countries more exposed to multinational tax avoidance? Method and evidence from micro-data", *The World Bank Economic Review*, vol. 34, issue 3, (October 2020); Layla Latif, "The evolving 'thunder': the challenges around imposing the digital tax in developing African countries, *International Journal of Digital Technology and Economy*, vol. 4, No. 1 (2020).

marginalization of lower-income and developing countries. Furthermore, current international legal and policy frameworks continue to fall short in terms of preventing illicit financial flows. Those frameworks often do not adequately address aggressive tax planning strategies and the weak regulation of multinational corporations. Capacity constraints also continue to affect many low-income countries, which often lack the technical capacity, resources and infrastructure necessary to combat illicit financial flows and establish and oversee complex tax systems. Despite those challenges, there are numerous opportunities for significant progress to be made in the area of international taxation.

Both Panels have underscored the necessity of a more inclusive, equitable, and transparent global tax system. That system would allow all countries to participate in decision-making processes on tax matters, ensuring that the needs of developing countries were recognized and respected. Revamping international legal and policy frameworks offers another opportunity to strengthen measures to prevent tax evasion and counter aggressive tax planning. Additionally, international cooperation could significantly contribute to capacity-building in developing countries, enabling them to establish effective tax systems and combat illicit financial flows more effectively. The adoption of robust standards for transparency and accountability in international financial transactions could substantially reduce opportunities for illicit financial flows. Steps that could be taken include the establishment of mechanisms for the automatic exchange of tax information, the adoption of modalities to ensure transparency in beneficial ownership, and the adoption of legislation mandating country-by-country reporting by multinational corporations.

The potential benefits of digitalization have also been recognized. Digital tools and technologies could be used to strengthen tax administration and compliance, facilitate tax cooperation and detect and prevent illicit financial flows, thereby allowing States to mobilize additional domestic resources for sustainable development.

The outcomes and recommendations of the first African Fiscal Policy Forum, organized jointly by the Coalition for Dialogue on Africa and the South Centre, also provide a comprehensive overview of the challenges and opportunities for Africa in international tax cooperation.¹⁴ The overarching theme of the Forum was the need for more inclusive and transformative international tax cooperation, and for Africa and other developing regions to have greater say in negotiations on global tax norms. At the Forum, it was noted that the international tax system was characterized by inequalities that exacerbate illicit financial flows, tax evasion and tax avoidance. Those inequalities have left Africa and other developing countries at a disadvantage, leading to substantial revenue losses. At the same time, international aid has stagnated and foreign direct investment has declined, significantly increasing the need for domestic resource mobilization. During the Forum, it was also recognized that the Inclusive Framework on Base Erosion and Profit Shifting, developed by OECD and the Group of 20, had not proved beneficial to African and other developing countries. Furthermore, the digitalization of the economy had introduced new challenges relating to the taxation of multinational enterprises, and the solutions to those challenges proposed in the two-pillar solution, developed within the context of the Base Erosion and Profit Shifting Project, would offer minimal benefits to developing countries. In the light of those challenges, a new fully-inclusive and transformative approach to international tax cooperation was needed.

At the Forum, the need for increased representation and participation of African countries in international processes to address taxation issues and illicit financial flows was emphasized. Participants also viewed the two-pillar solution with concern, as it would offer only limited benefits to developing countries, especially in the context of their current corporate tax rates. Participants called for African countries to find alternative ways to increase tax revenue from activities taking place in their jurisdictions. There was a need for a well-coordinated and coherent approach by Africa in global processes to curb illicit financial flows, emphasizing that those processes must be inclusive and must

¹⁴ Coalition for Dialogue on Africa and South Centre, *Outcomes and Recommendations of the First African Fiscal Policy Forum* (2021). Available at: www.southcentre.int/wp-content/uploads/2022/02/Outcomes-and-recommendations-of-the-First-African-Fiscal-Policy-Forum.pdf.

address the particular needs of African countries. South-South cooperation was identified as a critical strategy in that regard. The recommendation that emerged from the Forum that tax negotiations should take place under the auspices of the United Nations, where voices of developing countries would be stronger, underscored the commitment of Forum participants to the establishment of fully inclusive and transformative international tax cooperation mechanisms. Establishing a United Nations body on tax matters would ensure that negotiations on taxation mechanisms would take place among all States on an equal footing.

While the High-level Panel on Illicit Financial Flows from Africa, the FACTI Panel and the first African Fiscal Policy Forum have identified potential avenues for reform, including the implementation of a global minimum corporate tax rate, enhanced transparency measures, and an expanded mandate for the United Nations Tax Committee, they have all voiced concerns with regard to OECD proposals on tax matters. Those concerns signal a disconnect between the international tax cooperation frameworks proposed by the OECD on the one hand and the unique needs and circumstances of developing countries on the other.

1. Unsuitability of the proposals of the Organisation for Economic Co-operation and Development

Current asymmetries in international tax norms and rulemaking, which is guided primarily by OECD, are part of a recurring pattern wherein the interests of wealthier countries and multinational corporations often take precedence over those of less economically-developed countries. A pertinent example of this is the recent development of the two-pillar solution within the context of the Base Erosion and Profit Shifting Project of OECD and the Group of 20. In the context of global taxation, asymmetry occurs when certain conditions or practices inadvertently create a lack of balance or equality among parties. That asymmetry often manifests itself in the distribution of power, status and opportunities, which tend to disproportionately favour one group over another. The two-pillar solution would likely give rise to asymmetries unfavourable to developing economies, including in Africa. A detailed discussion of the disadvantages of the two-pillar solution, and its unsuitability for most African and many other countries, is provided in annex 1 to the present report.

In summary, the OECD proposal for a two-pillar solution falls far short of the original ambitions. The aim of pillar one would be to support countries' efforts to go beyond arm's-length pricing and introduce a unitary approach, so that the profits of multinational enterprises could be taxed in the jurisdiction of the real economic activity from which they arose, instead of being shifted to a lower-tax jurisdiction elsewhere. The aim of pillar two would be to support the introduction of a minimum tax rate so as to end the race to the bottom on corporate tax rates once and for all.

In practice, the proposals of OECD would deliver little of either. Pillar one would likely facilitate efforts by States to move beyond an outdated arm's length approach only for a small fraction of the profits of fewer than 100 large multinationals. Most of the profits of those multinationals, and all the profits of all other multinational enterprises, would remain subject to the current complex and unworkable transfer pricing arrangements. What is more, if countries wish to participate in pillar one, they would have no option but to renounce a range of other measures, including the imposition of digital sales taxes and broader, more effective alternative measures. Many countries would gain little, and might even collect less revenue, if they adopt the OECD approach. Revenue assessments for the 84 member States of the African Union and the South Centre show that, for the year 2020, those countries would receive some \$5 billion under amount A when the sales threshold of 20 billion euros were applied, but would receive some \$12 billion under Article 12B of the United Nations Model Convention.¹⁵

¹⁵ Vladimir Starkov and Alexis Jin, Research paper No. 156. Appendices E and F, South Centre (1 June 2022). Available at: www.southcentre.int/research-paper-156-1-june-2022/.

Pillar two has also been harshly criticized. The proposed global anti-base erosion rules have been designed with a view to ensuring that multinational enterprise profits are taxed at an effective minimum rate of 15 per cent in each country to which they are attributed, by allocating rights to apply a top-up tax to other countries where the multinational enterprise in question has a taxable presence. However, that right is given in priority to the home country or countries of residence of the multinational enterprise by applying an income inclusion rule, while the host country's right to impose a top-up tax on profits at the source, under the undertaxed payments rule, is only a fall-back. An additional right for a domestic minimum top-up tax has now been included but would benefit countries where high levels of profit are already attributed to multinational enterprises under current rules, namely jurisdictions that act as investment hubs or conduits for profit-shifting. Estimates show that most developing countries would gain little or no additional tax revenue directly from the Global anti-Base Erosion Rules. Furthermore, as the Rules are highly complex, joining the scheme would not be cost-effective for most developing countries.¹⁶

Not only do the proposed Global anti-Base Erosion Rules fail to curb profit shifting or deliver meaningful revenues for host countries, they also set a minimum that is so low that it may even prove counterproductive; a 15 per cent global minimum tax rate is substantially lower than the current corporate tax rates of 25 to 35 per cent commonly imposed by African countries. While such a low global minimum tax rate has been proposed to gain consensus among as many countries as possible, it could also have significant negative repercussions for African economies.

Firstly, setting the global minimum tax rate at 15 per cent could erode the tax base of African countries if multinational corporations adjust their tax strategies to take advantage of the lower rate. That could potentially result in a substantial reduction in corporate tax revenue. Secondly, if the global minimum tax is set below the corporate tax rates of African countries, it could diminish their ability to attract foreign direct investment. Corporations might decide to invest in countries where they can pay the global minimum, rather than a higher domestic corporate tax rate. Thirdly, it could affect African countries' fiscal sovereignty. Indeed, the capacity to set tax rates is a significant aspect of a country's economic policy, enabling it to balance the need to attract foreign direct investment and the need to generate revenue for public goods and services. A global minimum tax rate that is substantially lower than current corporate tax rates could therefore limit African countries' ability to manage their tax policies effectively.

2. Unsuitability and exclusionary nature of processes adopted by the Organisation for Economic Co-operation and Development

In the light of challenges identified above, African policymakers, the High-level Panel on Illicit Financial Flows from Africa, the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, the first African Fiscal Policy Forum, the United Nations Tax Committee and other relevant stakeholders have continued to advocate more inclusive and equitable solutions to international tax cooperation challenges. Those stakeholders have, inter alia, stressed the need for the more equitable representation of African countries in international tax norm-setting forums, and for due consideration to be given to alternatives to the arm's-length principle. Their concerns have yet to be adequately addressed in the context of the Base Erosion and Profit Shifting Project.

Many African States and other developing countries lack the necessary expertise and resources to participate effectively in the debate on international taxation modalities. The complexities of international tax rules and the implementation of the subject-to-tax rule mean that it is often difficult for those countries to comprehend fully the issues at stake and to contribute effectively to the negotiation process. Developing countries, including countries in Africa, may find themselves shouldering a disproportionate burden in terms of compliance costs and administrative challenges. That can create a

¹⁶ BEPS Monitoring Group, "The BEPS proposals and alternatives", 6 July 2023. Available at: www.bepsmonitoringgroup.org/news/2023/7/5/the-beps-proposals-and-alternatives.

compliance gap between developing and developed countries, potentially widening disparities between them. Those asymmetries underscore the need for a more inclusive and equitable approach to tax treaty negotiations. It is crucial to consider the specific circumstances and capacity constraints of developing countries, including those in Africa, to ensure that international tax reforms, including in connection with the subject-to-tax rule, do not place those countries at a further disadvantage. Addressing those asymmetries will prove essential if the global community is to achieve fair and balanced global tax governance.

Furthermore, the process by which consensus is reached within the Inclusive Framework on Base Erosion and Profit Shifting, particularly under the pressures of an expedited timeline, contributes to the asymmetry in global tax governance by placing a disproportionate burden on developing nations. That asymmetry stems from the differing capacities of developed and developing countries to comprehend, negotiate and implement complex reforms within a tight timeframe. Implementation of the two-pillar solution will require significant changes to international taxation norms, necessitating in-depth understanding and careful consideration of the implications of the proposed reforms. The expedited timeline for those reforms may not afford developing countries the requisite time to fully digest the proposals made, assess their potential impact, and contribute constructively to discussions.

Furthermore, countries need sufficient time and resources to develop alternative tax policies that are more in line with their particular economic situations. An accelerated timeline could undermine that process, placing countries under pressure to agree to provisions that may not serve their best interests. Compared with developing countries, developed countries typically enjoy access to more and higher quality resources, including expertise in tax law and international relations, and are therefore likely to be better able to undertake expedited processes. Developing countries, many of which are already resource-strained, may struggle to keep pace with advanced economies; this may exacerbate existing power imbalances between developed and developing countries in global tax governance, potentially side-lining the voices of countries with limited resources and making the need for inclusivity and fairness in global tax reform even more pressing.

Inconsistencies between the two-pillar solution and domestic laws and tax treaties could lead to legislative and implementation challenges. For countries with limited administrative capacity, such challenges could add another layer of complexity to the tax reform process, further widening the gap between developed and developing countries. In essence, although the aim of the two-pillar solution is to curb global tax avoidance, the way in which it is designed and implemented may inadvertently disadvantage developing economies, exacerbating asymmetries in global tax governance and reinforcing the urgent need for a more equitable approach.

Although the implementation phase of the Two-Pillar Solution is already underway, concerns surrounding the expedited process remain pertinent for several reasons. First, the repercussions of what are, in effect, substantive tax reforms may not become fully apparent for several years. Countries will therefore need ample time and resources to assess the impact of the reforms proposed by OECD on their economies and formulate appropriate responses. That need is likely to be more acute for resource-strained countries, many of which may find it challenging to complete necessary actions in accordance with the rapid timeline for implementation. Second, the global tax landscape continues to evolve, and the rapidly expanding digital economy and the emergence of innovative business models are likely to require ongoing amendments to tax policies. Countries must therefore remain fully engaged with the reform process, understand the implications of new taxation policies, and devise alternatives if required. The haste associated with the initial timeline for reform may set an undesired precedent for future policy amendments, potentially putting developing countries at a long-term disadvantage. Third, the complex nature of the reforms proposed by OECD could pose challenges for developing countries in the implementation phase. To address those challenges effectively, substantial capacity-building efforts will be needed. The swiftness of the reform process may not provide adequate time for capacity-building, however, potentially undermining the ability of developing countries to implement and reap the benefits of the proposed reforms. Fourth, the principle of tax policy sovereignty may be undermined by the accelerated timeline. Countries should be free to devise tax policies that are appropriate for their

particular economic circumstances, and an expedited reform process could put pressure on countries to accept provisions that may not be in line with their needs or preferences.

3. Exclusionary nature of the leadership of the Organisation for Economic Co-operation and Development on the ABC of tax transparency

The so-called ABC of tax transparency relates to three key policy elements in the fight against illicit financial flows: the automatic exchange of information on financial accounts, to address offshore tax evasion by individuals with undeclared accounts; beneficial ownership transparency, achieved by maintaining a public register of the true owners and controllers of business enterprises, trusts and other legal vehicles, and by recognizing that anonymous ownership is a critical element in almost all illicit financial flows, with the possible exception of corporate tax abuse; and public, country-by-country reporting requirements for multinational companies, to draw attention to profit shifting away from locations where economic activity takes place. Both OECD and the Financial Action Task Force have played a major role with regard to all three policy elements, although the results achieved owing to their efforts have been less than fully inclusive.

Although the automatic exchange of information can enhance transparency in tax matters, many developing countries lack the substantial administrative and technological resources they need to comply with the OECD-approved Standard for Automatic Exchange of Financial Account Information in Tax Matters. The Standard allows countries to automatically exchange non-resident financial account information with the account holders' countries of residence. This is a core requirement acknowledged in the final report of the High-level Panel on Illicit Financial Flows from Africa.¹⁷ Compliance with the Standard is a resource-intensive process, however. Sophisticated administrative and technical infrastructure is required so that countries can collect, store and transmit vast amounts of sensitive financial data securely. Specifically, pursuant to the Standard, countries are required to comply with robust technical and confidentiality standards, and to have the capacity to reciprocate fully with other countries on the exchange of financial information. Even then, there is no guarantee that signatories to the Standard will provide any information, as becoming a signatory does not require exchange with all (or even any) other signatory States, with the effect that developing country signatories often receive less information than more developed economies.

In fact, the capacity requirements imposed by OECD impede efforts by developing countries to adhere to the Standard, thus undermining the intended goal of a level playing field in international tax cooperation.¹⁸ For many African countries lacking the necessary resources, full participation in mechanisms for the automatic exchange of information remains an uphill task. It is therefore not surprising that, according to the United Nations' *Financing for Sustainable Development Report 2023*, while a total of 122 jurisdictions participate in the Standard, only 10 of 54 African countries have been able to do so. Moreover, issues around reciprocity can pose a significant challenge, as information is likely to flow, primarily, from developing to developed countries, without a similar flow in the opposite direction.¹⁹ The reciprocity demand is particularly problematic given consistent research findings that high-income countries and their dependent territories, rather than developing economies, are responsible for the vast majority of undisclosed offshore wealth and suspected illicit financial flows. Demanding that Malawi, for instance, be able to provide information on British holders of Malawian bank accounts before the United Kingdom would even consider providing information to Malawi seems to run counter to both natural justice and any rational attempt to prioritize action to combat illicit financial flows.

¹⁷ Economic Commission for Africa, *Illicit Financial Flows*.

¹⁸ Global Forum on Transparency and Exchange of Information for Tax Purposes, "Reinforcing Multilateral Cooperation in Tax Matters for a Fair and Inclusive Recovery", Annual Report, Annex C (2021).

¹⁹ High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, *Financial Integrity for Sustainable Development* (February 2021).

In the final report of the High-level Panel on Illicit Financial Flows from Africa, it was proposed that the automatic exchange of financial information should be based on the principle of “common but differentiated responsibilities.”²⁰ Adhering to that principle means acknowledging that countries have different capacities and responsibilities in addressing global challenges, and that the particular circumstances and capabilities of individual countries should be taken into account in the design and implementation of international agreements and initiatives. The approach adopted by OECD with regard to the automatic exchange of information actually runs counter to that principle and is based on a more uniform standard among participating jurisdictions.

Furthermore, the effectiveness of the Standard for Automatic Exchange of Financial Account Information in Tax Matters depends on the accuracy and reliability of reported financial information. African countries may face challenges in verifying the accuracy of data received from financial institutions within their jurisdictions. In fact, issues such as limited resources for data verification and the potential for inaccurate or incomplete reporting can undermine the integrity of the information exchanged. While many African countries are committed to upholding the Standard, participation at the global level is not yet universal: some jurisdictions, including certain tax havens and non-cooperative jurisdictions, have not become signatories to the Standard or are not yet committed to reciprocity in the sharing of information. Limited participation in the Standard can undermine its effectiveness, potentially allowing individuals and entities to continue evading taxes by exploiting jurisdictions that do not fully participate in the exchange of information. In that connection, the African Tax Administration Forum has emphasized the importance of adopting a phased or staggered implementation of mechanisms to automatically exchange information, allowing countries to start with a more manual and request-based approach to information exchange, and gradually transitioning to the automatic model as their capacities develop.

Beneficial ownership transparency also poses a number of challenges. Indeed, although beneficial ownership transparency is critical in efforts to curb illicit financial flows, tax evasion and other financial crimes, its enforcement requires a robust regulatory environment and sophisticated technical infrastructure, which many African countries lack. Issues such as weak or non-existent legal and regulatory frameworks, difficulties in identifying actual beneficial owners, and challenges in verifying the accuracy of reported information further complicate efforts to uphold transparency principles. However, creating and maintaining a beneficial ownership registry requires a robust legal and regulatory framework, a well-functioning administrative system, and a commitment to ensuring the accuracy and timeliness of relevant data.

These requirements pose significant challenges for many developing countries. Without proper implementation and enforcement mechanisms, beneficial ownership transparency efforts may result in the creation of databases filled with outdated or inaccurate information. Those challenges, which underscore the asymmetries in the current international tax system, further illustrate the need for fully inclusive and more effective approaches to international tax cooperation that address the particular needs and circumstances of developing countries.

While African countries should continue their solid progress towards establishing public registries of beneficial ownership, it is clear, once again, that global illicit financial flow risks related to anonymous ownership stem, primarily, from high-income countries and their dependent territories. Priority should therefore be given to combating illicit financial flows in developed economies, with public registers maintained for all legal vehicles. The latter is something not called for in the most recent Financial Action Task Force recommendation, underscoring, once again, the pressing need for a more representative body to guide international tax cooperation efforts that will take into account the perspectives and priorities of all countries, and not just those of economically powerful States.

The final element of the so-called ABC of tax transparency is public, country-by-country reporting. That mechanism, introduced in the OECD Action Plan on Base Erosion and Profit Shifting

²⁰ Economic Commission for Africa, *Illicit Financial Flows*.

to curb tax abuse by multinational enterprises, is based on a draft international accounting standard promoted by the Tax Justice Network since 2003.²¹ Country-by-country reporting presents several challenges for African countries, however. In particular, the high thresholds for reporting mean that many multinationals operating in African countries are excluded, leaving significant economic activities unreported. Moreover, the restrictions on the use of the information disclosed under the country-by-country reporting mechanism can hamper effective tax administration in developing countries.

Furthermore, African countries are, once again, much less able than developed economies to access data under OECD exchange-of-information arrangements. Indeed, only 9 African countries (of a total of 93 countries worldwide) are able to access data under those arrangements. Opposition by OECD to making country-by-country data public, despite clear evidence of the benefits of doing so, is the reason why convoluted information exchange arrangements are needed. As a result, a transparency mechanism introduced to help tax administrations gain a more comprehensive understanding of the activities of multinational enterprises has actually worsened inequality between African and other countries in terms of their right to tax multinational enterprises operating in the jurisdictions.

Upholding the Standard for Automatic Exchange of Financial Account Information in Tax Matters presents several challenges for developing countries. First, the reporting threshold for country-by-country reporting under the OECD framework is an annual consolidated group revenue of 750 million euros, which can exclude many multinationals that have significant operations in developing countries. Second, the information disclosed under the country-by-country reporting mechanism is often not sufficiently detailed for effective risk assessment, especially in complex business sectors. Third, restrictions on how information disclosed under the country-by-country reporting mechanism can be used can hamper effective tax administration in developing countries. As made clear in the final report of the High-level Panel on Illicit Financial Flows from Africa, however, “country-by-country reporting, publicly available, will help to show where substantial activity is taking place and the relative profits generated and taxes paid”.²²

B. Opportunities

Countering the aforementioned asymmetries requires inclusive and equitable tax governance, which may be facilitated by implementing the measures recommended in the final report of the High-level Panel on Illicit Financial Flows from Africa. The overall aim of those measures, which include bolstering cooperation, strengthening independent institutions, facilitating information-sharing and improving oversight of financial institutions, is to improve domestic resource mobilization and curb illicit financial flows, thereby improving fiscal self-reliance and reducing dependency on foreign aid. Along similar lines, in General Assembly resolution 77/244, on the promotion of inclusive and effective international tax cooperation at the United Nations, Member States called for fully inclusive and more effective tax cooperation at the international level, which, inherently, involves mitigating the current asymmetries in global tax governance. In fact, the themes of inclusivity, effectiveness and equity are enshrined in the resolution.

In the First Ten-Year Implementation Plan of Agenda 2063: The Africa We Want, of the African Union,²³ African States highlighted the need to take into consideration the continent’s unique circumstances and constraints in connection with domestic resource mobilization. African countries have started taking steps in that area. The Government of Kenya, for instance, has been proactively involved in negotiations at the OECD level to ensure that its interests are taken into account. It has also imposed a digital service tax to ensure that multinational companies active in technological fields pay their fair share of taxes, thereby demonstrating its capacity to adapt to the rapidly changing economic

²¹ Alex Cobham, Petr Janský and Markus Meinzer, “A half-century of resistance to corporate disclosure”, *Transnational Corporations Journal*, vol. 25 (3), United Nations Conference on Trade and Development (11 June 2020).

²² Economic Commission for Africa, *Illicit Financial Flows*.

²³ African Union Commission, *Agenda 2063. The Africa We Want. First Ten-Year Implementation Plan 2014-2023* (2015). Available at: https://au.int/sites/default/files/documents/33126-doc-ten_year_implementation_book.pdf.

landscape.²⁴ The Government of Nigeria has engaged robustly in capacity-building and technical assistance programmes to strengthen tax administration, and has initiated measures to expand its tax base and improve tax collection.²⁵ It has also expressed its commitment to engage in and contribute to the global tax policy dialogue, indicating its willingness to participate actively in the global tax reform process. Such steps by African countries are an encouraging sign of their determination to counter asymmetries in global taxation and uphold their interests in global tax governance. To truly level the playing field, however, the international community must provide those countries with necessary support and capacity-building opportunities so that they can actively participate in and benefit from global tax reforms.

Given the challenges and limitations of the current OECD-led process, it is crucial to explore alternative institutional models and recommendations to achieve meaningful progress in international tax cooperation. The United Nations Tax Committee, while limited in its advisory capacity, has proposed alternative models. To advance the policy debate on corporate tax, it is imperative to prioritize the African continent's active participation and ensure that due consideration is given to its unique needs and circumstances. African countries should actively engage in decision-making processes and advocate policies that align with their development goals. In terms of institutional recommendations, there is a need to strengthen and empower the United Nations Tax Committee so that it can play a more influential role in international tax policymaking. This will require an expansion of its mandate and the inclusion of representatives of influential finance ministries in its membership to bridge the gap between technical expertise and policy implementation. Moreover, the international community should encourage the exploration and adoption of alternative measures by countries and regions. Unilateral measures, such as countering permanent establishment avoidance, strengthening withholding tax mechanisms, and the imposition of alternative minimum taxes, could provide a catalyst for change, while coordinated action among countries could mitigate the risks associated with political, economic and legal pressures.

The proposal for a United Nations tax convention, put forward in a report issued by the European Network on Debt and Development,²⁶ is highly relevant to the debate on international tax cooperation and the challenges faced by African countries. In the report, the European Network on Debt and Development emphasized the need for the adoption of a transformative and inclusive approach to address shortcomings in the current international tax system. The challenges faced by African countries, the importance of fully inclusive and transformative international tax cooperation, and the need for increased representation and participation of African countries, which are all highlighted in the present report, align closely with the proposals outlined in the report of the European Network on Debt and Development, which called for the adoption of a United Nations tax convention as a way to shift power dynamics in international tax matters and create a more democratic and equitable global tax system. The European Network on Debt and Development also recognized the inequalities that had marginalized African countries and emphasized that tax negotiations should take place under the auspices of the United Nations, where voices of developing countries, including those in Africa, were more likely to be heard.

The proposal for a United Nations tax convention is rooted in the principle of sovereign equality and common but differentiated responsibilities. The proposal is formulated with a view to addressing the challenges faced by African countries, including their limited participation in negotiations on tax regimes and their limited bargaining power, and stems from the need for tailored solutions in which the unique circumstances and capacities of developing countries are taken into account. In its report, the European Network on Debt and Development emphasized that a United Nations tax convention would provide a more inclusive and relevant platform for discussions on tax norms, rules, governance and

²⁴ Kenya, Income Tax (Digital Service Tax) Regulations 2020 (Nairobi: National Council for Law Reporting).

²⁵ Il Jung, "Nigeria's tax revenue mobilization: Lessons from successful revenue reform episodes", Selected Issues Paper SIP/2023/019. (Washington, D.C., IMF, 2023).

²⁶ Tove Ryding, *Proposal for a United Nations Convention on Tax*.

cooperation. It also recognized the need for coordination among States to ensure a coherent and coordinated approach to international tax matters.

The global pursuit of fully inclusive and more effective international tax cooperation has been a pivotal discussion point at numerous high-level summits and has been highlighted in a number of international agreements, including the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, adopted in 2008 (A/RES/63/239, annex) and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, adopted in 2015 (A/RES/69/313, annex). Those instruments were drawn up on the basis of a comprehensive discourse on fiscal reform, tax system modernization, and the containment of domestic and international tax evasion. They embody the call for tax systems to be made more pro-poor, namely through the establishment of tax regimes that do not have a disproportionate impact on the economically disadvantaged, and an appeal for stronger international cooperation to facilitate efforts to navigate a complex international tax landscape. Those instruments address complex issues, including double taxation, tax evasion and tax system transparency. Those instruments are, moreover, in line with General Assembly resolution 77/244, on the promotion of inclusive and effective international tax cooperation at the United Nations, effectively setting the stage for a global approach to tax policy.

The 2030 Agenda also lays the foundations for tax cooperation. A commitment to a significant reduction in illicit financial flows (target 16.4) and the strengthening of domestic resource mobilization (target 17.1) underscores the inherent link between effective tax cooperation and sustainable development. A judiciously crafted international tax cooperation framework would play a critical role in reducing illicit financial flows and strengthening domestic resource mobilization, particularly for developing countries. Simultaneously, an effective international tax system is instrumental to the realization of Sustainable Development Goal 10, on reducing inequality within and among countries. By ensuring a fair distribution of tax burdens, an effective system is likely to have a far-reaching impact on intra- and inter-country income and wealth disparities. The development of an international tax cooperation framework through a United Nations intergovernmental process, possibly leading to the adoption of a United Nations tax convention, is in line with the principles enshrined in the 2030 Agenda. Such a framework would have immense potential in that it would facilitate efforts to address a broad spectrum of tax-related and financial issues, thereby contributing significantly to global efforts to promote sustainable development.

The adoption of resolution 77/244, in which the General Assembly highlighted the need to enhance global tax cooperation, particularly in addressing tax evasion, profit shifting and illicit financial flows, has sparked a debate regarding the potential of fully inclusive and more effective international tax cooperation. The United Nations could provide a platform for fully inclusive participation in that process, allowing all Member States, regardless of their size or income level, to have an equal voice in shaping international tax norms. Strengthened inclusivity would no doubt address criticism that the international tax system is currently dominated by a small number of powerful countries. Tax cooperation under the auspices of the United Nations would ensure that the needs and particular circumstances of all countries are taken into consideration, and that international tax rules are not skewed in favour of developed economies. It would promote a more balanced and equitable approach to tax cooperation. Developing countries would have greater say in the process to develop a global tax agenda and could more forcefully advocate measures that align with their specific development priorities. That would help address current imbalances and ensure a fair and equitable allocation of taxing rights among jurisdictions. In that connection, it should be noted that the Group of 77 and China have consistently called for the United Nations Tax Committee to be given the status of an intergovernmental tax body so as to provide a forum to counterbalance the prevailing asymmetries in global tax matters.

In its final report, the High-level Panel on Illicit Financial Flows from Africa set out a clear vision for Africa to become a continent with robust tax collection mechanisms, minimal tax evasion and avoidance and strong fiscal sovereignty. Current international tax mechanisms are not aligned with

that vision, however. To take just one example, the proposal for a 15 per cent global minimum tax rate, which is substantially lower than current corporate tax rates across the African continent, threatens to undermine that vision. Overall, the two-pillar solution is likely to prove unsuitable for most African countries, undermining their sovereignty and reducing government revenue at the same time. More generally, the exclusionary nature of OECD processes and decisions, particularly with regard to access to information on financial accounts and the activities of multinational enterprises, which is crucial in efforts to combat illicit financial flows, suggests that it is inappropriate for OECD to lead negotiations on the adoption of global rules and standards.

In a complex and challenging fiscal landscape, African leadership could play a significant role. First, African countries could support the development of alternatives to the two-pillar solution of OECD. They could, for example, advocate a higher global minimum tax rate than the proposed rate of 15 per cent, which would align more closely with the tax rates currently imposed by African countries. Armed with data and research, African countries could highlight the potential detrimental impact of the OECD proposals on African economies and advocate more strongly for justice in global taxation. Second, African countries could continue to call for international tax cooperation that is fully inclusive and gives every country, in particular those in Africa, an equal say in decision-making on international tax matters. It is crucial that African voices are not just heard in negotiations on taxation, but also shape global tax policies. Third, African countries could establish partnerships with specialized institutions, which could provide technical assistance in helping them to build robust tax systems and policies. Fourth, by using the proposed intergovernmental tax body as a platform for dialogue and cooperation, African countries could help to foster a culture of transparency, with a view to ensuring fair tax competition and reducing illicit financial flows.

III. Current debates, issues and discussions surrounding the establishment of a globally-inclusive intergovernmental process on international tax cooperation

The progress made through a number of international platforms has played a crucial role in advancing the opportunity for a fully inclusive, intergovernmental process at the United Nations in the area of tax cooperation. Several key initiatives and declarations have helped to raise awareness of and shape the debate on international tax governance. First, the final report of the High-level Panel on Illicit Financial Flows from Africa has been instrumental in highlighting the detrimental effects of illicit financial flows and the need for global cooperation to address them. The recommendations of the High-level Panel, including, in particular, its emphasis on transparency measures such as automatic information exchange, beneficial ownership transparency, and country-by-country reporting, have gained continental recognition and support. The work of the High-level Panel underscores the importance of tackling tax-related issues as part of broader efforts to achieve sustainable development, including target 16.4 of the Sustainable Development Goals, in which the international community emphasized the need to reduce illicit financial flows significantly by 2030.

The Conference of African Ministers of Finance, Planning and Economic Development, convened under the auspices of ECA, has also played a vital role in shaping the African continent's stance on tax cooperation. In resolution 990 (LIV) on curbing illicit financial flows and recovery of lost assets, adopted in May 2022, the Conference of Ministers emphasized the importance of mobilizing domestic resources, strengthening tax policy and administration, and combatting illicit financial flows in Africa. The resolution reflects the commitment of African countries to address the challenges they face in the area of taxation and underscores the need for a coordinated and inclusive approach. Furthermore, the Group of African States of the United Nations have been actively engaged in advancing the agenda for a United Nations-sponsored intergovernmental process on tax cooperation. The relevant draft resolution sponsored by the African States of the General Assembly, among others, and the subsequent adoption of resolution 77/244, demonstrate the determination of African countries to challenge the dominance of OECD and to advocate a more inclusive and equitable global tax

governance framework. The resolution calls for, among other things, the development of an international tax cooperation framework or instrument through a United Nations intergovernmental process, and marks a significant milestone in the continent's push for a stronger voice in global tax policy discussions.

The aforementioned collective efforts reflect the recognition by African States that global tax governance needs to serve the interests of African countries and contribute to sustainable development on the continent. They also highlight the continent's commitment to mobilizing domestic resources, combating illicit financial flows and creating an enabling environment for inclusive economic growth.

While coordinated efforts by African countries and their participation in current tax governance structures have yielded some success, they have also revealed the urgent need for a fully inclusive, more effective, and fairer international tax system. A crucial point of contention is the ongoing debate surrounding the establishment of a new global tax body or of a framework convention on tax cooperation at the United Nations.

From the proposals put forth by United Nations Tax Committee members, UNCTAD, the African Union Commission, the African Tax Administration Forum, the Group of African States, the South Centre, the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development, the Independent Commission for the Reform of International Corporate Taxation and other stakeholders,²⁷ the following key insights and recommendations emerged that can inform the debate on advancing international tax cooperation under the auspices of the United Nations:

- **Inclusiveness and effectiveness** – There is a consensus among stakeholders that international tax cooperation should be fully inclusive, involving the participation of all countries, particularly developing countries, to ensure a level playing field. The new body or instrument to be established under the auspices of the United Nations should aim for universal participation and ensure that the voices and perspectives of all countries, including small and least developed countries, are taken into consideration appropriately in the decision-making process.
- **Governance and structure** – Stakeholders have proposed a governance framework that reflects the principles of inclusiveness, fairness and effectiveness. Many have proposed the establishment of an intergovernmental body, such as a subsidiary body of the Economic and Social Council, to facilitate enhanced international cooperation and provide a platform for meaningful engagement and participation by all countries. Others have proposed an international tax convention or framework convention at the United Nations, which through the negotiation process would determine governance structures.
- **Capacity-building and support** – Recognizing the disparities in resources and capacities among countries, many stakeholders have called for capacity-building initiatives, including regional briefings and debriefings, to deepen understanding of complex international tax issues. Adequate financial and technical resources should be allocated to new mechanisms for international tax cooperation at the United Nations to support that process, while resources should also be allocated to support training programmes for tax officials from developing countries so that they can participate effectively in the international tax norm-setting process.
- **Transparency and bottom-up participation** – Stakeholders have emphasized the importance of transparency in the decision-making process and advocated the early involvement in that process of a wide range of stakeholders, including academics, civil society organizations and members of the business community. The input of those stakeholders should be sought before proposing solutions in order to ensure a more inclusive and transparent process.

²⁷ A summary of the role played by these stakeholders is provided in annex II to the present report.

- Broadening the scope of international tax cooperation – There is broad consensus that the scope of international tax cooperation should be expanded beyond the current focus on OECD-led processes on digital taxation. Cooperation should occur with regard to other crucial aspects of international taxation, such as addressing tax avoidance, the allocation of taxing rights among jurisdictions, illicit financial flows, wealth taxation, and asset registries. A fully inclusive international tax cooperation mechanism should take into account current norms on taxation and explore simplified and administrable approaches that are appropriate for the global South.
- Moving away from OECD dominance – Stakeholders have expressed concerns regarding the limitations, complexities and inequity associated with the current OECD-dominated international tax debate, and calls have been made for the debate on international tax cooperation to take place under the auspices of the United Nations instead of OECD. That United Nations-led process should take into account the failures and limitations of the Base Erosion and Profit Shifting Project of OECD and the Group of 20 and provide an equitable, fully inclusive and more effective platform for reforming the global tax system.
- Advocacy and support – African policymakers can benefit from the technical and advocacy support offered by various stakeholders, including the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development and the African Tax Administration Forum. Collaboration with those organizations and leveraging their expertise could strengthen engagement by the African Union in international tax cooperation and enhance its influence in shaping a new body to be established under the auspices of the United Nations.

By considering the aforementioned insights and recommendations, African negotiators can contribute to the transition from the OECD-led mechanism to a fully inclusive and more effective international tax cooperation mechanism to be led by the United Nations. They will be able to advocate more effectively for the establishment of a new intergovernmental body that addresses the shortcomings of the current international tax system and ensures the full participation and representation of all countries, particularly those from the global South. Through enhanced cooperation on tax matters at the United Nations, African countries will be able to strengthen their voice in negotiations to set global tax standards and can advocate more forcefully for a fairer distribution of taxing rights. Furthermore, the adoption of resolution 77/244 reflects a broader commitment to multilateralism and global solidarity in addressing the challenges identified in the final report of the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda.²⁸ In that resolution, Member States of the United Nations acknowledged the importance of international cooperation and partnerships in overcoming those challenges and stressed the role of the United Nations as a platform for fostering dialogue, collaboration, and consensus-building among countries.

A. Critical institutional features and rules of a framework convention on international tax cooperation

1. Institutional features

To promote legitimate and inclusive decision-making and the democratization of international tax cooperation, leaders and policymakers from Africa and beyond should consider the following institutional features when developing international tax cooperation mechanisms:

- Representation of African and other countries from the global South – International tax cooperation should provide for fully inclusive representation of countries from the global South in decision-making bodies. Mechanisms should, moreover, be adopted to address the historical dominance of core OECD members and promote a more equitable distribution of power and influence in the decision-making process.

²⁸ The report, issued in 2021, is available at: factipanel.org/docpdfs/FACTI_Panel_Report.pdf.

- Equal participation and influence – International tax cooperation should provide for the equal participation and input of all countries, irrespective of their size or economic power. It should provide opportunities for meaningful engagement, consultations, and input from African countries, enabling them to actively shape international tax policies.
- Strengthening the role of the United Nations – Countries should recognize the importance of the United Nations in tax matters and seek to strengthen its role in shaping international tax norms. This could include supporting the establishment of a new intergovernmental body under the auspices of the Organization, or the adoption of a United Nations tax convention.
- Capacity-building and technical assistance – This should be provided to African and other countries from the global South as it could enhance both their tax administration capabilities and their capacity to participate effectively in international tax cooperation negotiations. This will necessitate coordination with relevant institutions to mobilize resources, provide training and establish knowledge-sharing platforms.
- Peer learning and knowledge-sharing – Efforts should be made to promote peer learning and knowledge-sharing, particularly between African countries on the one hand and developing countries in other global regions with more advanced tax systems on the other, as this could enable African countries to make significant progress in the area of tax reform. Peer learning and knowledge-sharing could be supported through regional workshops, exchanges and the establishment of platforms to promote collaboration and the sharing of good practices.

To bolster the aforementioned institutional features, attention should also be given to the following key factors:

- Adequate resources – African countries need adequate financial and technical resources to support their participation and engagement in the tax reform process. Funding must be secured for capacity-building initiatives, research and the effective functioning of United Nations-led intergovernmental processes.
- Transparency and accountability – In decision-making processes, transparency and accountability ensure that all stakeholders have access to the information they need and can hold decision-makers accountable. Transparency measures should be implemented at both the global and national levels.
- Inclusivity – The active involvement of various stakeholders, including civil society organizations, academics and the business community, can strengthen international tax cooperation. The expertise, perspectives and input of those stakeholders should be given due consideration in the formulation of norms and standards.
- Policy coherence – It is crucial to ensure policy coherence across the various international initiatives and frameworks on tax cooperation. It is important to build on established good practices and ensure a cohesive and comprehensive approach to international tax cooperation.

By ensuring that the aforementioned institutional features and key factors are taken into account in international tax cooperation, particularly in discussions regarding option 2, set out in the report of the Secretary-General (A/78/235), policymakers from Africa and beyond will be able to adopt a fully inclusive, effective, and equitable approach that addresses the specific needs and concerns of African countries, while promoting cooperation and collaboration among all countries.

The findings in the report of the Secretary General show that enhancing the role of the United Nations in tax-norm shaping and rule-setting, with full consideration of existing multilateral and international arrangements, appears the most viable path for making international tax cooperation fully inclusive and more effective. In that regard, the following three options were identified in the report for

consideration, each of which would need to be developed and agreed upon through a United Nations Member State-led process: (a) a multilateral convention on tax; (b) a framework convention on international tax cooperation; and (c) a framework for international tax cooperation.

Only the first two options, namely a multilateral convention on tax and a framework convention on international tax cooperation, are likely to provide for the desired institutional features listed above. A non-binding framework is unlikely to deliver on the commitments of Member States and provide the necessary accountability for delivery on those commitments. A multilateral convention or framework convention is likely to facilitate the establishment of fully inclusive governance mechanisms, such as a conference of parties that could serve as an appropriate venue for further discussion. Choosing between the two options should be based on the anticipated effectiveness of the rules and regulations that are likely to stem from their adoption.

With that criterion in mind, Option 1, a multilateral convention on tax, would provide for the adoption of a comprehensive regulatory treaty, the provisions of which would set out enforceable obligations and rules. In contrast, Option 2 would provide for the establishment of a balanced constitutive convention that would place emphasis on core principles, governance structures, and the potential for supplemental protocols. Option 2 stands out as the more viable of the two options in that it is more likely to empower African countries to correct historical imbalances and ensure that their interests are upheld in international tax legislation.

2. Tax rules

In addition to the critical institutional features mentioned above, African States should consider promoting a set of tax norms and transparency standards that are fair, equitable and aligned with the 2030 Agenda. The following recommendations should guide the formulation of norms and standards, ensuring that they address key issues such as profit shifting, base erosion and transfer pricing abuses, promote transparency and information exchange and address the specific challenges faced by developing countries:

(a) Promoting fair and equitable taxation:

- Address profit shifting and base erosion – International tax cooperation should focus on preventing multinational corporations from artificially shifting profits to low-tax jurisdictions, ensuring that profits are taxed where economic activities take place.
- Revisit transfer pricing rules – Efforts should be made to revise transfer pricing rules to prevent abusive practices that erode tax bases, ensuring that transactions between related entities are in line with the proposals for fractional apportionment developed by the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development. International tax norms could be formulated on the basis of a comprehensive unitary taxation approach that eliminates the use of transfer pricing for transactions among related entities, ensuring a fair and equitable allocation of taxing rights among jurisdictions. By adopting fractional apportionment or unitary taxation, States can address profit shifting and base erosion more effectively, promote transparency and contribute to a more balanced and inclusive international tax system. Fractional apportionment or unitary taxation can also support the achievement of the Sustainable Development Goals by preventing unfair tax practices and ensuring that multinational corporations pay their fair share of taxes in the jurisdictions where economic activity occurs.
- Revisit the allocation of taxing rights – International tax norms should aim to establish a fair allocation of taxing rights between source and residence countries, considering both demand and supply factors in the generation of profit. At present, taxing rights are, by default, allocated to residence countries, most of which are capital-exporting

developed countries. There is no clear basis or rationale for that arrangement, which must be replaced by a more equitable allocation of taxing rights that incorporates the role of demand. No goods or services can generate a profit if there is no demand for those goods or services. Developing countries are often net importers of goods, services and capital. The incorporation of demand into profit allocation rules, and the reallocation of taxing rights in general, would undoubtedly result in capital-importing developing countries being given a more equitable share of global taxing rights.

(b) Promoting transparency and information exchange:

- Promote the exchange of financial information – Under the supervision of the United Nations, global standards and rules on the exchange of information for tax purposes should be formulated. Countries could be mandated to share financial account data automatically, which would enhance transparency and facilitate the detection of tax evasion and illicit financial flows. In the light of the capacity constraints faced by many developing countries and the risks posed by the sharing of information under different legal and economic systems, the automatic sharing of information could proceed in phases, with jurisdictions making a commitment to provide data in accordance with various timelines. Donors could assist developing countries in their efforts to build the necessary infrastructure and technological and human capacity to implement automatic information-sharing measures, in accordance with an agreed, risk-based timetable.
- Promote beneficial ownership transparency – A United Nations-endorsed global requirement for beneficial ownership transparency would facilitate efforts to prevent the misuse of legal entities and arrangements for illicit purposes. Given the complexity of the modalities for collecting and verifying beneficial ownership data, particularly for developing countries, stakeholders could agree to differentiated or flexible implementation timelines. Developed countries could, moreover, provide technical assistance, capacity-building and financial support to help developing countries meet beneficial ownership transparency requirements.
- Facilitate comprehensive country-by-country reporting – Requiring multinational corporations to publish comprehensive country-by-country reporting would help tax authorities assess tax fairness and detect potential tax avoidance. Implementing country-by-country reporting at the global level under the United Nations umbrella would ensure a level playing field in the area of taxation. Developing countries may need help from their more developed counterparts to implement country-by-country reporting norms and analyse the resulting data effectively. That help could take the form of capacity-building, technological assistance or the provision of other key resources.

(c) Combating tax havens and tax evasion:

- Strengthen measures against illicit financial flows – Efforts should be made to strengthen measures to detect and deter illicit financial flows, including anti-money laundering regulations, cross-border cooperation agreements and capacity-building for tax authorities.
- Strengthen cooperation on tax enforcement – It is essential to bolster cooperation among tax authorities, including by facilitating the provision of relevant financial information, coordinating audits and enforcing tax laws effectively.
- Ensure that there are consequences for tax evasion facilitators – International norms should establish consequences for countries and entities that facilitate tax evasion or act as tax havens. Consequences could include the imposition of sanctions or inclusion

in a list of non-cooperative jurisdictions. The measures taken must, however, be based on broad global consensus on the types of behaviour that pose a risk, and not on opaque and unfairly constructed lists compiled by partial entities or groups of countries.

(d) Adopting a development-oriented approach:

- Ensure alignment with the Sustainable Development Goals – Tax rules and policies should contribute to the achievement of the Sustainable Development Goals, thereby promoting poverty reduction, sustainable development, and social justice. Resource mobilization through taxation and other means of revenue collection is identified in target 17.1 of the Goals as critical in efforts to strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.
- Support a globally inclusive process – The adoption of an inclusive process that can lead to the adoption of standards and rules that promote the sustainable development of all countries and peoples is long overdue.
- Adopt pro-poor and inclusive tax policies – Tax policies should be designed to reduce inequality and promote inclusive growth. Those policies may provide for progressive taxation, targeted tax incentives for vulnerable populations and the use of tax revenue for social programmes and infrastructure development.
- Address the specific tax challenges faced by developing countries – Attention should be given to the challenges faced by developing countries, including their capacity constraints and vulnerability to tax evasion and illicit financial flows. Support should be provided to enhance the capacity of developing countries in tax administration, policy formulation and international cooperation.

In choosing between a multilateral convention on taxation and a framework convention on international tax cooperation, a number of compromises may need to be made. The adoption of a multilateral convention on taxation could be an effective way to set binding norms and provide for a robust review of implementation. However, the negotiation of a comprehensive convention that addresses all the issues listed above and on which the full membership of the United Nations agrees is likely to be a very difficult and time-consuming process. OECD has attempted to formulate a binding agreement for a small group of countries on one aspect of taxation in the context of the two-pillar solution: pillar one provides for the adoption of a multilateral instrument to address the allocation of rights to tax a small portion of the profits of only the largest multinational enterprises, yet reaching agreement on the text of the draft instrument has proved difficult, and it is possible that several major economies will refuse to approve the draft once the text is finalized.

A framework convention, with substantive issues covered in protocols, provides a high degree of flexibility, allowing all States to introduce and address issues of concern. The process to draw up a full multilateral convention, in which the draft convention must be approved in its entirety by all parties, may make concessions by vested interests difficult, while a framework convention with its flexible protocols could achieve faster progress on issues that are relevant to developing countries, but at the risk of lower levels of ratification, implementation and enforcement for each individual protocol.

B. Call for action

A number of organizations have highlighted the importance of a level playing field for African countries in global tax governance. For example, the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, ECA, the African Union, the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development, the African Tax Administration Forum and the South Centre have all argued that tax governance should be based on the principles of equity and fairness, enabling African countries to uphold their interests and

shape international tax policies in a manner that works in their favour. Additionally, those organizations have recommended the establishment of an intergovernmental tax body under the auspices of the United Nations and the adoption of a United Nations tax convention, which would provide a platform for African countries to advocate their interests and participate in the shaping of global tax governance.

The adoption by the General Assembly of resolution 77/244 can be viewed as a response to the perceived limitations of current international tax governance mechanisms. The draft resolution, which was sponsored by a number of African countries with Nigeria leading the way, was adopted by consensus, with all Member States voting in favour of its adoption. That outcome illustrates clearly the growing conviction among States that a shift is needed towards globally inclusive, intergovernmental tax rule setting at the United Nations. The push for international tax cooperation at the United Nations is in line with the priorities and aspirations of many African countries, which were, moreover, reflected in the recommendations that arose from a meeting convened in 2023 by the First Sub-Committee on Tax and Illicit Financial Flows Issues of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning, and Integration of the African Union under the theme “Tax in Africa: contemporary issues affecting the continent”.

Taking into consideration the options proposed in the report of the Secretary-General on the promotion of inclusive and effective international tax cooperation at the United Nations (A/78/235), African countries should again take the lead by drafting a new resolution for adoption by the General Assembly that would serve as a springboard to launch negotiations on a fully inclusive and effective United Nations framework convention on international tax cooperation. By fostering a more open and inclusive atmosphere, the proposed framework convention could facilitate the establishment of fair and equitable tax rules, particularly for countries that have long been marginalized in tax policy discussions.

In the proposed General Assembly resolution, Member States should address substantive areas of concern for African and other developing countries. They could, for example, call for the initial protocols of the framework convention to be focused on standards for tax transparency and for international cooperation in administrative matters and enforcement. Another protocol should be focused on tax-related illicit financial flows. As the intergovernmental discussions commence, there is a shared recognition that the substantive content of a United Nations framework convention on international tax cooperation and the structure and functions of the proposed global tax governance body should be the subject of thorough and inclusive deliberations. While the substantive details of the protocols to the framework convention must be decided through negotiations, it is clear that giving African countries a more significant role in global tax rule-setting would strengthen their ability to safeguard their interests.

The successful advancement of those proposals will depend on the support of countries worldwide. The seventy-eighth session of the General Assembly presents a crucial opportunity for Member States to agree to launch negotiations on a United Nations framework convention on international tax cooperation. There is, however, strong opposition to the African position. African States must therefore strive to assemble a global coalition of countries that will strongly support the development and adoption of a framework convention. In that connection, the first Latin America and Caribbean Summit for an Inclusive, Sustainable, and Equitable Global Tax Order, held in July 2023, helped to strengthen collaboration between Latin America and the Caribbean and Africa and provided a platform for shared dialogue that reflected the aspirations and interests of both regions. By doing so, the Summit may have laid the foundations for further progress on the framework convention. A next step will be to work with the Group of 77 and China at United Nations Headquarters in New York to table a draft resolution that enjoys the support of all members of the Group.

The present report sets out a number of recommendations pertaining to the text of the proposed framework convention and outlines how the global tax body to be created in the context of that convention could be structured. Those recommendations are put forward to facilitate further deliberations by African policymakers, recognizing the importance of addressing illicit financial flows and of establishing a more inclusive and equitable global tax order. The engagement of African

policymakers will prove critical in mobilizing support for the launch of negotiations on the framework convention, in which due consideration must be given to African perspectives and priorities.

It is hoped that the following recommendations will serve as a starting point for discussions and will provide a foundation for further deliberations on tax matters at the seventy-eighth session of the General Assembly and other international forums.

1. Substance of the proposed United Nations framework convention on international tax cooperation

A United Nations framework convention on international tax cooperation should address both the principles and key substantive aspects of international tax cooperation. A well-crafted convention will promote fairness and transparency and support the establishment of effective taxation systems worldwide. A summary of the key themes that should be addressed in the framework convention is provided below.

Section I: Purpose

- Introduction and purpose of the framework convention – The importance of international tax cooperation in achieving the fair allocation of taxing rights, in promoting financial integrity, fairness and transparency, and in the establishment and functioning of effective international taxation systems should be recognized.
- Recognition of the importance of international tax cooperation – The framework convention should acknowledge the significant impact of cross-border taxation on global economic stability and sustainable development and affirm the commitment of the international community to promoting financial integrity and fostering cooperation and coordination in international tax matters.
- Affirmation of commitment – The framework convention should be a means by which parties reaffirm their commitment to reallocate taxing rights, combat tax evasion and avoidance and other forms of illicit financial flows, and establish a comprehensive framework that promotes global tax fairness, transparency and cooperation.
- Clear definitions – Clear definitions of key terms and concepts used throughout the framework convention should be provided to facilitate understanding of its provisions.

Section II: Objectives of the framework convention

- International tax cooperation and coordination among Member States, regional organizations and international bodies should be enhanced in order to address global tax challenges in a collective manner.
- Taxing rights should be reallocated on a fairer basis among developed and developing countries.
- Tax base erosion, profit shifting, harmful tax practices, treaty abuse and aggressive tax planning should be addressed, and measures to combat those practices effectively while ensuring a level playing field for businesses should be formulated.
- Tax avoidance and evasion, money laundering and other forms of illicit financial flows should be combated by establishing mechanisms to facilitate information sharing.
- Inclusiveness, transparency, fairness and equity in international taxation should be promoted.

Section III: General principles

- Sovereignty and non-discrimination – While respecting the sovereignty of Member States, the principle of non-discrimination and the equal treatment of taxpayers must be upheld.
- Effective provision of tax information – Member States should establish mechanisms for the effective provision of tax information to combat tax evasion, money laundering and illicit financial flows.
- Fair allocation of taxing rights – Recognizing the importance of fair tax allocation, this principle stems from the conviction that profits should be taxed where the economic activities that gave rise to those profits take place.
- Mutual assistance and cooperation – Member States should provide mutual assistance and cooperate in tax matters to ensure effective tax administration and enforcement.
- Transparency and disclosure – Transparency and disclosure should be promoted to prevent tax evasion, combat illicit financial flows and enhance accountability in international tax matters.

Section IV: Capacity-building and technical assistance

- Technical assistance and capacity-building support – Recognition in the framework convention of the varying capacities of Member States, particularly developing countries, would stem from a conviction that technical assistance and capacity-building support should be provided to those States to enhance their international tax administration and policymaking capabilities.
- Collaboration – Member States should collaborate with international organizations and regional bodies to leverage their expertise and resources in order to facilitate the provision of capacity-building and technical support.

Section V: Review and monitoring

- Review and monitoring mechanism – To promote full implementation of the framework convention, the compliance of Member States with the provisions of the framework convention should be monitored and reviewed on a regular basis.
- Reporting requirements – With a view to fostering transparency and accountability, Member States should report on their compliance with the convention's provisions.
- Peer review processes – A peer review process should be used to assess the effectiveness of the framework convention, identify areas for improvement, and promote knowledge-sharing among Member States.

Section VI: Establishment of a conference of parties

- The framework convention must provide for the establishment of a centralized oversight mechanism, namely a conference of parties, to steer its implementation and enforcement.
- The mandate, procedures, schedule and other functional details of the conference of parties should also be established.

- In addition to the aforementioned sections, the framework convention should also contain protocols that address a number of substantive matters.

Protocol A: Provision of tax information

- Mechanisms for the automatic cross-border provision of tax information – Member States should establish mechanisms and procedures for the automatic sharing of tax information, in line with relevant international standards and confidentiality and data protection requirements.
- Standards and modalities – Appropriate standards and modalities, including relevant timelines and formats, together with appropriate safeguards, should be established.
- Schedule of commitments – A schedule of commitments and implementation timelines should be adopted, taking into account the risks posed by economic and financial activity in each jurisdiction.

Protocol B: Allocation of taxing rights

Rules and guidelines – To ensure a fair distribution of taxing rights among Member States, rules and guidelines should be formulated with a view to determining a significant economic presence, taxing digital-economy activities, apportioning profits among jurisdictions, and preventing treaty abuse and tax treaty shopping.

Protocol C: Dispute resolution

Dispute resolution procedures, including mutual agreement procedures, should be established to facilitate the resolution of tax disputes among Member States.

Protocol D: Combating tax-related illicit financial flows

- Measures should be established to prevent and combat tax avoidance and evasion, money laundering, corruption and other forms of illicit financial flows.
- Member States should implement ownership transparency measures with a view to enhancing good governance practices and transparency in financial transactions.
- Transparency should be enhanced through public reporting requirements for multinational enterprises.
- States should establish good governance practices and promote transparency in financial transactions to prevent illicit financial flows and enhance the integrity of the international financial system.
- International cooperation and coordination should be strengthened with a view to recovering assets derived from tax-related illicit financial flows.

2. Structure and functions of the conference of parties

One of the main advantages of a framework convention on international tax cooperation over a multilateral convention on tax is its potential to provide a fully inclusive and democratic approach to global tax governance. A conference of parties to a United Nations framework convention would include all signatory countries. That would provide a more equitable representation of the interests of African and other developing countries in negotiations on international tax policies. That is important because the international tax system has for long been dominated by developed countries, resulting in policies that, in many cases, undermine the interests of developing countries. Another advantage of a

United Nations framework convention is its potential to enhance coordination among countries to address tax avoidance and evasion by multinational corporations, which have resulted in billions of dollars in lost revenue for developing countries.

Hegemony or asymmetries in decision-making can occur owing to power imbalances among States and the influence of major economies. Decision-making can also be influenced by geopolitical dynamics. Establishing the secretariat of the framework convention and the conference of parties within the United Nations system would provide for the adoption of ready-made procedures, and allow the secretariat and conference of parties to seek input from key political groups, including the Group of 77, thereby helping to level the playing field for negotiations.

It is important to navigate geopolitical dynamics to ensure the adoption of a fair and inclusive international tax cooperation framework. Political nuances are likely to play a crucial role in shaping the function and influence of the secretariat and the conference of parties. The decision-making processes within those bodies can be influenced by political dynamics and power struggles among Member States. Major economies often exert significant influence, which can affect international tax cooperation priorities, policies and outcomes. Smaller and developing economies may find it challenging to make their voices heard and ensure that their interests are addressed appropriately. It is therefore important to be cognizant of power dynamics and strive for a more inclusive and balanced approach that takes into account the diverse political perspectives and interests of all countries, particularly those from the global South. Collaborative efforts that involve multiple institutions and stakeholders can help navigate those political nuances, foster dialogue and promote more equitable and effective international tax cooperation.

Another risk is that the conference of parties may become dominated by developed countries, as protocol is already the case with OECD. Indeed, it is likely that the conference of parties would be subject to the same political pressures that are exerted by developed countries in other United Nations bodies and entities, which could result in policies that fail to uphold the interests of developing countries. Implementing decision-making by majority vote, full transparency in decision-making, and a clear role for civil society in holding governments accountable will ensure that policy decisions are collectively owned. Fortunately, transparency in decision-making and open voting processes are well established at the United Nations, which would therefore be ideally placed to guide the work of the new body. Additionally, the cost of establishing and maintaining the institutional architecture of the new body could be significant and the United Nations has already established robust mechanisms to ensure equitable burden-sharing among Member States.

Member States would also need to consider which entity or organization should serve as the secretariat of the framework convention. The table below provides a non-exhaustive list of international institutions that could serve as the secretariat. The choice of institution should be made on the basis of consultations among Member States and other relevant stakeholders and careful consideration of the strengths and weaknesses of each institution.

Table
Potential institutions to assume the role of secretariat of the conference of parties

<i>Institution</i>	<i>Pros</i>	<i>Cons</i>	<i>Political nuances</i>
Department of Economic and Social Affairs of the United Nations Secretariat	Technical expertise in tax, economic and social matters Coordination and support role in global tax cooperation initiatives	Limited capacity as a result of Member-State imposed budget constraints	Operates within the broader United Nations system, where political dynamics can influence decision-making

<i>Institution</i>	<i>Pros</i>	<i>Cons</i>	<i>Political nuances</i>
International Monetary Fund	Economic expertise and technical assistance capabilities	Dominated by advanced economies	Decision-making is influenced by major economies, potentially reflecting their own political and economic interests
Secretariat of the Global Forum on Transparency and Exchange of Information for Tax Purposes	Considerable experience in reviewing implementation of tax agreements Capacity drawn from a wide global network of countries	Established under the auspices of OECD and without independent status as a global legal entity High proportion of staff from advanced economies	The secretariat is formally accountable to OECD and thus, primarily, to developed countries The High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda has recommended that Global Forum staff be transferred to the United Nations Secretariat
New independent secretariat	Starting with a fresh slate and ability to recruit new staff from a global talent pool Broader representation and inclusion of different perspectives and regions	Would significantly delay the establishment of the secretariat Potential difficulties in agreeing on budget and contribution levels	The process to establish the secretariat could be facilitated by transferring staff from the Department of Economic and Social Affairs of the United Nations Secretariat who work in the area of tax cooperation to the new entity

The framework convention could prescribe the functions of the secretariat. Those functions should include the following:

- Administrative support – The secretariat should provide administrative support to the conference of parties, ensuring the smooth functioning of its operations, including logistical arrangements for meetings, documentation needs and record keeping.
- Technical expertise – The secretariat should provide technical expertise on international tax issues, assisting Member States and the conference of parties in policy development, implementation and enforcement.
- Coordination – The secretariat should facilitate coordination among Member States, regional organizations and international bodies, ensuring effective collaboration, the exchange of information and the operation of an implementation review mechanism.
- Information exchange – The secretariat should serve as a hub for the exchange of tax-related data, information and best practices among Member States, promoting knowledge-sharing and collaboration.
- Research and analysis – The secretariat should conduct research and analysis on emerging tax issues, trends and challenges, providing evidence-based policy recommendations to Member States.
- Data, monitoring and reporting – The secretariat should compile and publish implementation progress reports and data on the basis of information submitted by parties to the framework convention and gathered in the context of the implementation review mechanism. The secretariat should prepare periodic reports and assessments on the effectiveness of international tax cooperation.

- Implementation support – The secretariat should assist Member States in implementing the decisions and recommendations of the conference of parties, providing guidance, technical assistance and capacity-building support.
- Reporting and communication – The secretariat should prepare reports, assessments and communications on behalf of the conference of parties, disseminating information to Member States and other relevant stakeholders.
- Liaison with stakeholders – The secretariat should establish and maintain relationships with relevant stakeholders, including international organizations, civil society and the private sector, so as to foster dialogue and cooperation in international tax matters.

An additional question is whether Member States should continue to support the work of established tax cooperation bodies, including the United Nations Tax Committee. One possibility is for the Committee to be retained as an expert body, with experts continuing to operate in their personal capacity to provide recommendations to the conference of parties. Alternatively, many Member States have called for the status of the United Nations Tax Committee to be upgraded, essentially making it the conference of parties and a global tax body. Questions could also be raised about the potential relationship to the conference of parties of the Global Forum on Transparency and Exchange of Information for Tax Purposes and core OECD committees and working parties. Altering the mandates and structures or abolishing those bodies may, however, present challenges and it may prove difficult to achieve consensus among countries with divergent interests on the appropriate way forward. One option is for those bodies to continue to develop norms and standards applicable only to their members. The future of those bodies should be determined by their members through their established governance mechanisms.

IV. Role of Africa moving forward

A. Key stakeholders

The establishment of an inclusive and strong African position on international tax matters will require effective collaboration among key stakeholders, including African leaders and policymakers and organizations that are striving, *inter alia*, to combat illicit financial flows and promote tax justice in Africa. Those stakeholders include the following:

- African leaders and policymakers – Spearheading efforts to determine the stance that Africa should adopt are the continent’s leaders and policymakers. Their vision, commitment and active engagement in global dialogue are paramount. Entrusted with upholding their countries’ interests, they must ensure that the continent’s unique challenges are addressed and must drive forward the enactment of policies to that end. Leaders and policymakers could strengthen and build on the work of the Group of African States by supporting the establishment of a specialized subcommittee or working group focused on international tax matters. That would enhance the Group’s capacity in tax-related negotiations and policies. By drawing on expertise from academic institutions and tax professionals within the continent, the specialized subcommittee or working group would ensure that the continent’s unique economic challenges and opportunities are holistically integrated into global tax discussions. That would amplify the continent’s voice and influence, using the established weight of the Group, while increasing focus on pivotal tax issues.
- Secretariat of the High-level Panel on Illicit Financial Flows from Africa – The secretariat coordinates the activities of and provides technical support to the Panel. It plays a vital role in facilitating dialogue, research and policy development on illicit financial flows, including tax-related issues. The secretariat can contribute to shaping discussions and providing insights into the specific challenges and priorities of African countries.

- African Union Commission – The Commission is the continental organization responsible for promoting unity, cooperation and development among African countries. It can play a crucial role in promoting the interests of Africa in international tax cooperation discussions and facilitating coordination and collaboration among African countries, regional economic communities and other stakeholders to strengthen the voice of Africa on tax matters.
- ECA – As the regional commission of the United Nations supporting African countries in their pursuit of inclusive and sustainable development, ECA conducts research, provides policy advice and facilitates knowledge-sharing on various economic and development issues, including taxation. ECA can support research, provide technical expertise and formulate policy recommendations on international tax cooperation that are tailored to the specific needs of African countries.
- African Tax Administration Forum – Promoting cooperation and capacity-building among African tax administrations, the African Tax Administration Forum facilitates the sharing of best practices, provides technical assistance and fosters collaboration on tax-related matters. The Forum can play a significant role in enhancing the capacity of African countries to engage in international tax cooperation processes and implement effective tax policies.
- Tax Justice Network Africa – A regional network that advocates tax justice, transparency and accountability in Africa, Tax Justice Network Africa conducts research, mobilizes support for policy reforms and engages in advocacy efforts to address tax-related challenges in the region. The Network can provide critical analysis, policy recommendations and a civil society perspective to shape discussions on international tax cooperation.

Collaboration among those stakeholders, and other actors, including African regional economic communities, national tax administrations, civil society organizations and academic institutions, is crucial. Effective collaboration on tax matters will facilitate knowledge-sharing and the alignment of strategies to promote the continent's interests and address challenges posed by illicit financial flows. It will strengthen the collective voice of Africa, strengthen evidence-based research and facilitate the implementation of inclusive and effective tax measures to combat illicit financial flows and promote tax justice.

In addition to the aforementioned stakeholders, the following entities and organizations also support efforts to promote tax cooperation in Africa and combat illicit financial flows:

- African Development Bank – The Bank plays a crucial role in supporting the continent's economic development and addressing governance challenges. It can contribute to discussions on international tax cooperation by promoting policies and projects that foster transparency, accountability and good governance, including in the area of taxation.
- African Peer Review Mechanism – A self-assessment and monitoring tool to promote good governance and socioeconomic development in African countries, the African Peer Review Mechanism can play a role in promoting transparency, accountability and good governance in tax matters, and in assessing the progress of African countries in their implementation of international tax cooperation measures.
- Regional economic communities – African countries have established a number of regional economic communities, such as the East African Community, the Southern African Development Community and the Economic Community of West African States. Those subregional bodies can support efforts to strengthen tax regimes in Africa by aligning tax policies and promoting harmonization of tax systems within their respective subregions.
- National tax administrations – In African countries, tax administrations play a critical role in implementing tax policies, combating tax evasion and illicit financial flows, and improving

revenue collection. Close collaboration among national tax administrations and regional and global bodies is crucial in that it can promote the sharing of best practices, enhance capacity and facilitate the implementation of coordinated measures to improve the continent's tax systems.

The involvement of the aforementioned entities and organizations in the tax reform process can strengthen efforts to combat illicit financial flows and advance international tax cooperation in Africa. Their contributions in terms of research, policy advocacy, capacity-building and knowledge-sharing can inform the ongoing debate on tax matters, thereby strengthening accountability and driving meaningful reform.

B. Way forward

The establishment of a fully inclusive and more effective international tax cooperation mechanism is essential if African countries are to address the challenges posed by illicit financial flows and ensure fair and equitable taxation. Africa, with its unique perspective and experiences, has been at the forefront of advocating a more inclusive and balanced approach to international tax matters. Recent initiatives and recommendations in that regard, including those put forward by the High-level Panel on Illicit Financial Flows from Africa, provide a solid foundation for shaping the future of international tax cooperation. In the present report, it has been argued that Africa should mobilize a global coalition to support the launch of negotiations on a framework convention on international tax cooperation.

To achieve that objective, African leaders and policymakers should:

- Strengthen collaboration among relevant stakeholders – Close collaboration among relevant stakeholders is paramount. Those stakeholders include various entities striving to combat illicit financial flows in Africa, including the High-level Panel on Illicit Financial Flows from Africa, the African Union Commission, ECA, the African Tax Administration Forum, and Tax Justice Network Africa. Engaging in meaningful dialogue, knowledge-sharing, and joint efforts will help drive forward the African tax reform agenda.
- Support regional cooperation – African countries should enhance regional cooperation and coordination with a view to harmonizing tax policies, combating tax abuse and illicit financial flows and promoting transparency. Regional economic communities in Africa can play a vital role in facilitating that process by aligning tax systems, sharing best practices and establishing common standards.
- Participate actively in global forums – African States should be active participants in global forums and platforms at which international tax cooperation is discussed. To that end, they should engage with the United Nations, IMF, the World Bank, and other relevant international organizations. In those forums, African countries should highlight their perspectives, seek to uphold their interests and push for meaningful reforms that address the specific challenges they face.
- Promote knowledge building and capacity development – investing in research, data collection and capacity-building initiatives is crucial as it will enable African countries to strengthen their understanding of illicit financial flows, international tax issues and effective policy measures. Academic institutions, think tanks, and research organizations should be supported in their efforts to conduct research, gather data and formulate policy recommendations.
- Leverage established networks – Africa can build on the experience of established networks focusing on tax justice and transparency, such as the African Tax Administration Forum, to enhance cooperation, promote the sharing of best practices and develop common strategies.

- Engage in advocacy and public awareness initiatives – Ongoing advocacy efforts are needed to raise awareness of the impact of illicit financial flows and the importance of international tax cooperation. Civil society organizations, media organizations, and other stakeholders should play an active role in advocating transparency, accountability and fair taxation practices.

By taking the steps outlined above, African States can contribute significantly to the process of developing an international tax cooperation framework that is inclusive, equitable and responsive to the needs and priorities of all countries. That process is an opportunity to address historical asymmetries in global tax governance and establish a more just and sustainable international tax system.

A feasible timeline for enhancing international tax cooperation could include the following elements:

1. Adoption of a General Assembly resolution in 2023

- Mobilize broad consensus among African stakeholders – African countries should engage in extensive consultations and negotiations, including with civil society, to solidify a unified African position on the need for a United Nations framework convention on international tax cooperation.
- Galvanize global support – To overcome opposition to a framework convention, a global network of allies and supporters, comprising countries of different sizes, income levels, capacities and geopolitical positions, must be established. That will require action at the highest levels of government. African countries must use all their diplomatic resources, engaging in bilateral talks with partners and making use of a range of platforms and venues, to achieve that objective.
- Establish a dedicated regional working group – A dedicated working group should be established, comprising representatives of the High-level Panel on Illicit Financial Flows from Africa, the African Union Commission, the Group of African States, ECA, the African Tax Administration Forum, the Tax Justice Network Africa and other relevant stakeholders. The working group should be responsible for coordinating efforts, conducting research and formulating strategies to advance the international tax cooperation agenda.

2. Negotiations on the substance of the framework convention in 2024 and beyond

- Develop Africa-specific recommendations – Africa should develop its own recommendations on international tax cooperation, taking into account the continent's specific challenges, priorities and development needs. Recommendations should be formulated to address issues such as resource exploitation, transfer pricing, harmful tax practices and capacity-building for tax administrators.
- Leverage international partnerships – Africa should foster and strengthen its partnerships and alliances with other regions and countries with similar goals and concerns regarding international tax cooperation. To that end, African countries should collaborate with Group of 77 countries, participate actively in South-South cooperation initiatives, and leveraging their established political and economic partnerships, including with Brazil, the Russian Federation, India, China and South Africa (the so-called BRICS countries) and in the context of the Forum on China-Africa Cooperation. At the same time, African countries should encourage those States that continue to oppose the formulation and adoption of a framework convention to participate in negotiations on that instrument rather than impeding progress in that regard at the United Nations.

- Engage in negotiations – African countries should actively participate in negotiations on the substance of the framework convention. They should assertively defend their interests and advocate the inclusion of protocols that address their specific needs and capacities.

3. Draft framework convention to be presented for signature in 2025

- If the draft framework convention serves African interests and provides a solid basis for advancing fully inclusive, more effective and fair international tax cooperation, African countries should enthusiastically sign and ratify it and encourage other countries to do so.
- African countries can also encourage States participating in the proposed fourth international conference on financing for development, which the General Assembly has decided to consider convening in 2025, to sign and ratify the draft framework convention.

Prior to the proposed conference, several critical steps could be taken to help reach agreement on the substantive content of the proposed framework convention:

- Step 1 – A proposed African position on the substantive content of the proposed framework convention could be submitted to the Conference of African Ministers of Finance, Planning and Economic Development, for consideration by the Conference in March 2024. The Conference, convened under the auspices of ECA, serves as a platform for high-level discussions and decision-making on key economic issues. The proposal would be deliberated and its endorsement by African ministers sought. The proposed African position would then be formally submitted to the First Sub-Committee on Tax and Illicit Financial Flows Issues of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration of the African Union.
- Step 2 – The proposed African position would be deliberated and refined by the First Sub-Committee on Tax and Illicit Financial Flows Issues. That subcommittee, which comprises technical experts from African Union member States, would review the proposal, providing their expert insights and recommendations. Upon completion of that review, the proposed African position would be submitted for approval by the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration of the African Union. The Specialized Technical Committee would engage in in-depth deliberations on the proposal, taking into consideration its alignment with African priorities, its impact on sustainable development and its coherence with African Union policies. The Specialized Technical Committee would then recommend endorsement of the proposed African position by the Assembly of Heads of State and Government of the African Union.
- Step 3 – African States, led by their designated expert representatives, would advocate the incorporation of African priorities, as set out in the endorsed African position, in the draft text of the framework convention during negotiations on the text.

The timeline outlined above is ambitious but feasible, provided that strong political will and commitment is demonstrated by all parties involved. Challenges may arise, however, if certain OECD members attempt to block progress. In such a scenario, Group of 77 countries, including countries in Africa, could consider moving forward collectively, leveraging their collective strength and unity. By forging ahead as a united front, Group of 77 countries could demonstrate their determination to achieve meaningful international tax reform and counter the influence of dominant OECD members. That approach would highlight the importance of inclusivity and ensure that the voices and perspectives of

developing countries, particularly those in Africa, are not marginalized in the negotiation process. By pushing for an accelerated timeline and considering alternative pathways, if necessary, African and other Group of 77 countries could assert their agency and influence in shaping the international tax agenda. That proactive stance would help to ensure that international tax cooperation is fully inclusive, effective and responsive to the needs of all countries, particularly those that have long been marginalized in global tax governance.

Annex I

Weaknesses of the two-pillar solution of the Organisation for Economic Co-operation and Development

A. Arm's length principle

The two-pillar solution, developed by OECD, does not provide modalities for replacing the arm's length principle. Instead, the Base Erosion and Profit Shifting Project has been focused more on updating the arm's length principle and related rules in order to address some of their limitations. For example, in action 1 of the Base Erosion and Profit Shifting Project, which is focused on tax challenges arising from digitalization, OECD and the Group of 20 recognize that the digitalization of the economy and the rise of multinational digital businesses pose significant challenges to current international tax rules, including the arm's length principle. The two-pillar solution was formulated to respond to those challenges. It should be noted, however, that while pillar one includes elements that deviate from the traditional arm's length principle by allocating some profits of multinationals to market jurisdictions, regardless of physical presence, those are limited and specific measures that do not constitute an outright rejection of the arm's length principle per se.

B. Reallocation of taxing rights

Pillar one of the two-pillar solution is focused on reallocating taxing rights to markets where multinational enterprises conduct significant business activities, while pillar two is focused on the imposition of a global minimum tax for multinational enterprises, with a view to ending the race to the bottom on corporate tax rates and profit shifting. While the two pillars appear to address tax issues globally, the approach adopted in the two-pillar solution disregards the socioeconomic context of African countries. For example, pillar two sets the global minimum corporate income tax rate at 15 per cent. While the aim of the 15 per cent rate is to eliminate the under-taxation of multinational enterprises, it overlooks the fact that the average corporate tax rate in African countries is around 27 per cent, which is significantly higher than the suggested minimum.²⁹ The unilateral decision to set the global minimum corporate tax rate at 15 per cent puts African countries at a disadvantage as it potentially limits their taxing rights and could lead to significant revenue losses.³⁰ It also fails to take into consideration the fact that African economies are often heavily reliant on corporate taxes, which on average account for some 18.6 per cent of total tax revenue, significantly higher than in OECD member countries, where they account, on average, for only 9.3 per cent.

C. Digital taxation

The digital tax proposals under pillar one primarily target highly digitalized businesses and large multinational enterprises with substantial global turnover. That narrow focus may not, however, adequately capture the digital activities and revenue generated by smaller businesses in African economies.³¹ In contrast, article 12B of the United Nations Model Convention provides for a broader framework that encompasses a wider range of digital businesses, including those with lower revenue

²⁹ African Tax Administration Forum, "A new era for international taxation rules - what does this mean for Africa?", 8 October 2021.

³⁰ Julie McCarthy, "A bad deal for development: Assessing the impacts of the new inclusive framework tax deal on low- and middle-income countries," Brookings Global Working Paper No. 174 (Brookings Center for Sustainable Development, 2022).

³¹ Layla Latif, "The evolving 'thunder': the challenges around imposing the digital tax in developing African countries," *International Journal of Digital Technology and Economy*, Vol. 4, No. 1 (2020).

thresholds.³² Several countries have amended their tax codes to provide for taxes to be imposed on business with a “significant economic presence”, as proposed by the Group of Twenty-four on International Monetary Affairs, targeting digital businesses that make sales in those countries but do not have a physical base there. Nigeria determines whether an enterprise has a significant economic presence in the country through a combination of user-based criteria and a sales threshold, and requires affected multinationals to register and comply with their tax obligations in Nigeria. That measure would be outlawed under pillar one, even though the approach proposed by OECD typically results in much lower tax revenue for governments.³³

Implementing the pillar one proposals, as they stand, could also significantly complicate the work of African tax administrations. The criteria used and the calculations that must be made to determine taxable digital presence and profit allocation are highly complex, requiring a high level of administrative capacity. That can pose challenges for African countries with limited resources and technical expertise in tax administration.

Data availability and collection pose further challenges. Accurately assessing the digital activities and revenue generated by businesses depends on access to comprehensive and reliable data. African tax administrations may face difficulties in obtaining accurate data from companies operating in their jurisdictions, particularly if those companies are not fully cooperative or transparent. Under article 12B of the United Nations Model Convention, national tax authorities are less reliant on the provision of data by multinational enterprises, potentially making implementation of the Model Convention more feasible for African countries than the two-pillar solution. Furthermore, African countries were able to provide only limited input in the negotiations leading to the adoption of the pillar one proposals. Instead, the formulation of those proposals was driven, primarily, by OECD and its member countries, raising concerns about the representation of African countries and the extent to which pillar one addresses the particular challenges they face. In contrast, negotiations on article 12B provided African countries with greater scope to shape international tax rules. Alternatives to the two-pillar solution may therefore be better aligned with the particular circumstances, capacities and priorities of African countries and more likely to provide for an inclusive and equitable international framework for taxing revenue generated through the digital activities of businesses.

D. High threshold

Pillar one is applicable, primarily, to large multinationals with a global turnover of more than 20 billion euros and profitability above 10 per cent.³⁴ That high threshold means that pillar one is not applicable to numerous smaller multinational companies operating in Africa and leaves a significant portion of the continent’s tax base exempt from taxation.³⁵ The framework proposed by OECD therefore fails to address the particular economic circumstances of African countries, exacerbating current asymmetries in global taxation mechanisms.

³² Vladimir Starkov and Alexis Jin, Research paper No. 156. Appendices E and F, South Centre (1 June 2022). Available at: www.southcentre.int/research-paper-156-1-june-2022/.

³³ BEPS Monitoring Group, “The BEPS proposals and alternatives”, 6 July 2023. Available at: www.bepsmonitoringgroup.org/news/2023/7/5/the-beps-proposals-and-alternatives.

³⁴ OECD, *Progress report on Amount A of Pillar One: Two-Pillar Solution to the tax challenges of the digitalisation of the Economy* (Paris, 2022). Available at: www.oecd.org/tax/progress-report-on-amount-a-of-pillar-one-two-pillar-solution-to-the-tax-challenges-of-the-digitalisation-of-the-economy.htm.

³⁵ Parwin Dina Varun Chablani and Rubeena Dina, “BEPS 2.0: a Middle East and Africa perspective”, *Bloomberg Tax*, 1 September 2021.

E. Residual profits

Additionally, pillar one involves the reallocation of only a small proportion of residual profits, rather than routine profits.³⁶ That arrangement is particularly disadvantageous for market jurisdictions, including many African countries, which are likely to witness a reduction in the taxes raised on the residual profits of multinational enterprises operating within their jurisdictions. The segmentation rules that exempt the extractive and regulated financial services industries from the scope of pillar one is another point of contention, as many African economies rely heavily on those sectors. Indeed, exemptions under the segmentation rule pose a significant challenge for many African countries, given the economic relevance of those industries in the region, and risk exacerbating global asymmetries still further.

F. Administrative and implementation challenges

Furthermore, the rules associated with pillar two are extremely complex, demanding substantial administrative capacity and resources for effective implementation. That is likely to pose a significant challenge to many African tax administrations, which may not have the resources necessary to enforce the pillar two rules, thereby reducing their effectiveness. The pillar two rules are also likely to conflict with the tax regimes adopted in many African countries. The need for extensive tax code revisions to accommodate the new rules could prove burdensome for those countries. The subject-to-tax rule, introduced under pillar two, could, however, facilitate tax treaty negotiations by providing clarity and guidance on the treatment of income subject to the global minimum tax.³⁷ The subject-to-tax rule sets a threshold for the taxation of certain income at a minimum rate, ensuring that profits are subject to a minimum level of taxation.

In the context of tax treaty negotiations, the subject-to-tax rule can help to address issues related to the allocation of taxing rights and the prevention of double taxation. By establishing a minimum tax rate, it provides a standardized approach that countries can refer to during treaty negotiations. The rule can serve as a reference point for determining the treatment of income in cross-border transactions, helping to resolve conflict and provide a more level playing field in tax treaty discussions. Additionally, the subject to tax rule may encourage countries to revise their existing tax treaties or negotiate new ones to incorporate provisions related to a global minimum tax. That can facilitate the negotiation process by providing a common framework and objective for countries to work towards, thus supporting efforts to reach agreements that are aligned with new international tax norms.

It is important to note, however, that the subject-to-tax rule is just one component covered in broader tax treaty negotiations and may not resolve all the challenges identified. Tax treaty negotiations must seek to address various factors, including the particular interests and objectives of individual countries. The subject-to-tax rule can provide a basis for discussions, but ultimately the negotiations will depend on the willingness of countries to reach mutually-beneficial agreements that take into account their particular circumstances and priorities. As such, there is a risk of further asymmetry in international taxation. For example, developed countries often have access to more resources and expertise, giving them a stronger position in shaping the outcome of negotiations. That can result in asymmetrical agreements that fail to address the interests and concerns of developing countries in a meaningful way.

While the subject-to-tax rule holds considerable promise in that it could facilitate efforts by developing countries to curb base-eroding outflows, its practical execution poses significant challenges. Unlike the income inclusion rule and the under-taxed-payments rule, which have been incorporated into

³⁶ Veronica Grondona, “The dangers of the residual profit split”, Tax Justice Network, 3 October 2019. Available at: <https://taxjustice.net/2019/10/03/the-dangers-of-the-residual-profit-split/>.

³⁷ OECD, *Tax challenges arising from digitalisation - Report on Pillar Two Blueprint: Inclusive Framework on BEPS*, Chapter 9: Subject to tax rule (Paris, 2020). Available at: <https://www.oecd.org/tax/beps/tax-challenges-arising-from-digitalisation-report-on-pillar-two-blueprint-abb4c3d1-en.htm>.

the amended OECD Model Tax Convention, the implementation of the subject-to-tax rule may require amendments to bilateral treaties between States. It is important to note that destination jurisdictions that levy a nominal tax below 9 per cent on related payments will be obligated to incorporate subject-to-tax rule provisions into their bilateral treaties with the developing countries that are the sources of those payments, but only when a request to do so is submitted within the context of the Inclusive Framework on Base Erosion and Profit Shifting.³⁸ That requirement, as delineated by the OECD in 2021, only extends to those parties that have endorsed the two-pillar approach. That conditional arrangement could undermine the effectiveness of the subject-to-tax rule. Indeed, a number of key intermediary tax havens, namely States known for their role as channels for capital flows towards low-tax destinations, may choose not to participate in the OECD-sponsored arrangement. Their lack of commitment to the two-pillar approach could substantially undermine the subject-to-tax rule. The successful implementation of the subject-to-tax rule thus depends not only on policy redesign, but hinges on the collective commitment of all jurisdictions to the alignment of global tax practice in an equitable manner.

³⁸ OECD, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (Paris, 2021). Available at: <https://www.oecd.org/tax/beps/developing-countries-and-the-oecd-g20-inclusive-framework-on-beps.pdf>.

Annex II

Proposals for promoting inclusive and effective tax cooperation at the United Nations

Input provided by a number of key stakeholders to the report of the Secretary-General on the promotion of inclusive and effective international tax cooperation at the United Nations (A/78/235) is summarized below:³⁹

A. Members of the United Nations Tax Committee

In his contribution to the report, United Nations Tax Committee member Rasmi Das focused on the formation and implementation of an inclusive and effective tax system at the global level. Advocating a more representative and fairer approach to international tax cooperation, he emphasized that the current system is outdated and inequitable. Issues of concern included the obsolescence of current international tax rules, the imbalance in the allocation of taxing rights that favoured countries where taxpayers resided, and problematic tax avoidance practices by multinational enterprises and high-net-worth individuals. Mr. Das suggested that the consensus-based decision-making approach that current tax reform initiatives had adopted might not serve the best interests of all countries, particularly those with limited resources or insufficient time to analyse proposals thoroughly. He stressed that a consensus was often treated as default assent unless a country explicitly opted out, and suggested that this could lead to unsustainable consensus, whereby countries might agree to terms that they are not entirely convinced by.

Furthermore, Mr. Das emphasized the necessity of a bottom-up process in setting the tax reform agenda, in which every country, regardless of its size or level of development, had an equal say. That process would run counter to the prevalent top-down approach, wherein the agenda for tax reform was predominantly set by advanced economies. He proposed the creation of a conference of parties to be established by the United Nations that would allow for more inclusive and continuous discussions, along with a majority rule voting system to replace the current consensus-based approach. African countries should advocate more inclusive, equitable and effective global tax governance that reflected their unique economic circumstances, and should push for a more democratic and inclusive decision-making process in the area of international tax reform.

In his submission, United Nations Tax Committee member and former Chairman of the Federal Board of Revenue of Pakistan, Muhammad Ahmed, raised a number of significant points of concern in international tax cooperation, and emphasized that, despite its positive reputation, international tax cooperation had a coercive dimension. In its current form, international tax cooperation had facilitated the establishment of a monopoly of taxing rights, disproportionately favouring developed countries over developing ones. He referred to the establishment of more than 3,200 double taxation conventions, many of which involved at least one developing country. Those conventions tended to lead to substantial tax-base losses for developing countries, while creating legal loopholes for multinational enterprises, high-net-worth individuals and other non-State operators, which enabled them to engage in aggressive tax planning. He suggested that many developing countries might have agreed to the terms of double taxation conventions in the hope of attracting foreign investment, promoting rapid industrialization and fostering economic development. He also speculated about the role of self-interested political elites in those countries, and emphasized that those elites might push for their respective countries to sign double taxation conventions for short-term political or economic gain. Mr. Ahmed concluded that, overall, double taxation conventions tended to impede efforts by developing countries to achieve the Sustainable Development Goals.

³⁹ All contributions to the report of the Secretary-General are available at: financing.desa.un.org/inputs.

Mr. Ahmed proposed a reimagining and broadening of the international tax cooperation framework, which had traditionally focused on official development assistance, technical assistance and capacity-building. His vision included the adoption of an international tax convention and the formation of an intergovernmental world tax organization staffed by professionals from all United Nations Member States. That body would ensure the uniform application of the proposed international tax convention. The process to formulate and adopt that convention should be led by tax justice champions from both developed and developing countries. Ahmed also underscored the need for a platform, created under the auspices of the Group of 77, the South Centre or another suitable organization, where developing countries could formulate strategies for engaging with developed countries in matters of international taxation.

B. United Nations Conference on Trade and Development

In its submission, the United Nations Conference on Trade and Development (UNCTAD) highlighted the urgent need for inclusive and efficient global tax cooperation to curtail illicit financial flows, a concern that was particularly critical for developing countries. That position encompassed several interconnected issues. Contentious points included the systemic nature of illicit financial flows and financial secrecy. UNCTAD underscored that systemic issues demand systemic solutions, suggesting that a globally-inclusive forum was needed to tackle those issues. There was considerable debate regarding the appropriate platform for dialogue and whether all countries, and particularly those in the developing world, were adequately represented in talks on illicit financial flows and financial secrecy. UNCTAD affirmed that the United Nations system was ideally placed to facilitate the inclusive debate needed to address illicit financial flows, although questions had been raised concerning the effectiveness and inclusivity of the United Nations system in matters of international tax cooperation, whether the voices of all Member States had been equally heard in that process, and whether the rules and standards developed were of genuine benefit to all countries.

There were further points of contention regarding the impact that illicit financial flows, corporate arbitrage and phantom foreign direct investment were having on tax revenue in developing countries. Those flows could have severe repercussions for the capacity of those countries to achieve development goals and provide vital services. Debates had focused on the most effective methods to mitigate those repercussions and ensure fair international tax cooperation that truly benefited developing countries. The High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, which enjoyed the support of UNCTAD, added another layer of complexity. The feasibility, timeline, and potential effectiveness of an international tax convention were all the subject of debate. The difficulty of measuring illicit financial flows owing to their covert and purposefully concealed nature, was another area of debate, with questions raised regarding the accuracy and efficacy of proposed methods to measure those flows, such as the partner country method and price filter method. The threat posed by illicit financial flows to the achievement of the Sustainable Development Goals, by reducing the available revenue for essential public services, was also emphasized in the submission by UNCTAD. The extent to which those flows undermined the achievement of individual Goals and the most effective ways to mitigate their effects were also discussed. In essence, the perspectives offered by UNCTAD could stimulate a broader debate on illicit financial flows, in which stakeholders addressed the systemic nature of financial secrecy, the roles and effectiveness of international organizations, the impact of those flows on developing countries and the strategies needed to address the complex challenges stemming from those flows.

C. Group of African States

In its contribution to the report, the Group of African States emphasized the disproportionate impact of global crises, including the coronavirus disease (COVID-19) pandemic, climate change, economic stagnation and rising inflation, on developing countries, particularly in Africa. The Group asserted that those crises hampered the capacity of African countries to achieve the Sustainable Development Goals. It also underscored the urgent need for additional financing to bolster the sustainable development agendas of African States, and emphasized the importance of domestic

resource mobilization and good governance. Public finance was highlighted as a critical solution to the challenges of poverty, inequality and climate change. The Group argued that the private sector could not substitute for public action, particularly when many countries in Africa and in other global regions were facing enormous debt sustainability challenges. The mobilization of resources, both domestically and internationally, would be critical in the short to medium term. Over the past 15 years, African countries had been proactively strengthening tax cooperation both at the national and international levels with a view to creating a more equitable revenue mobilization system. The support that African countries had received from international institutions and donors had markedly strengthened African participation in international tax cooperation.

While the reform of international tax cooperation mechanisms was critical, it should not be viewed as an all-encompassing solution to the fiscal challenges facing developing countries. The Group of African States viewed reform, especially if spearheaded by the United Nations, within the context of broader initiatives to enhance revenue mobilization systems in the medium to long term. The Group also emphasized the need to combat illicit financial flows, which were detrimental to development financing, and called for cooperation at the national, regional and international levels to address that phenomenon. Furthermore, the Group underscored that international tax cooperation efforts should take into account the particular needs and capacities of individual countries, and that multinational companies should pay taxes in the jurisdictions in which they conducted business operations and created value. The Group continued to call for negotiations to begin under the auspices of the United Nations on an international tax convention, which would enhance international tax cooperation and strengthen efforts to address tax-related illicit financial flows.

The Group of African States was critical of the Inclusive Framework on Base Erosion and Profit Shifting, developed by OECD and the Group of 20, which, it said had failed to address the needs of numerous countries, including, in particular, least developed countries. A truly international tax system could be achieved only through a United Nations-led negotiation process. The Group of African States emphasized tax as a core issue of national sovereignty and underscored that all countries should have equal say in international tax decisions. A United Nations tax convention could provide for the establishment of a platform in which countries would enjoy equal representation. The United Nations had a long history of addressing international tax issues and a United Nations tax convention was long overdue. The Group of African States would continue to advocate a more equitable global tax framework and a comprehensive approach to international tax cooperation spearheaded by the United Nations.

D. South Centre

In its extensive analysis of international tax governance, the South Centre identified several key factors that impeded tax cooperation, including, in particular, cooperation involving developing countries. Those factors included the duplication of efforts across various international tax forums, the absence of a genuinely universal and intergovernmental tax forum, the lack of inclusivity in agenda setting, and the undemocratic nature of decision-making and insufficient accountability and transparency provided under the terms of the Inclusive Framework on Base Erosion and Profit Shifting. Those factors weakened the capacity of developing countries to contribute to, and benefit from, the international tax system. Those factors could be addressed by enacting a number of reforms, which would provide for the establishment of a new international tax cooperation instrument, which the South Centre proposed should be referred to as the United Nations tax cooperation instrument.

The South Centre's position was that the United Nations tax cooperation instrument should be formulated with the aim of creating a truly universal, intergovernmental tax body that provided for inclusive agenda setting, de-duplication of efforts, clear accountability mechanisms, democratic decision-making, and transparency. It would also be important for such a body to advocate capacity-building in developing countries to enable them to take full advantage of the provisions of the new instrument. By establishing a conference of parties that included all United Nations Member States, the United Nations tax cooperation instrument could provide a forum for all countries to participate equally

in setting international tax norms. The new instrument would facilitate the coordination of current international tax institutions by one universal body, thereby ensuring the effective and accountable implementation of international tax agreements. The South Centre also emphasized the need for democratic decision-making processes and transparency in the functioning of all forums. Capacity-building for developing countries was suggested as a critical aspect of the mandate of the proposed United Nations tax cooperation instrument, as that would enhance their capacity to uphold their interests and benefit fully under the new tax coordination system.

The African Union Commission could learn a number of lessons from the analysis conducted by the South Centre and its recommendations. First, the establishment of a universal, intergovernmental tax body could guide the approach adopted by the Commission in its efforts to promote tax cooperation among its member States, ensuring inclusivity and equal representation in decision-making. Second, the Commission could emulate the focus of the South Centre on capacity-building, by equipping its member States with the knowledge and skills necessary to navigate the complexities of international taxation. Third, the emphasis of the South Centre on transparency and accountability in the governance of tax institutions could guide the Commission in strengthening its own tax frameworks, helping to build trust and cooperation among its member States.

E. Africa Union Commission

In its input to the report of the Secretary General, the African Union Commission recognized the essential role of cooperation and coordination in key areas of taxation, which could accelerate the economic recovery and future growth of Africa. Among the key issues highlighted by the Commission were the allocation of taxing rights to source jurisdictions and the curbing of illicit financial flows out of Africa. The Commission emphasized that current allocation rules largely favoured residence jurisdictions. This disproportionately affected African countries, most of which served as source jurisdictions. Artificial profit shifting by some multinational enterprises operating in Africa contributed to illicit financial flows, hindering the realization of the goals and targets of Agenda 2063. The Commission also noted that the allocation of taxing rights, an aspect of crucial importance to African countries owing to the developmental nature of their economies, had not yet been fully addressed in global tax negotiations.

To enhance the global tax cooperation process, the Commission proposed several measures. First, it emphasized that the process should incorporate the perspectives of African bodies and should be overseen by an intergovernmental body led by Member States of the United Nations. The Commission proposed that a United Nations tax convention with universal participation should be adopted, and that amendments should be made to the United Nations Convention against Corruption to enhance its comprehensiveness and inclusiveness and improve transparency. Other proposed structures included a taxing rights monitoring mechanism that would collect and disseminate national aggregate and detailed data on taxation and tax cooperation. A multilateral mediation mechanism was also suggested to assist countries in resolving difficulties related to international asset recovery and return, and to strengthen compensation modalities. The Commission emphasized the importance of non-duplication of efforts and of addressing unresolved challenges in other forums. It also underscored the need for reform in international tax cooperation, and suggested a re-evaluation of agenda setting, transparency, governance and inclusivity.

In their submissions for the report of the Secretary-General, both the South Centre and the African Union Commission emphasized the importance of inclusivity, transparency and balanced representation in the international tax system. They both called for an international body that could address tax issues in a universally participative and democratic manner. In the view of the African Union Commission, lessons could be drawn from the proposals put forward by the South Centre, particularly with regard to the creation of a United Nations tax cooperation instrument, addressing duplicated efforts, and capacity-building for developing countries. The principles of democratic decision-making, accountability and transparency proposed by the South Centre also resonated with the views expressed by the Commission, and could strengthen efforts by the Commission to strengthen its position in the international tax system.

F. African Tax Administration Forum

In its submission to the report of the Secretary-General, the African Tax Administration Forum, which represents 42 African tax administrations, emphasized the need for tax system reforms to better reflect the particular circumstances of African countries. New tax rules were needed, as current rules on international taxation were disadvantageous to source jurisdictions where economic activity took place, including most African countries. Furthermore, current global tax rules failed to address the risks of illicit financial flows due to tax avoidance in developing countries. The African Tax Administration Forum also suggested that fundamental reform was needed in the standard-setting agenda, as current procedures for setting standards were complex and evolving rapidly, making it difficult for many African countries to contribute meaningfully to the process. The African Tax Administration Forum proposed that an intergovernmental committee, led by member States, should be established to recommend actions to strengthen international tax cooperation.

The African Tax Administration Forum proposed that, ideally, a technical platform on tax cooperation should be established under the auspices of the United Nations, as that platform would have access to adequate financial resources and to competent tax policy and administrative personnel from United Nations Member States. The proposed platform should propose tax policy and legislative amendments to facilitate the establishment of an equitable and effective global tax system and should draft comprehensive reports and recommendations with a view to mobilizing political support for change at the global level. The Forum also recognized the progress made in the context of the Inclusive Framework on Base Erosion and Profit Shifting, including, in particular the rules established under pillar one and pillar two. The Forum maintained, however, that further changes to the international tax system were needed; implementation of the pillar one rules will result in only a limited reallocation of tax rights to source countries, while the pillar two rules on corporate tax avoidance were likely to prove ineffective as the minimum effective corporate tax rate of 15 per cent was too low to deter artificial profit shifting out of Africa. The African Tax Administration Forum therefore noted that additional efforts would be needed to secure global agreement on a higher minimum effective tax rate.

G. Intergovernmental Group of Twenty-four on International Monetary Affairs and Development

In its submission, the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development discussed a range of issues and made a number of suggestions that could significantly enhance the strategies and actions of African States to combat illicit financial flows. The Group underscored the need for an inclusive and effective governance framework and proposed that the United Nations Tax Committee should become an intergovernmental subsidiary body of the Economic and Social Council, thereby increasing the participation and representation of developing economies in the debate on international tax matters.

The Group also emphasized the importance of capacity-building, particularly in the light of significant human resource disparities among countries, which often impeded the participation of developing countries in decision-making forums. To address that challenge, the Group suggested that regional briefings and debriefings should be organized to deepen understanding of tax policy issues among developing countries and enhance their capacity to participate fully in negotiations. Moreover, the Group drew attention to the importance of transparency and the adoption of a bottom-up approach in decision-making, and called for the early involvement in that process of a wide range of stakeholders, including academics, civil society actors and members of the business community. The adoption of that approach could foster transparency and inclusivity, strengthening the participation of African countries in tax policy negotiations.

The Group also drew attention to resourcing challenges, emphasizing that adequate funding was necessary not only to develop and ensure the smooth functioning of new workstreams, but also to support governments in implementing proposed solutions. Efforts should therefore be made to mobilize the resources needed to ensure the effective implementation of tax reforms in Africa. The Group

underscored the importance of simplicity and administrability in proposed solutions, emphasizing that developing countries and emerging markets needed solutions that were straightforward, cost-effective and took into consideration the capacity restraints they faced. The Group also called for enhanced coordination among bodies concerned with international taxation to avoid duplication of efforts. In that regard, African countries should strive to complement current tax initiatives, rather than duplicating the same activities.

H. Independent Commission for the Reform of International Corporate Taxation

The Independent Commission for the Reform of International Corporate Taxation raised several issues pertinent to efforts to reform the current international tax system. Those issues included the unfairness and obsolescence of the current system, which was designed a century ago and failed to address the challenges posed by a globalized economy. The Independent Commission argued that the current system primarily benefited rich countries, exacerbated inequality and denied developing countries the fiscal resources they required to achieve their development goals. The Independent Commission also highlighted the limitations of the two-pillar solution, a multilateral agreement aimed at addressing the tax challenges arising from the digitalization of the economy, and argued that, although it was a step in the right direction, the two-pillar solution fell short of what was required. In particular, the 15 per cent effective minimum tax rate was below the global average rate, and was likely to perpetuate tax competition and profit shifting. The solution was therefore likely to fail to generate substantial fiscal revenues for low- and middle-income countries and to disproportionately benefit high-income countries.

To address those challenges, comprehensive reforms to the international tax system should be enacted on the basis of the outcomes of intergovernmental negotiations facilitated by the United Nations. In that connection, the Independent Commission called for negotiations to begin on the text of a United Nations tax convention that would address the limitations of the current OECD/Group of 20-led process. It also emphasized the need for enhanced transparency and the exchange of information, both of which would facilitate efforts to impose appropriate taxes on the profits of multinational corporations. Furthermore, the International Commission suggested that the scope of international tax discussions should be expanded to provide for effective and progressive taxation within the context of globalization. To that end, relevant stakeholders should consider the development of wealth taxation modalities and asset registries to ensure that the income and assets of wealthy individuals were taxed appropriately. The International Commission also called for further efforts to ensure the adoption of a United Nations tax convention, as demanded by many Member States of the United Nations, to support much-needed reform and create a fairer and more equitable global tax system.

I. Tax Justice Network Africa

The Tax Justice Network Africa put forward several important proposals and raised a number of key issues for consideration in the report of the Secretary-General. Historically, the engagement of African countries in international tax cooperation processes had been ineffective, and priority attention should be given to the specific needs of African countries. In that connection, the Tax Justice Network Africa underscored the importance of establishing a universal global tax architecture in which African countries played a key role. The Tax Justice Network Africa also suggested that a multilateral convention should be drafted to address tax-related illicit financial flows, and that particular focus should be given in that convention to tax evasion and aggressive tax avoidance. The United Nations Tax Committee should ensure equal negotiation opportunities for all countries, while the status of the Committee should be upgraded to that of an intergovernmental forum with the power to set tax cooperation standards. The Tax Justice Network Africa was, moreover, concerned at the dominant role of OECD in the area of international taxation, and called for the establishment of a United Nations-led forum that could provide normative and political leadership for relevant institutions. The Tax Justice Network Africa also emphasized the importance of collaboration with other United Nations entities,

including UNCTAD and the United Nations Office on Drugs and Crime (UNODC), to facilitate the generation of statistical data on and strengthen efforts to combat illicit financial flows.

J. Tax Justice Network

The Tax Justice Network underscored that current structures and processes for cooperation in the area of taxation, including the setting of tax rules and standards, were exclusionary and ineffective: those structures and processes prioritized the interests of developed countries, resulting in unfavourable outcomes for African countries and hindering the realization of human rights and the achievement of the Sustainable Development Goals. To enhance international tax cooperation, the Tax Justice Network called for a new intergovernmental tax body to be established within the United Nations system and provided with sufficient resources. That body should lead negotiations involving all Member States and other relevant stakeholders to draft an international convention on tax matters that provided, inter alia, for the automatic exchange of information on financial accounts, beneficial ownership transparency, comprehensive country-by-country reporting by multinational companies, and the establishment of a minimum effective corporate tax rate on the basis of formulary apportionment. The Tax Justice Network also emphasized the importance of moving beyond current arrangements and creating inclusive processes that ensured equal participation and transparency and were strengthened through engagement with civil society.

Table

Proposed actions to promote inclusive and effective tax cooperation under the auspices of the United Nations

<i>Individual/entity</i>	<i>Focus</i>	<i>Leading body</i>	<i>Proposals</i>
Rasmi Das, United Nations Tax Committee member	Strengthening global tax governance	United Nations	<ul style="list-style-type: none"> Establish an intergovernmental tax body under the auspices of the United Nations with universal participation and equitable representation
			<ul style="list-style-type: none"> Provide capacity-building support and technical assistance to developing countries to enhance their tax administration and policymaking capabilities
			<ul style="list-style-type: none"> Promote inclusiveness and fairness in international tax cooperation by ensuring that the voices of developing countries are heard and that their interests are taken into account in international tax negotiations
UNCTAD	Enhancing inclusivity and fairness	United Nations	<ul style="list-style-type: none"> Transform the United Nations Tax Committee into an intergovernmental subsidiary body of the Economic and Social Council, ensuring universal participation and enhancing the representation of developing countries
			<ul style="list-style-type: none"> Engage with relevant stakeholders, including academics, civil society organizations, and members of business communities, to gather diverse perspectives and ensure transparency and inclusiveness in the decision-making process
			<ul style="list-style-type: none"> Focus on the provision of capacity-building and technical assistance to support efforts by developing countries to implement international tax standards and participate effectively in global tax discussions
Group of African States	Strengthening inclusiveness and promoting effectiveness	United Nations	<ul style="list-style-type: none"> Establish an intergovernmental body on tax cooperation under the auspices of the United Nations to address global tax issues and ensure the inclusive participation of all Member States, including developing countries
			<ul style="list-style-type: none"> Take into consideration the work of the United Nations Tax Committee and build on its achievements to enhance international tax norms and standards
			<ul style="list-style-type: none"> Address tax issues specific to the global South, coordinate regional meetings, and involve regional organizations and development banks in efforts to identify solutions to the tax challenges faced by developing countries

<i>Individual/entity</i>	<i>Focus</i>	<i>Leading body</i>	<i>Proposals</i>
Muhammad Ahmed, United Nations Tax Committee member	Establishing a new global tax body	United Nations	<ul style="list-style-type: none"> • Create universal tax governance architecture through the adoption of a binding and universal international tax convention that sets tax rates and establishes mechanisms for taxing cross-border incomes and ensures fairness among all stakeholders • Establish an intergovernmental world tax organization, staffed by professionals from all United Nations Member States, to operationalize and enforce the proposed international tax convention • Ensure inclusivity and provide nations of the global South with an opportunity to convene and set their agenda for engagement with the global North, including OECD member countries, in international tax negotiations
South Centre	Reforming and enhancing governance	United Nations	<ul style="list-style-type: none"> • Establish a universal, intergovernmental tax body under the auspices of the United Nations to ensure a systematic, orderly and just tax environment, with equitable taxation of cross-border incomes and fair treatment of all international economic actors, source States and residence States • Promote inclusiveness by allowing the global South to set its own tax agenda and lead engagement with the global North and OECD on tax issues • Address comprehensive issues in international tax governance, including the renegotiation of taxing rights, taxation of cross-border incomes, illicit financial flows, tax havens, beneficial ownership legislation and banking secrecy
African Union Commission	Strengthening governance and capacity	United Nations	<ul style="list-style-type: none"> • Establish a United Nations tax cooperation instrument that provides for the establishment of a universal, intergovernmental tax body that can address limitations in the current international tax system • Enhance inclusivity and ensure the participation of all countries, particularly developing countries, in decision-making processes related to international tax standards and regulations • Address tax issues specific to Africa, including the allocation of taxing rights, illicit financial flows and outdated tax treaties, and simplify taxation rules in line with the capacities of tax administrations in developing countries
African Tax Administration Forum	Improving African tax systems	United Nations	<ul style="list-style-type: none"> • Support the United Nations in promoting inclusive and effective tax cooperation in recognition of the specific challenges faced by African tax administrations • Advocate the establishment of an intergovernmental body within the United Nations to address tax issues, coordinate with existing tax bodies, and provide capacity-building and technical assistance to African tax administrations • Focus on addressing tax issues that affect Africa, including the allocation of taxing rights, illicit financial flows and the coordination of efforts to mobilize domestic resources for development
Intergovernmental Group of Twenty-four on International Monetary Affairs and Development	Promoting inclusiveness and effectiveness	United Nations	<ul style="list-style-type: none"> • Upgrade the status of the United Nations Tax Committee to that of an intergovernmental subsidiary body of the Economic and Social Council so as to promote universal participation and strengthen the representation of developing countries in negotiations on international taxation issues • Enhance capacity-building to support the participation of developing countries in the global tax dialogue and the implementation of international tax standards

<i>Individual/entity</i>	<i>Focus</i>	<i>Leading body</i>	<i>Proposals</i>
			<ul style="list-style-type: none"> Promote transparency and provide adequate resources to ensure the production, management and implementation of international tax cooperation workstreams
Independent Commission for the Reform of International Corporate Taxation	Reforming and enhancing governance	United Nations	<ul style="list-style-type: none"> Establish a United Nations-led forum to promote international tax cooperation, including through the adoption of a multilateral tax convention
			<ul style="list-style-type: none"> Upgrade the status of the United Nations Tax Committee to that of an intergovernmental forum with the power to set standards in the area of international taxation
			<ul style="list-style-type: none"> Consider widening the scope of tax regimes to include the imposition of wealth taxes and the compilation of asset registries
Tax Justice Network Africa	Strengthening inclusiveness	United Nations	<ul style="list-style-type: none"> Draft and adopt a multilateral convention on tax-related illicit financial flows, focusing on tax evasion and aggressive tax avoidance
			<ul style="list-style-type: none"> Upgrade the status of the United Nations Tax Committee to that of an intergovernmental forum and broaden its mandate
			<ul style="list-style-type: none"> Empower the United Nations-led forum to provide normative and political leadership for relevant institutions
			<ul style="list-style-type: none"> Collaborate with other United Nations bodies, including UNCTAD and UNODC, to strengthen efforts to combat illicit financial flows, and involve civil society organizations and other relevant stakeholders in a collaborative process to establish international rules and regulations on taxation