Eurodad is a network of 48 non-governmental organisations (NGOs) from 19 European countries conducting research and advocacy on development finance.

The committee is developing an agenda which will be action oriented, implementable, transformative and inspirational. We have set out below concrete measures which we believe meet these criteria. We hope that the committee will consider these key reforms when it is drafting its report. We have linked to more in-depth Eurodad reports that provide further detail.

It is clear that no worthwhile sustainable development goals can be met without significant changes in the international financial and economic system. This includes: preventing illicit finance and improving tax collection; supporting domestic resource mobilisation and policy space; improving the quality of private finance and the financial sector; and overhauling the economic governance system.

**Preventing illicit finance and improving tax collection**

*Key issue:* The global financial system is dominated by huge black holes where public regulation, taxation and control are minimal, epitomised by the central position of tax havens. Recent research by the Tax Justice Network estimates that there is $7.3–$9.3 trillion in untaxed financial assets in tax havens. This originates from 139 nations – most of them developing countries. At the same time, global companies and financial institutions use this opaque, unregulated system to evade their responsibilities, particularly through dodging taxes.

They are abetted by the weak demands for transparency that governments make of them, poor coordination and information exchange between countries, and inadequate structures for rule-setting at international level. Under the G20 and the OECD, a new multilateral system for automatic exchange of information is being developed. However, the vast majority of the world’s countries are currently unable to participate in decision making, and the outcome is unlikely to work for developing countries with low capacity. The ongoing G20/OECD process on base erosion and profit shifting does not include key elements and excludes the vast majority of the world’s countries from decision making. The existing UN Committee of Experts on International Cooperation in Tax Matters can play an important advisory role, if it is strengthened, but only a new intergovernmental body would have the legitimacy and membership to ensure good decision-making and implementation.

**Implementable, transformative actions** to tackle this problem:
• **Country by country reporting for multinational enterprises**: Governments must introduce an obligation for all multinational enterprises to publish, as part of their annual reports for each country in which they operate: information on profits made; taxes paid; subsidies received; turnover; and number of employees.

• **Beneficial ownership transparency**: Governments must end the anonymity of companies, trusts, foundations, and similar legal structures through the creation of public registries of the real – beneficial – owners, in order to prevent the abuse of such structures for money laundering purposes.

• **An intergovernmental UN body on tax matters** should be established in order to ensure that all countries are able to participate on an equal footing in the definition of global tax standards.

• Of the issues a new intergovernmental UN body on tax matters should address, the following are key:
  - A **global system of automatic exchange of tax information**: which ensures that developing countries are able to receive information needed for tax purposes. Developing countries with low capacity should not be able to receive information without requirements of reciprocity until they have been able to build strong tax administrations and are able to share information.
  - **Global solutions to the problem of base erosion and profit shifting**, including the development of alternatives to the arm’s length principle as the basis for international taxation. New ways of allocating taxing rights, including approaches based on formulary apportionment, must be explored as part of this response.

**Supporting domestic resource mobilisation and policy space**

**Key issue**: Recent research shows that domestic resources are several times larger than external finance for developing countries. Developing countries need the policy space to develop their own sustainable development strategies and harness these resources. Too often, international institutions and agreements in trade, investment and finance undermine their efforts. For example, World Bank procurement advice has often prioritised opening developing countries’ procurement to international markets rather than emphasising how procurement rules and practices can be designed to boost the domestic private sector. As government procurement accounts for over 15% of global GDP, this undermines a major tool to promote development. Aid donors also systematically favour their own firms through tied aid and procurement practices.

However, it is also true that many countries face a chronic lack of public finance to invest in the basic services and infrastructure needed to build strong economies. More than three billion people live in countries where government spending is extremely **low** – less than $1,000 per person each year in purchasing power parity terms. Improving the quality of aid – around 10% of GDP in low-income countries – will be important. The current trends towards debt-creating flows in development finance and climate finance is worrying: more grant transfers from the rich to the
poor, and larger grant contributions to finance global public goods are needed. In addition, too many developing countries did not benefit from past debt relief efforts, and many have been pushed into dangerous debt positions by the global economic crisis, and rising contingent liabilities from private debt, as a recent Eurodad report has highlighted. Heavily indebted developing countries such as Grenada, Jamaica, Pakistan, El Salvador and Tunisia are in particular need of debt reduction.

**Implementable, transformative actions** to tackle this problem:

- Reform World Bank procurement advice so that it actively promotes local markets and allows micro, small and medium enterprises (MSMEs) to successfully bid for contracts. This means creating smaller contracts, advertising all tenders locally in local languages, creating domestic preference allowances and removing restrictive eligibility criteria, among other measures.
- Radically improve the quality of aid and ensure far more of it reaches developing countries by untying all aid in practice as well as in policy, removing ‘inflated aid’ categories from the ODA definition including donor-country student costs and immigration costs, and tightening the rules on when concessional lending can be counted as aid.
- Ensure the promised new and additional funds for climate finance are over and above aid commitments, are effectively monitored and transparently reported.
- Enable poor countries to use their domestic resources for financing sustainable development through further debt reduction for heavily indebted developing countries.

**Improving the quality of private finance and the financial sector**

As UNCTAD has shown, foreign investment has widely varying impacts, and the key is how it is managed, regulated and directed at a national level. Eurodad has also pointed out the flaws in the current emphasis on ‘leveraging’ international private finance: there is little evidence of development impact; potential for crowding out private investment; very low levels of accountability and transparency; and little thought given to impacts on domestic financial sectors. To promote investment and lending – both public and private – that actively delivers positive development outcomes Eurodad has, over many years, developed a rigorous *Responsible Finance Charter*, which lists specific requirements for lending and investment to go beyond a ‘do no harm’ approach.

It is also critically important to make the global financial system more stable and supportive of sustainable development. Smart regulation, for example through a Financial Transaction Tax, can not only help to reduce destabilising speculative activities, but also raise significant revenues for international development.

**Implementable, transformative actions** to tackle this problem:

- Strengthen UNCTAD’s *principles for sovereign lending and borrowing*, with reference to high standards, including on transparency, procurement, tax,
and financial terms, such as those in the *Responsible Finance Charter*, expand them to cover private investment, and ensure effective enforcement mechanisms.

- **Introduce a Financial Transaction Tax**: to reduce the quantity of dangerous financial speculation and allocate a proportion of the revenues to fight climate change and support international development.

**Overhauling the economic governance system**

The economic governance system is outdated and in need of an overhaul to make it more democratic, responsive and effective. One of the worst failings is that there are no mechanisms to deal with debt crises, which threaten not just national prosperity, but also the stability of the whole system. Too many countries suffer from debts that cripple their economies, many of which are illegitimate. In addition, as recent Eurodad research has shown, the IMF – which is supposed to act as a lender of last resort – too often prolongs debt crises through repeated lending to countries that in reality need debt workouts, and interferes heavily in economic policy making with often controversial prescriptions. Finally, governance reform is long overdue at all international financial institutions to make them more accountable and representative of the majority of the world’s population.

**Implementable, transformative actions to tackle this problem:**

- Create fair, independent and transparent arbitration processes for sovereign debts to enable efficient and legal restructuring of debts during sovereign debt crises.
- Hold public audits in countries facing debt distress, to determine who benefited from lending and borrowing, and to adjudicate on the legitimacy of the debts.
- Extend the example of the IMF’s Flexible Credit Line to all IMF facilities, requiring no conditionality other than the repayment of the loans on the terms agreed, and overhaul the governance of the institution by introducing double majority decision-making.

It is vital to set ambitious goals to end poverty, protect the environment and tackle inequality. However, such goals can only be one part of the solution. They can only be meaningful if they are accompanied by concrete action to change economic and financial systems so that they truly contribute to eradicating poverty, tackling inequality and supporting sustainable development.