

PRESS NOTE
**LIC MINISTERS DEMAND
THEIR FAIR SHARE
OF GLOBAL TAX REVENUES**

**Francophone LIC Finance Ministers Network
Washington DC, 9 October 2014**

Ministers of Finance of francophone low-income countries are holding a press conference in Washington on 9 October, on how to finance their development. The conference will be chaired by Patrice KITEBI, Deputy Minister of Finance, DR Congo, and co-chaired by Alamine Ousmane MEY, Minister of Finance, Cameroon.

1) MOBILISING A FAIR SHARE OF GLOBAL TAX REVENUES

Ministers once again highlight their successful efforts to mobilise revenues, which have increased by 5% of GDP in the last decade, allowing them to cut aid dependence sharply. They are determined to continue these efforts, by eliminating exemptions, fighting evasion and avoidance, and making their tax systems more progressive and equitable.

However, they require a more fundamental reform of the international tax system in order to get their fair share of global tax revenues:

- 1) the global tax system is stacked in favour of paying taxes in the headquarters countries of transnational companies, rather than in the countries where raw materials are produced. International tax and investment treaties need to be revised to give preference to paying tax in "source" countries.
- 2) current G20/OECD initiatives against tax avoidance and evasion are not tackling the key practices which most reduce LIC revenues. LICs need help to revise their tax codes to eliminate exemptions; renegotiate bilateral tax and investment treaties; and resist a « race to the bottom » through harmful competition to reduce direct taxes.
- 3) Current technical assistance is woefully insufficient to support these initiatives and build LIC capacity. In the absence of such assistance, LICs risk losing further revenues as they are recentralised in OECD countries. The IMF, OECD, UN and other donors must dramatically scale up their assistance and ensure they are focussed on fighting avoidance, evasion and exemptions, and making tax systems more progressive.
- 4) The cause of these problems is the lack of decisionmaking power for LICs in global tax discussions. Consultation by the IMF and OECD cannot be sufficient: LICs need an equal seat at the table, which would best be provided by a high-level meeting under UN auspices, as part of the Financing for Development conference in July 2015.

2) CONCESSIONAL FINANCING AND « REDEFINING AID »

In the context of renewed slow growth in OECD countries, Ministers urge OECD donors to redouble their efforts to reach the earlier promised aid levels of 0.7% of GDP. They continue to welcome the rapid growth in South-South cooperation and look forward to the start of operations by the New Development Bank launched by the BRICS.

In regard to the proposed redefinition of aid by the DAC, Ministers have written to the DAC chair and other key leaders of this dialogue underlining the need to:

- Maintain commitment to aid flows, and not undermine this by giving equal importance to a measure of broader « official support for development »
- Ensure that not only the most poor and vulnerable countries, but also lower-middle income countries, continue to receive adequate concessional flows
- Publish aid statistics which separate out aid which is registered in their budgets and uses country systems, so as to help them plan better their spending ; and
- Choose the simplest and most transparent system for calculating concessionality of loans, preferably the IMF system of a single 5% discount rate.

3) INNOVATIVE FINANCING

Ministers reiterate their strong commitment to mobilising innovative financing as the only means to ensure enough concessional financing for the post 2015 goals without provoking another debt crisis. They look forward to the forthcoming introduction by European countries of a financial transactions levy, and urge these countries to ensure that a large proportion of the revenues are used for financing the post-2015 development goals. They also strongly urge the international community to pursue other innovative financing, including carbon taxes, regular issues of SDRs, airline ticket taxes, and tobacco taxes.

4) DEBT RELIEF, SUSTAINABILITY AND RESTRUCTURING PROCEDURES

Ministers continue to insist on the need for the remaining countries eligible for HIPC and MDRI (Chad, Somalia and Sudan) to advance rapidly with minimum conditionality.

Ministers are becoming increasingly worried about the risks to debt sustainability posed by continued commercial external loans, domestic debt and public-private partnerships, and urge the IMF and World Bank to help them examine more closely the potential long-term impact of continued such borrowing on debt sustainability.

Finally, Ministers are alarmed that recent court decisions in favour of vulture funds and against Argentina, and continuing court cases against ex-HIPCs such as DRC, could encourage more widespread refusal by creditors to participate in debt relief. They continue to urge OECD countries to adopt laws to prohibit such lawsuits. They welcome the recent decision by the UN General Assembly to adopt by September 2015 a new legal framework for sovereign debt restructuring, and urge the G20 and IMF to work with this process to create a framework which is more rapid, comprehensive, transparent and impartial, thereby reducing delays, conditionality and creditor non-participation.