

SUMMER SCHOOL

“For Enhancing the Capacity of Civil Society Organizations in Efforts to Curb Illicit Financial Flows”

February 21-23, 2023

Good morning colleagues,

I would like to add my welcome to that of Riel and Chennai and thanks to ATI, TJNA and EURODAD, and OXFAM for co-sponsoring this event. I look forward to interacting with you all over the next three days, making new friends and I hope that this network can continue beyond this week. I want to take 10-12 Minutes to set the scene for our debate.

THE GTPC

But first a few words about myself and the Institute. Currently, I head up the GTPC at the WU Institute for Austrian and international tax law (a grouping of 90 researchers from 40 countries including 5 from Africa). Previously I headed up the OECD tax work.

What issues are on our agenda: new technologies and their potential to transform our tax systems(DET network), cross-border tax disputes (including VAT), the impact of the African Free trade Agreement, cooperative compliance (changes the relationship between TA and MNEs), the two Pillar OECD BEPS, the link between tax, trade and investment agreements: neglected area. And of course the work we do on IFF in Africa with WB and UNODC. Much of this work has an African dimension since we are trying to help African countries reach the UN 21% tax to GDP target (11-15 % today).

THIS EVENT

The aim is to create a network, help you understand why tax is so important, and to get a better feel for the current international tax reform discussion. Also to help you be more effective in lobbying governments and businesses (lobbying based upon facts and full understanding of the issues). Hopefully, by the end of the week, we will achieve this and you will conclude that tax is too important to leave to tax experts and that we should continue this dialogue.

Why is tax important? A well-functioning tax system is the basis for a well-functioning democratic market-based economy. It is not just a question of raising revenues. It is about promoting accountability of government to citizens.

What are the challenges that Africa faces in achieving well-functioning tax systems: corruptions, lack of capacity in tax administrations, distraction by international tax agenda, lack of dialogue with business, a too narrow tax base, a lack of trust in government) And of course, African countries are still struggling to deal with the effects of the triple crisis: financial, Pandemic, and now the situation in the Ukraine. All of which risks wiping out four decades of progress in alleviating poverty.

GLOBALISATION

Much criticised but the reality is that globalisation has been a force for good. It's taken a billion people out of poverty, it's reduced inequalities between countries, it's help integrate emerging economies into the global economy, and provided new opportunities for the transfer of technology, but there does need to be more attention paid to compensate the losers and in particular, dealing with the growing inequalities in the distribution of income and wealth (more later on this).

Globalisation is driven by cross-border trade and investment which in turn depends on having a certain, corrupt-free Business environment. Yet today that environment is characterised by both political and economic uncertainty and the current international tax reform initiative is now adding tax uncertainty to that toxic mix! All holding back FDI (only just recovered to the pre-2007/8 levels).

IFFs

Whether it's \$50 or 100 billion dollars lost every year to tax evasion, money laundering, bribery or other financial crimes the amounts involved are large and growing. WU has spent 5 years working with African governments to explore what they can do to counter these flows. Conclusions: better inter-agency cooperation, more effective implementation of the FATF BO standards, using new concepts such as UWO, pushing back against the misuse of CAP, and the big one using new technologies for better risk assessment. This 5-year project has already led to a number of concrete outcomes: manuals, best practice guidelines, and case studies that African governments are using, but of far more importance: it's promoting a dialogue between law enforcement agencies within countries and between African governments. My colleagues will expand on these issues over the next three days.

GROWING INEQUALITIES

During the pandemic, a new billionaire was created every 30 hours. If you put the top, 40 billionaires into a London bus these people would control more than a third of global wealth! Some think this is just a moral issue. But work by the IMF and OECD have shown that there is a good economic case for reducing these inequalities since as they grow they undermine social cohesion which in turn makes it more difficult for the government to build up a political consensus amongst citizens for structural reform programs which could lead to sustainable and inclusive economic growth.

Today there is a widespread feeling that the costs and the benefits of globalisation have not been fairly shared, which has led to a focus on "Are MNEs and HNWI paying their fair share of taxes?" The answer is not clear: yes, they pay a lot of taxes but more can be done.

And that's why we need a new debate over the use of Net Wealth Taxes (NWT), Inheritance taxes, Taxes on property, capital gains and excises on luxury products. That debate has to recognise that many of the traditional arguments against these taxes - too difficult to administer, too hard to track wealth, low yields, and high administrations cost - are no longer valid in today's transparent environment and with the advent of AI, ML, Blockchain and other new technologies which enable governments to collect, store and analysis large data basis

THE ROLE OF THE UNTC

This is another backdrop to our discussion: will the UN be able to create a new intergovernmental group that can challenge the OECD dominance? The jury is out!

Africa played a key role in getting the UN resolution passed. But many challenges ahead: Can the UN get the resources to implement the program? Will it be able to show countries - both developed and developing - that it can operate effectively? Will its agenda be set by emerging rather than developing countries? The next 6 months will be crucial and CSO can play a key role.

CONCLUSION

Throughout the debate on these issues, we need to develop a common understanding of what are the issues and what are the priorities for African countries, and which standards will work in an African context. This debate has to be led by African governments, not aid agencies or

international organisations. It has to be inclusive (government, CSO, business, and regional organisations) and transparent.

Hopefully, this summer school will help you to contribute to this debate and we will be able to create an informal network that you will be able to draw upon.

Thank you and happy to take a few questions.