WORLD BANK MUST ADOPT COHERENT POLICIES TO HELP LICs COLLECT TAX

Ministerial Meeting of Low-Income Francophone Countries
Washington, 6 October 2016

Finance ministers of low-income Francophone countries met in Washington on 6 October 2016, to discuss financing for development with other Francophone countries. The meeting was chaired by Mr. Abdoul Aziz TALL, Minister in the Presidency for the Plan Senegal Emergent, and co-chaired by Mr. François Maurice Gervais RAKOTOARIMANANA, Minister of Finance and Budget of Madagascar; and Mr. Ousmane Alamine MEY, Minister of Finance of Cameroon.

Ministers took stock of two years of work among francophone countries to analyse how to finance their development. From this they have concluded that their national tax revenues and concessional and innovative financing are the main financing sources for the SDGs, their own national development strategies, and fighting climate change. These sources are also essential to avoid excessive recourse to other financing which could lead to unsustainable debt. They make a series of recommendations to mobilise this financing.

1) PUBLIC FINANCE MUST BE CENTRAL

To achieve the SDGs, even with a major contribution from the private sector, governments will need to increase their public investments by US$1.5 trillion a year, compared to the MDGs. At least US$250 billion a year will be needed for climate change adaptation and mitigation. Public finance is central because it reaches the poorest countries and poorest citizens, and tackles directly the causes of poverty and inequality, as well as providing the human and physical capital essential for sustainable development.

During the last two years, some countries have announced major rises in public financing for development – including ODA and concessional South-South cooperation. However, in spite of renewed (though limited) GDP growth, many other countries' concessional financing budgets are stagnating, falling or being diverted to new priorities such as refugee support or security. Concessional finance will need to double by 2025 if we are to reach the SDGs, and ***all providers must make rapid progress towards this goal.***

2) THE GLOBAL TAX SYSTEM MUST BE REFORMED

Ministers emphasised that they are already funding 80% of their development from their own tax revenues, and have increased their revenue/GDP by 6% in the last 15 years. They renewed their commitment to mobilise more revenue, by renegotiating contracts with large (especially mining) companies, reducing tax exemptions, and fighting more effectively against tax avoidance and evasion by companies and individuals. However, Ministers emphasised that they cannot achieve a dramatic increase in tax collection without fundamental changes in global tax rules.

In particular, the ***World Bank*** must:

- eliminate from Doing Business, the sub-criterion which gives higher scores for lower corporate taxes, and puts pressure on governments to "race to the bottom".
- end all requests for tax exemptions or holidays on the highly profitable projects funded by the IFC, so that its projects pay fair taxes in LICs.

As providers of technical assistance, the ***IMF and World Bank*** must also scale up dramatically their assistance for making tax systems more progressive, renegotiating contracts with extractives enterprises, reducing exemptions and fighting illicit flows.

Beyond the BWIs, they recommend the following extra commitments:

- by all OECD countries, to revise their ***tax and investment treaties***, so as to encourage payment of taxes in the "source countries" of profits.
- by ***aid providers***, to renounce tax exemptions on non-humanitarian aid
- by the G20, to pursue its efforts to ***eliminate bank secrecy*** and to provide information unilaterally to LICs on tax declarations and bank deposits.

Ministers also welcomed the decision by the Chinese G20 presidency to keep global tax reforms at the centre of international economic discussions. They encourage the forthcoming German presidency to continue this focus, while underlining that they would also like these discussions to occur in a more universal forum such as the United Nations. Pending this reform, they urge the G20, IMF, OECD, World Bank and UN to ensure that all discussions on global tax policy provide full equal decision-making power for LICs.

3) INNOVATIVE FINANCE MUST FIGHT CLIMATE CHANGE

In a context of limited aid flows, Ministers emphasised the need to mobilise large amounts of additional innovative financing at the global level. They encourage the forthcoming German presidency of the G20 to place special emphasis on climate financing, especially concessional financing for adaptation in low-income and lower-middle income countries, via global levies on financial transactions, carbon and bunker fuels.

4) DEBTS MUST BE KEPT SUSTAINABLE

Ministers emphasised that without all these measures, they will be increasingly pushed to fund their development from more expensive sources, such as bonds, non-concessional loans and public-private partnerships. In this context, they reiterated their previous commitments to adopting strong national debt management strategies, and their suggestions to the international community to take strong action to prevent future debt crises, and to resolve them rapidly when they occur, notably:

- Ensuring the ***Low Income Countries Debt Sustainability Framework (LIC-DSF)*** review helps identify how to finance the SDGs while keeping debt sustainable.
- To set ***targets in SDG Goal 17*** to avoid high risk of debt distress for all countries.
- To pass ***national laws to prevent lawsuits*** by holdout creditors and vulture funds.
- To support the discussions in the United Nations to create a ***debt relief process*** that is faster, broader, more transparent and impartial.