

27 TH SESSION OF THE INTERGOVERNMENTAL WORKING GROUP ON THE RIGHT TO DEVELOPMENT (21 MAY 2026, PDN-TEMPUS)

Panel: Tax-related illicit financial flows and the right to development

Excellencies, Ladies and Gentlemen,

The South Centre, an intergovernmental think tank of developing countries with 55 Member States from Asia, Africa, Latin America and the Caribbean, is pleased to share its views on the important issue of how to better address tax-related IFFs which significantly impede the Right to Development.

The UN Framework Convention on International Tax Cooperation (UNFCITC) provides a historic opportunity for both developing and developed countries to take action against tax-related IFFs. The South Centre is supporting its [Member States](#) and other developing countries to ensure that the UN Tax Convention reflects the following:

First, that the [definition of tax-related IFFs include tax avoidance](#). The present title of Article 7 of the UNFCITC gives the impression that “TIFFs, tax avoidance and tax evasion” are three separate categories. This can cause confusion and harm the fight against IFFs. Making it clear that TIFFs includes tax avoidance can end the debate that tax avoidance is “legal”, affect judicial interpretation around the world and prove a powerful tool to discourage aggressive tax planning. The recent *Tiger Global* Judgement in India involving the taxation of capital gains via the acquisition of the e-commerce company Flipkart by Walmart is an example of how national judicial interpretation is affected by the technical content of international tax standards, which can be used to counter aggressive tax planning schemes.

Second, that there is regular monitoring of IFFs so that progress can be tracked with the goal of eventually bringing it down to zero. What gets measured, gets done. We note with concern that more than 10 years later, there is still no global data available on SDG indicator 16.4. This lack of data hampers the fight against IFFs. The UNFCITC provides an opportunity to build a new and more effective system that is capable of actually producing this data in a timely manner.

Third, that the countries of origin of the IFFs are able to tax the profits that were shifted out. This can be clearly reflected in the text of Article 7 of the UNFCITC.

Fourth, that there is effective exchange of information to take action against TIFFs. The UNFCITC’s Articles on Harmful Tax Practices, Mutual Administrative Assistance and Exchange of Information all require improvement to ensure that developing countries are able to effectively receive information without facing the barriers that they do under the existing system.

This is particularly true for Country by Country Reporting, which provides data on how much tax MNEs pay in each jurisdiction where they operate, and thus is a powerful deterrent against tax avoidance. However, after more than 10 years of implementation, only 30 developing countries are able to access this data due to the stringent barriers put in place under existing standards.

For these reasons the South Centre is supporting its Members for including pCBCR into the UNFCITC. We welcome the demand made by the African Group to specifically include pCBCR in the Article on Mutual Administrative Assistance.

The South Centre had also pushed for the inclusion of public Country by Country Reporting into FFD4's Outcome Document, the *Compromiso de Seville*, which was [eventually included under para 28](#) as a commitment to evaluate the creation of a central public database for country-by-country reports. The South Centre, in partnership with the Addis Tax Initiative, is now actively working on producing a detailed study to examine what this public database can practically look like and we aim to finish it before the end of this year.

PCBCR is also welcomed by investors because it helps them assess whether the companies they want to invest in are potential tax avoiders who may be caught later, affecting their profit margins and thus the investors' returns.

Public Country by Country Reporting will also provide the data that is essential to implement formulaic apportionment methods and move away from the Arm's Length Principle, which today has become a key channel of tax avoidance. Formulaic apportionment methods such as fractional or formulary apportionment can be easier to implement for both taxpayers and tax administrations and provide improved tax certainty and reduced compliance costs, enhancing cross-border trade and investment. pCBCR is thus a public good that has multiple benefits. We reiterate that developing countries can immediately introduce public CBCR at the national or regional level, as was done by the EU and Australia, and this can act as a significant deterrent to tax avoidance and profit shifting. We remain available to provide any policy advisory or technical assistance to our Member States in this regard.

Fifth, the UNFCITC's second early Protocol on Dispute Prevention and Resolution holds significant potential for undertaking concrete and coordinated action against TIFFs. In particular, simultaneous examinations, joint audits and multilateral risk assessments can be powerful tools through which developing countries can jointly take action against tax avoiding MNEs, reducing the power asymmetry that exists. In this regard the South Centre is pleased to share that we have initiated what is perhaps the [developing world's first simultaneous audit, via a pilot for two of our Member States, Liberia and Sierra Leone](#). The results of this pilot hold significant implications and if successful can be upscaled to other South Centre Member States.

Sixth and last, the above features of the UNFCITC can only be effectively implemented if there are strong governance provisions. Of central importance in this regard is the structure of the Conference of Parties, contained in Article 16. The [COP of the UNFCITC must contain three core elements](#):

- 1) High Level Representation: The COSP should ideally consist of Finance Ministers as the ultimate decision-makers. The items for decision can be prepared by technical subsidiary bodies.
- 2) Wide-Ranging Powers: The COSP should be able to take any decisions it deems fit to achieve the objectives of the UNFCITC. Similarly, it should be able to enforce these decisions through a range of tools, with Protocols being just one of them. Other examples could be guidelines, recommendations, model legislation, toolkits, handbooks, manuals, etc. The COSP should also be able to choose whether these tools are on the legally binding or advisory nature of the spectrum, depending on the nature of the problem to be solved.
- 3) c) Democratic Decision-Making: Non-negotiable is that the COSP makes decisions democratically, by majority voting.

The South Centre will continue to support its Member States and other developing countries to ensure these demands are reflected in the UNFCITC, so that TIFFs can be reduced and eventually stopped and developing countries have the revenues they need to exercise the Right to Development.

I thank you.