



CONVENTION OF INDEPENDENT  
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with the Economic and Social Council of the United Nations

**CIFA Update report on the United Nations' SDGs, on International Tax Cooperation and on  
Finance for development (FfD) for the period 2018-2019**

**F. LORIOT**

**International Legal Advisor**

Since our December 2015 *Trusting No 8* report outlining the ambitious context which surrounded the *Post-2015 Development Agenda*, and its 17 new UN *Sustainable Development Goals* (SDG) we have participated, on behalf of CIFA, to various follow up conferences of major interest for international investors. Basically, the 17 new SDGs were aiming to replace the earlier 8 *Millennium Development Goals* adopted by the UN Member-states in 2000. The price tag of these 17 new SDGs, together with the *Paris Agreement on Climate change*, were estimated by the World Bank to cost between \$4 trillion US dollars yearly until 2030 up to \$5tn to \$7tn yearly according to other UN agencies.

Members of the UN *Group of 77* (China + 134 developing countries) then expressed their scepticism on these new SDG promises by developed countries which could remain hollow unless major changes would occur in their ODA commitments, in international trade, in debt relief as well as in private investments, including international tax cooperation.

During the July 2015 preparatory conference in Addis Ababa, the draft SDGs were therefore negotiated in parallel with new financing measures for development (FfD) with a last minute compromise (*Addis Ababa Action Agenda*) to overhaul the international taxation system in order to encourage trade and investments in LDCs together with a better share for them of the international taxation pie. It was also agreed to reform the select *UN Tax Experts Committee* into a new larger 25-member body where representation would be extended to include developed and developing countries. This *Addis Ababa Action Agenda* compromise and the new UN Development Agenda consensus, including the SDGs, were approved on 25 September 2015 by the UN 193 member-States, albeit without any specific financial commitments by them. The *Paris Agreement on Climate Change* was also agreed by multilateral consensus and

signed by 193 signatories on 12 December 2015, coming into force on 4 November 2016 with now 55 accessing countries, but with little enforcement mechanisms.

It is in such a context that the United Nations has been striving since 2017 to move forward on its *2030 Development Agenda*, including the 17 *SDGs* and the *Paris Agreement on climate change*, holding since then various conferences, meetings and summits at the highest levels. Some of these exchanges were of great importance for international investors as reported below. Of particular interest in 2018-2019 were the ***UN Forum on Finance for Development*** (FfD) and the ***International Tax Cooperation*** meetings convened by the ECOSOC and held in close cooperation with the World Bank, the International Monetary Fund, the UNCTAD and other major international agencies. During the 2018-2019 period we also met with UNDESA senior officials to discuss and encourage closer partnerships measures between the United Nations and world investors for its *Addis Ababa Action Agenda*, including the 17 new *SDGs* (see SG report to the UN General Assembly of 15 August 2018: A/73/326).

Our report will outline for investors some recent progress achieved by the international community on the above topics related to the *UN 2030 Development Agenda* as well as some outstanding obstacles to its implementation.

#### **Partnership with international investors.**

Following CIFA's representations since 2007 at the United Nations and its more recent discussions with UNDESA officials, it appears that the UN Secretary-General has endorsed the concept of an *Alliance of Global Investors for Sustainable Development*. This decision was announced during his opening speech at the recent April 2019 Forum on *SDGs*, albeit without any details on the *Alliance's* composition, mandate and linkages with other existing bodies (such as UNGC). International investors are therefore eager to read the SG proposal expected in September 2019, together with his forthcoming *Road Map for the SDG Implementation by 2030*.

#### **Weakening Multilateralism.**

As explained above, the *Addis Ababa Action Agenda* of 15 July 2015 was the result of a very difficult consensus reached between the most developed countries together with the *Group of 77 and China*. The multilateral consensus target of 0,7 for ODA (official development assistance) was already a major concern in the *Addis Ababa Action Agenda* (para 51) where it was noted that too many countries were already "*falling short*" of the

0,7% of ODA/GNI and most LDCs were experimenting much less than their 0,15% of ODA/GNI. In July 2015 at the Addis conference the European Union even promised to achieve these ODA targets within just a few years. But unfortunately the 2015 goodwill by member-States has failed to meet such expectations in 2019. The official 10 April 2019 release by ECOSOC on the 2018 data for ODA disclosed that global ODA and aid for least developed countries had fallen by 2.7% in 2018 in real terms and even by 4% in Africa. In 2018, only 5 donors from the EU had met or exceeded the 0,7 target. Total humanitarian aid had dropped by 8%, the first annual decline since 2012. The US Administration's support for the *Addis Ababa Action Agenda* and multilateralism also seriously suffered from the election of president Trump in November 2016. On 4 August 2017 the US administration notified the United Nations that it would withdraw from the *Paris Agreement on Climate Change* next November 2020 and that it would not commit any further resources to it. At the end of the 16 April 2019 ECOSOC/FfD meeting in New York, the US representative went so far as to remind other member-States that the FfD documents were "***not binding and does not create rights or obligations under international law***". The USA have also expressed their reservations on the FfD's Closing Statement (para 16) regarding the *ODA* and its *concessional character*. As a priority, UN member-States will therefore have to address and reconsider their traditional multilateral approach and agreements based solely on consensus; they will have to decide how far they can move ahead in the future in the absence of key member-States, such as the USA. For the time being, many believe that the absence of the US Administration in the United Nations' consensus is casting serious doubts and will jeopardize the effectiveness of both the *SDGs* and of the *Paris Agreement on Climate Change*. As observed below, the current position of the US expressed at the April 2019 SDG Forum is that the whole context prevailing in Addis Ababa in 2015 is now obsolete. International investors will therefore remain cautious before committing their clients' funds on risky ventures which are still deprived of a full international endorsement.

### **World Trade.**

A major tenet of the 2016 *Addis Ababa Action Agenda* was to help developing countries through a worldwide expansion of trade. However, for 2019, the UN with the World Bank and IMF indicators suggested that "***global economic growth has now peaked, that trade growth have slowed, downside risks to growth forecasts remain high and surveys show an overall weakening in business and consumer confidence***" (FfD 2019 Report, page 2). This economic slowdown in world trade is compounded by an increase in protectionist/isolationist measures thus defeating the prospect, in the short term, that trade will actively support SDG implementation. This trade slowdown was also

confirmed by the European Union and many other countries, including by the US representative who pointed at the end of the FfD Forum that “***trade-related language in the FfD outcome document has been overtaken by events since July 2015 and is immaterial***”. This was in direct reference to the US change of trade policies after its 2016 elections and its ongoing trade negotiations with major business partners such as China, Europe, Canada; Mexico, etc. With such uncertain outcome on these trade negotiations and with the surge of protectionism and populism, the world economic future is at a crossroad with risks of a major crisis. Consequently, the *Addis Ababa Action Agenda* will have to be seriously readjusted in line with oncoming trade developments and negotiations.

### **International Tax Cooperation.**

International Tax Cooperation was also one of the key tenets for the consensus achieved on the 2015 *Addis Ababa Action Agenda* and for the new 17 *SDGs*. It was agreed that a totally new UN Tax Committee would be constituted with participation extended to developing countries. This new UN Tax Cooperation Committee held its first meetings with a new expanded membership in May 2018 and April 2019. The extent of its mandate is wide and the backlog of issues overwhelming, such as

- avoidance of double taxation,
- tax rate competition between countries
- illicit transfer of profits,
- profit shifting and base erosion
- tax evasion and tax heavens,
- impact of digital commerce on taxation,
- social impact of carbon taxation,
- universal alignment of taxation systems,
- IMF/OECD taxation standards proposals,
- sharing the tax pie between countries,
- lowering corporate taxation to increase productivity,
- G-24 fractioning of withholding taxation on digital business,
- tax training, etc....

A genuine global consensus now emerges to address the current tax discrepancies between countries without which the trade growth and global economy could be under serious threat. Indeed, it is believed that reaching a consensus on all these tax matters could foster growth and help reduce poverty, but a major difference of views still

prevails between the 134 countries of the Group of 77 and the industrialized countries represented by OECD.

More importantly, is the total absence of the US Administration in the deliberations of this new UN Committee on International Tax Cooperation, despite the facts that the US economy represents more than 50% of all taxable trade benefits worldwide. At the April 2019 closure of the FfD Forum the US Administration expressed its reservations on the Forum's final statements concerning *illicit financial flows* (IFF) and the USA also insisted that such matter should be dealt by the UNCAC (*UN Convention against corruption*), rather than by the FfD/ECOSOC venue. (It will be noted that this UNCAC convention has not yet found a consensus on a common definition of *corruption* and it is doubtful that *illicit financial flows* can be fully monitored in such a context). This US absence and all its reservations create great uncertainty for international investors, being unable to decipher what directions the future cooperation and digital taxation systems will actually take.

In its first meetings of 2018 and also in 2019, in spite of the current world economic slowdown and trade wars, the Tax Cooperation Committee's emphasis appeared more focused on increasing tax revenues, rather than devising new approaches to increase productivity and wealth. The Secretary-General's own opening speech on 15 April 2019 at the FfD Forum insisted on an increase of taxation in order to achieve the SDGs, rather than addressing the looming trade and economic slowdown as well as the decrease in world industrial productivity. Will this tax increase reasoning attract world investors to the SDGs ? Will such tax increases be endorsed by the future *Alliance of International Investors* to be created in September 2019 ? There is an urgent need to synchronize more closely the SDGs with the macroeconomic reality of this decade, and to ensure the *inclusion* and active participation of all the major economic powers in the solutions leading to the implementation of the United Nations' *2030 Development Agenda*. The international investors are anxious to participate actively to the *UN Agenda* provided an international consensus is truly achieved to protect the small savings of millions of small and big investors.

This interim report covered only 12 months and should hopefully be able to find some answers to the above questions during the next September 2019 UN General Assembly, where the *SDG Road Map* and the *Global Alliance of Investors for Sustainable Development* will be clarified by the UN Secretary-General.

In addition, the United Nations will use its convening power for 3 MAJOR SUMMITS of interest for investors, which will also take place in New York in September 2019:

- HLPF AND General Assembly will be held on 24 and 25 SEPTEMBER – It will be referred to as the SDG SUMMIT

- CLIMATE SUMMIT (With an update on the *Paris Agreement* implementation)

- HIGH LEVEL DIALOGUE ON FINANCING FOR DEVELOPMENT

These events will be mutually reinforcing in identifying areas of action to accelerate the progress towards sustainable development worldwide.

At the outset of these summits, it is expected that a POLITICAL DECLARATION BY MEMBER-STATES will be adopted to provide political guidance on how to accelerate the implementation of the 2030 Agenda and of the SDGs. It will then be important to observe to what extent the traditional multilateralism and consensus will prevail, or whether some member-States will express major reservations thereon.

CIFA will be closely watching these UN developments and decisions, and it will report to you their outcome for further action.

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**Reference to some documents of special interest:**

- US Mission to the United Nations: *Explanation of position at the ECOSOC Forum on Financing for Development Follow Up*, 16 April 2019 by Courtney Nemroff, 3 pages, US Govt website`;

- SG report to the UN General Assembly of 15 August 2018: doc. A/73/326 : *Reinforcing cooperation between the United Nations and other interested partners, in particular from the private sector*, 22 pages, NY;

-Interagency Task Force on FfD: *2019 Financing for Sustainable Development Report*, 177 pages, New York, UN Press.