



Inaugural Address Delivered during the Conference on South-South Cooperation in International Tax Matters by H.E. Dr. Abdallah S. Possi, Ambassador and Permanent Representative of the United Republic of Tanzania to the United Nations Office and other International Organizations in Geneva and the Current Chair of G77 and China, Geneva Chapter

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Executive Director of the South Centre, Dr. Carlos Correa,
Executive Director of the Global Alliance for Tax Justice, Dr. Dereje Alemayehu,
Excellencies and Distinguished Participants,

1. I feel honoured to deliver this inaugural address at this conference on South-South Cooperation in Tax Matters. As I have only a month and a couple of days since my arrival in Geneva, this is also an opportunity to get to know new colleagues. I should also admit that as a Tanzanian, I feel that the centre is somewhat special to me, because of the work of Mwalimu Julius Kambarage Nyerere, the former President of the United Republic of Tanzania, who was also the first Chairman of the South Centre.

Excellencies,

2. Mobilisation of domestic revenues in developing countries have been gaining increasing prominence in the policy debate. Several factors explain this, including the potential benefits of taxation for state building; independence from foreign aid; the fiscal effects of trade liberalisation; the financial and debt crises in the “West”; and the acute financial needs of developing countries, just to mention some. However, Governments in developing countries face great challenges in mobilising tax revenues, which result in a gap between what they

could collect and what they actually collect. Among the challenges faced by developing countries in matters related to taxation include, for example:

- (a) tax avoidance by foreign investors and tax evasion by domestic actors;
 - (b) unfair tax competition systems which incorporate harmful tax rules used by tax havens that enable tax avoidance and evasion.
 - (c) International tax systems which place disproportionate restrictions on capital-importing countries' ability to tax foreign investors.
3. The above challenges have existed long before the current global trends where by a couple of clicks on a computer or a smart device, funds could move across countries and continents, and so are products and services, in physical or digital form. While digital technology is there for all - theoretically though I suppose, the reality is, developing countries appear not to be equal beneficiaries of these modern trends, and this is reflected in disproportionate small amount of their tax revenue from digital products and services.
4. It should not therefore be a surprise that in local and international discussions on tax related matters, the term "tax justice" is gaining popularity. Generally, it could be argued that a just tax system should be designed to generate sufficient public revenue, while ensuring that this revenue is fairly redistributed and focused on rebalancing inequalities. However, if developing countries are to be successful in rebalancing inequalities through fair distribution of public revenue, it is important to address deficiencies which hinder more effective and just regime of international taxation. I believe this is the path that this Conference seeks to direct us. It is a noble course as 'tax justice' has become a growing strand of development debate and practice.

Excellencies,

5. South-South Cooperation in International Tax Matters is a noble course because for several years, there hasn't been a multilateral platform for international tax policy discussions. The OECD and UN Tax Committee both are lacking an important multilateral component of inclusivity.

6. Most of developing countries have been participating in the global tax policy discussions basically by responding to the invitations and agenda proposed some multilateral institutions or countries, and thus their outcomes are more inclined to the needs of proponents. Moreover, both OECD and UN Tax Committee, have not yet taken into account the contemporary tax framework, especially in incorporating rules or guidance related to digital economy taxation.
7. Developing countries are facing the need for more revenues to deploy in 2030 Development Agenda related investments. The latest estimates by UNCTAD show the figures have almost doubled from USD 2.5 trillion per year to USD 4 trillion needed to achieve the SDGs by 2030. In many occasions, developing countries have been called for to intensify domestic resource mobilization for SDGs and taxes one of the main sources of these finances, as recognized in the Addis Ababa Action Agenda.
8. Digital products and services have a great potential to increase revenues in developing countries. However, as I have already mentioned, with the current international tax system or rules, digital economy generates little revenues for developing countries. For example, as per the assessment carried out by the South Centre¹ from its 54 Member States, the digital sector will generate only a maximum of USD 5.5 billion using the proposed OECD solution against a maximum of USD 11.4 billion using UN solution stipulated under article 12B of the UN Model Tax Convention.
9. In order to address the current challenges, developing countries, led by the African Group at the UN in New York, steered through a historic resolution² in the UN General Assembly titled, *Promotion of Inclusive and Effective International Tax Cooperation* at the United Nations as adopted 30th December 2022.

¹ https://www.southcentre.int/wp-content/uploads/2022/06/RP156_A-Tough-Call_EN_REV2.pdf

² General Assembly Resolution on "Promotion of Inclusive and Effective Tax Cooperation at the United Nations" (A/RES/77/244)

10. The group of 77 and China in New York, strongly supported from the inception, negotiations and adoption of the resolution. Subsequently, the African Group in the UN at New York, led an intergovernmental negotiation of a resolution, calling for commencement of negotiation of a UN Framework Convention on International Tax Cooperation. The G77 and China also strongly supported throughout its negotiations and last week on 22 November 2023, developing countries acted together joined by other supporters won by vote at the General Assembly, a truly historical event.
11. The envisaged UN Tax Cooperation Framework Convention, will not replace existing tax rules but rather complement and where necessary amend certain rules to become more inclusive and equitable, reflective of the broader interests of member states. As stated by the African Union after adoption of the resolution, for the first time in history, all developing countries will participate in agenda-setting and the development of norms of international tax cooperation. This would create rules more beneficial for all countries, both developed and developing.
12. The new framework should delve into exploring new avenues of tax cooperation for purposes of increasing financial resources for developing countries to be able to address inequalities, invest more in sectors like education, health and agriculture, which are critical to achieve the SDGs.
13. As I conclude, I would like to underscore two things:

First, is the importance of this conference in developing a common understanding to developing countries on tax matters, especially on emerging new avenues such as digital products and services taxation, a critical area for countries to increase domestic resources mobilization for financing for development.

Second, is just a reminder for the ever-increasing importance of strengthening South-South cooperation. In the world where stronger economies are striving to stay united, we from the developing countries must know that our survival is enshrined in our unity.

I thank you all for your attention.