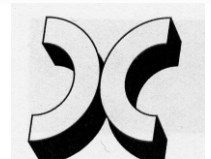




european network on debt & development



Tuesday, November 3rd 2009

The Honourable James Flaherty
Minister of Finance
Department of Finance
140 O'Connor Street
Ottawa, ON K1A 0G5

Dear Finance Minister,

Re: **Making it easier for developing countries to secure the benefits of a new cooperative tax environment**

In the run-up to the G20 Finance Ministers' meeting in St Andrews, civil society organisations from around the world are writing with regard to the G20 Heads of States' commitment at the London Summit in April to 'develop proposals by end 2009 to make it easier for developing countries to secure the benefits of a new cooperative tax environment.'

In November 2008 at the United Nations' Financing for Development review conference, the world's governments agreed that "capital flight, where it occurs, is a major hindrance to the mobilization of domestic resources for development." A commitment was made to "strengthen national and multilateral efforts to address the various factors that contribute to it."

We civil society organisations believe that tax is the most sustainable and key source of development finance. Yet developing countries lose an estimated US\$160bn each year in tax revenue as a result of tax evasion by multinational companies¹. This money, if invested according to current spending patterns, could save the lives of 350,000 children under the age of 5 each year.

¹ Estimates from Christian Aid, 2009.

While the G20 has made significant progress in breaking tax haven secrecy, the proposed reforms in their current form are unlikely to meet that commitment to truly benefit developing countries. Criteria used by the Organization for Economic Co-operation and Development in order to build its black, grey and white lists are based on bilateral agreements and on *by request* information exchange models. These remain largely inadequate for developing countries, which will hardly benefit from bilateral agreements and will face huge obstacles to effective use of the *by request* model of information exchange. If we are to put an end to the era of banking secrecy, as claimed by G20 leaders in London in April, bolder and more comprehensive measures need to be taken urgently.

The OECD Forum on Tax Administration in September considered a number of proposals specifically aimed at developing countries, but none were comprehensive enough to address this problem fully. We are therefore calling on you to:

1. Support a truly multilateral agreement for automatic exchange of information between jurisdictions, including the disclosure of beneficial ownership of assets and trusts. At the very least, a robust review mechanism must be put in place to evaluate the extent to which developing countries have been able to benefit from progress on information exchange.
2. Support an international accounting standard requiring multinational companies to report profits on a country-by-country basis. The OECD is currently investigating this proposal. We urge all G20 members to take an interest in this investigation and to use the St Andrews' summit to request a formal report from the OECD to the G20.

Both measures aim effectively to combat tax evasion and, therefore, should be incorporated in regional and bilateral investment agreements with developing countries.

It is our belief that these measures would provide developing countries with the information they need to pursue those who evade and avoid tax and would ensure that the G20's commitment to developing countries is honoured. We urge you to advocate this position both in the G20 negotiations and in public.

Yours sincerely,

International and regional:

Nuria Molina, Director, Eurodad

Ramesh Singh, International Chief Executive, ActionAid

Daleep Mukarji, Director, Christian Aid

Bernd Nilles, Secretary-General, Cidse

Raymond Baker, Director, Global Financial Integrity

Jean Merckaert, Coordinator, La Plate-Forme Paradis fiscaux et judiciaires

Rómulo Torres, Coordinator, Latindadd

Jeremy Hobbs, International Director, Oxfam International

John Christensen, Director, International Secretariat, Tax Justice Network

Canadian :

Bill Morton, Chair, Halifax Initiative Coalition

Robert Fox, Executive Director, Oxfam Canada

Rita Morbia, Executive Director, Inter Pares

Dennis Howlett, Coordinator, Make Poverty History Canada

Michael Casey, Executive Director, Canadian Catholic Organization for Development and Peace