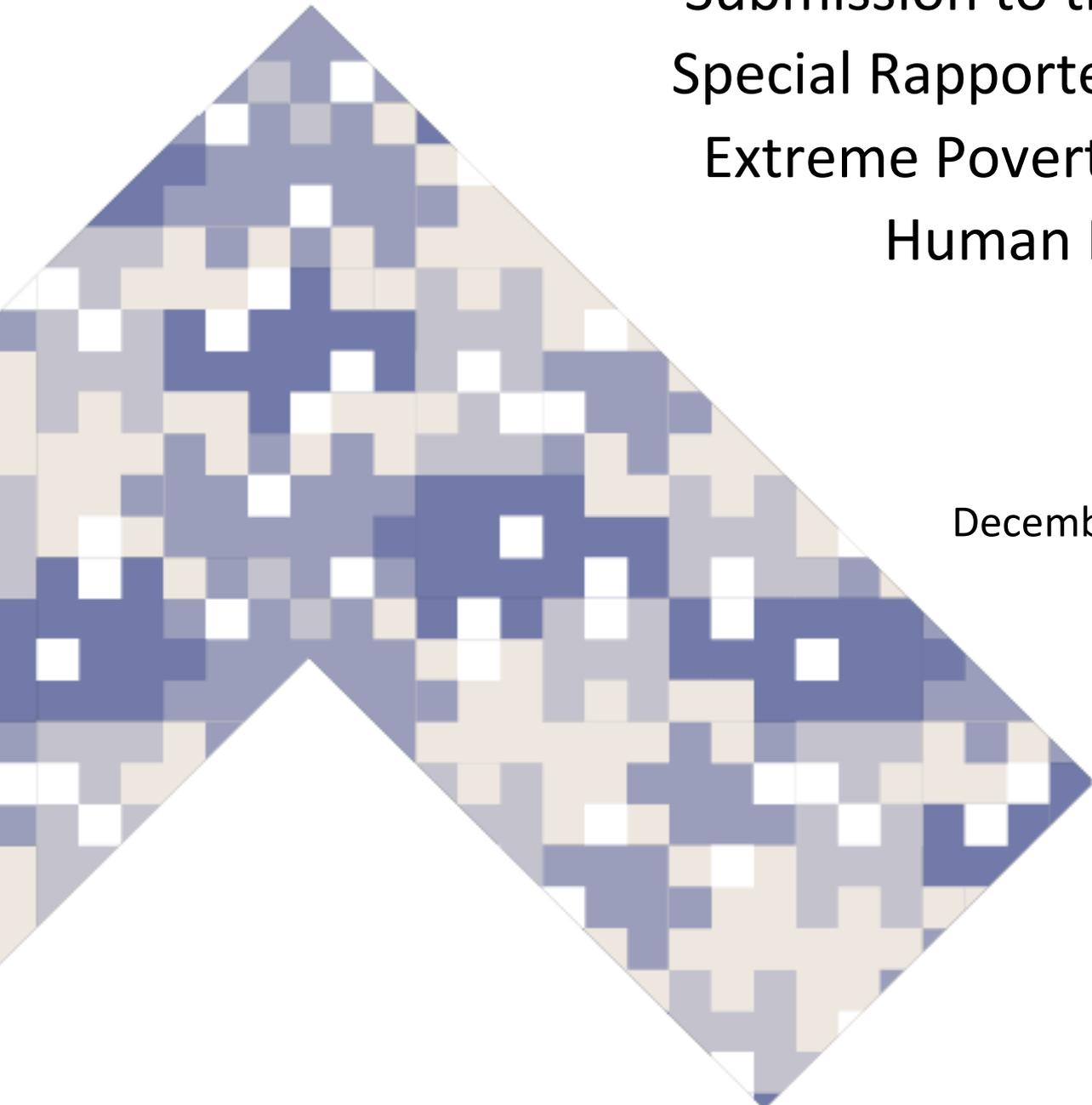




Global Fund for Social Protection

Submission to the UN
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Extreme Poverty and
Human Rights



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Introduction

Almost every country across the globe has been impacted by the COVID 19 pandemic.ⁱ As the year progressed it exposed the fragility and inadequacy of many countries' public service systems and social protections. Large and small economies alike were decimated, jobs vanished, and lives lost.

Government authorities which fared better in protecting their citizens have predictably been those that ensured consistent and long-term investment in public services and which were more resilient in the face of the severe social and economic impacts of the virus. Others took political decisions to [provide social protection](#)ⁱⁱ during the implementation of lockdown measures. Many other countries have struggled to meet the demands of protecting their citizens from the severest impacts of the pandemic, while some have even limited social protections through [constitutional reforms](#).ⁱⁱⁱ

Social protection, which has proved inadequate for citizens in many countries, is central to a genuine attempt to 'build back better'. This is reflected in the recognition that social protections are needed both to respond to crisis scenarios and also to bolster long-term resilience and provide a social and economic foundation for all citizens.

The extremes of [inequality](#)^{iv} which have become so apparent in the last decade underline the need to extend social protection capacity and to generate domestic resources to this end. Progressive tax systems, as one of the most sustainable sources of revenue, has a pivotal role to play in underpinning social protection initiatives.

Added Value of a Global Fund for Social Protection

The International Covenant on Economic, Social and Cultural Rights (ICESCR) Article 9 obliges signatories to the Covenant to recognise the 'right of everyone to social security, including social insurance'.^v Governments are required to provide protection from poverty and access to rights-based provisions, especially for the most marginalised and vulnerable people. Social protection provides this through a range of domestic policy initiatives, including public services and infrastructure, but also through cash transfers and welfare benefits and entitlements.

A global fund for social protection (GFSP) can provide a targeted and critical 'safety net' and potential intergovernmental cooperation in the absence of adequate level of capacity or governance at the domestic level for the provision of social protections. It also brings the opportunity for a multilateral commitment to support citizens within countries and recognise State's cross border obligations. A GFSP, in addition to supporting crisis responses, could seek to ameliorate the worst impacts of regimes which were 'unable' to provide inclusive social protection coverage.

While a GFSP might gain near universal political support, voluntary commitments may be hard to regulate. In particular, regimes that [set fiscal policies incompatible with](#) meeting the needs of their most vulnerable and marginalised citizens, and which prioritise the interests of high net worth individuals and multinational companies, may have little political interest to meet commitments as required.^{vi}

Domestic Financing for Social Protection

The SDGs, adopted by 193 countries, offer a pathway to key aspects of social protection. Currently there is a significant finance gap to ensure achievement of the Sustainable Development Goals, however. The *Financing for Sustainable Development Report 2019* notes “SDG investments remain unfunded. Private investments in infrastructure of developing countries, at \$43 billion, are lower than they were in 2012. Least developed countries are facing large financing gaps.”^{vii}

Financing the delivery of the sustainable development goals and of the envisioned GFSP can be realised through progressive tax regimes and a reprogramming of the international tax rules. Indeed reprogramming the international tax regime, which is an urgent matter of international justice in itself, faces particular challenges. These challenges are political rather than technical. The need for an overhauled international tax architecture, that can deliver progressive tax reforms between countries and within countries is now accepted as mainstream. Aligned interests pressing for radical change and a ‘just transition’ must use the opportunities presented by the current context to build back better.^{viii}

How can the objective - capacity-building and improved international cooperation to strengthen the ability for LICs to mobilize domestic resources - be most effectively achieved?

The OECD mechanism designed to develop comprehensive tax policy reform has received significant criticism from civil society and others since the process was initiated by the G20 in 2013. Several years later and having embarked on phase two of reforms, [concerns remain](#)^{ix} that the process has not been inclusive, that its proposals will entrench inequalities and that implementation will face severe challenges. During this time of COVID recovery, the proposed [OECD ‘Blueprint’ for tax reforms](#)^x continues to draw criticism because of their technical complexity, their perceived high administrative burden and the continuing lack of transparency.

Central to progressive tax policy reforms is the ability for the reforms is to raise revenue equitably from those who can pay more. The tax justice movement’s ‘ABC’ financial transparency policy platform (automatic information exchange, public registers of beneficial owners, and public country by country reporting by multinational companies) is fundamental to the delivery of equitable reforms. It provides important building blocks between countries for fiscal reprogramming and transparency. This global approach can both increase capacity for social protection and generate opportunities to build back better and fairer. Crucially it supports Governments to meet human rights obligations and to address inequalities including substantive gender inequality.

Progressive tax reforms, including strengthening financial transparency laws, can also generate greater accountability. The reprogramming of tax systems must include transparent provision of data that is accessible to public observers, including CSOs, trade unions, the public and others. Like many other civil society organisations, the Tax Justice Network has witnessed the OECD’s failure to address the obstacles and challenges to creating greater tax transparency and accountability.

While the OECD proposals fall short of any real promise of progressive change, hopes for improving international cooperation in this regard may lie with the UN high level panel on



financial accountability, transparency and integrity (FACTI).^{xi} The FACTI panel, which has published an interim report and whose final report is due in February 2021, is working to identify key priorities to address fault lines in the international architecture. These gaps, which currently favour High Income Countries many of which OECD members, hinder progress towards curbing illicit financial flows (IFFs).

A main element of IFFs is international tax abuse (evasion and avoidance) by multinational companies and wealthy individuals. Tax Justice Network's recent report 'The State of Tax Justice 2020' documents the scale of this abuse.^{xii} It points to the damage done to human development and well-being, including impediments to strengthening social protection at the domestic level, and recommends the creation of a UN Tax Convention as a vehicle for strengthening international cooperation.

Could the GFSP lead to improved international coordination against tax evasion and tax avoidance, including base erosion and profit shifting by transnational corporations?

The State of Tax Justice Report 2020 estimates that tax abuse by MNCs and wealthy individuals amounts to US \$427 billion each year. This conservative estimate of revenue foregone exposes a level of available resources that could and should support the right to social protection and the establishment of a Global Fund. This estimate that does not include indirect revenue losses from tax abuse through the so-called Race to the Bottom among national governments, would bring the overall figure to well in excess of US \$1 trillion. Other routes to generating much needed revenue may be considered by governments and intergovernmental institutions. One such is the Financial Transactions Tax.^{xiii} It is hard to conceive that this scale of resource would not be directed to contribute to a Global Fund to support immediate and long term needs of the most marginalised – black and minority people including women, indigenous people, and people with disabilities.

The scale of this tax abuse is analysed through a metric of public health impacts – 34,000,000 nurses average wages lost per year. This metric could equally be considered in terms of other social protections – cash transfers or welfare benefits foregone, for example. Equally concerning is that the worst offenders, in terms of governments facilitating tax abuse, are high income countries.^{xiv} This evidence strengthens arguments for greater international cooperation on progressive tax policy and international architecture.

The FACTI panel, in its forthcoming report, has the opportunity to propose the establishment of a truly inter-governmental tax convention. After years of austerity policies, there is a growing consensus that the international tax system is no longer fit for purpose.^{xv} Being mindful of the overwhelming evidence of pervasive profit shifting and tax abuse, the opportunity to support a UN tax convention should be seized. The mandate for a UN tax convention is clear: to 'ensure a global and genuinely representative forum to set consistent, multilateral standards for corporate taxation, for the necessary tax cooperation between governments, and to deliver comprehensive, multilateral tax transparency'.^{xvi}

Recommendations to help fill the social protection void



In addition to a UN Tax Convention, the Tax Justice Network supports two specific recommendations which would represent a reprogramming of tax regimes and which could underpin a GFSP. The proposals represent short- and long-term reforms. Both the Excess Profits Tax and a Wealth Tax could strengthen domestic revenue raising and curtail direct and indirect tax abuse.

Excess profits tax

An excess profits tax requires a unilateral approach based on companies' global profits, to cut through profit shifting abuses. As *the State of Tax Justice Report 2020* explains 'the identified excess profits at the global level would then be apportioned to countries as tax base, in line with their share of each multinational's employment and sales'. The Excess Profits Tax would target MNCs, for instance digital giants 'whose profits have soared while so many domestic businesses have been forced to a halt'.^{xvii}

Wealth tax

In December 2020 Argentina introduced a so-called 'millionaires' tax'.^{xviii} The idea of a wealth tax has rarely enjoyed broad political support, but the social and economic impact of COVID 19 has given the wealth tax new impetus. The Independent Commission for the Reform of International Corporate Taxation in its recently published report, emphasizes that the necessity of revenue raising and the longstanding call for wealth transparency could both be addressed through a public registry of wealth ownership.^{xix} ICRICT's report focuses on the United Kingdom, but the concept of a global asset register 'linking up registers of the beneficial owners of companies, trusts and other legal vehicles, with those for real estate and other major asset classes' is foundational to a reprogramming of international rules and intergovernmental cooperation that could underpin domestic social protection regimes and support a GFSP.

As the *State of Tax Justice 2020* report notes, excess profits taxes and wealth taxes 'will set the path to the longer-term tax justice measures needed to make sure that we do not recreate the gross inequalities that the pandemic has laid bare – and instead truly build back better'. (p.10). Moreover, the revenue raising, and redistributive capability of these tax measures will create opportunities to strengthen support for social protections both domestically and in an intergovernmental level.

Conclusion

The right to social protection is an unequivocal responsibility of States. The raising of revenue and redistribution are critical to adequate and targeted social protection. With increased momentum behind meaningful progressive tax reforms, there are new opportunities to catalyse tax proposals and principles into policy norms. It is important the UN is given a central role in the reprogramming of the global tax system. If effectively brought to fruition, such measures could provide the foundation for progressive revenue mobilisation and strong accountability both within and between countries which could in turn strengthen resilience both at times of crisis and for the long-term protection and wellbeing of the most marginalised.

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