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Oxfam at the St Petersburg G20: *G20 must act on tax dodging draining poor countries*

G20 countries represent some 90 per cent of global GDP, 80 per cent of world trade, and two thirds of the world population. However the G20 is also home to more than half of the world's poor people and inequality is increasing in many G20 countries.

Discussions at the St Petersburg summit will focus on eight "areas" aimed at mapping out a plan to spur global economic growth:

- Framework for strong, sustainable and balanced growth
- Jobs and employment
- International financial architecture reform
- Strengthening financial regulation
- Energy sustainability
- Development for all
- Enhancing multilateral trade
- Fighting corruption

The tone of the summit has been set by the G20 Finance Ministers meeting, held in late July in Moscow. Ministers outlined action plans according to three main goals: ways to increase long-term investments; combating tax evasion, and promoting growth in the world economy.

A key topic of the summit will be the economic slowdown affecting not only recession-scarred Europe and the underemployment-hit US, but also leading developing countries / BRICS, whose growth rates have slowed.

On tax, two initiatives will be discussed: The Organization for Economic Cooperation and Development's (OECD) proposals on an automatic information exchange between fiscal authorities, and joint policy to prevent tax evasion and the transfer of profits by legal methods through offshore zones. The fight against tax evasion is closely linked to the G20's anti-corruption plan, also on the summit agenda. The plan introduces measures to tackle money laundering and the proceeds of corrupt activity, and imposes restrictions on the movement of public officials found guilty of corruption.

In addition, the on-going reform of the international financial architecture and financial regulation will be discussed; relevant is the revision of IMF quotas in favor of developing countries that was approved by the G20 back in 2010. The reform process has since stalled.

The G20's Development Working Group are expected to launch their new multi-year action plan. There are five areas of focus proposed: Food; Financial inclusion; Infrastructure; Domestic Resource Mobilization; and Human Resource Development.

In 2009, G20 leaders made bold promises to tackle the crisis they called “the greatest challenge to the world economy in our generation.” They pledged financial support for the world’s poorest and most vulnerable, promised to tackle tax havens that were depriving governments of desperately needed revenues, and launched a framework for “Strong, Sustainable and Balanced Growth.”

What Oxfam wants from the G20

To confront the systemic problems that are stifling economic recovery and stalling sustainable and inclusive growth G20 must take urgent action to:

- Clamp down on tax dodging, improve tax transparency, and stem illicit financial flows draining developing country economies
- Invest in high-quality public health and education services. These are crucial safety nets for the poorest and those falling on hard times, as well as crucial investments in productivity.
- Concentrate on ensuring that growth is fair and boosts equality, so that its benefits reach people living in poverty. As a first step G20 countries should make inequality reduction a measure of progress alongside GDP growth.

Tax dodging

When individuals and companies evade their tax obligations, they deprive governments of desperately needed revenue needed for schools, hospitals and other vital public services. Tax havens compete to attract illicit financial flows, heightening inequality and poverty, corroding democracy, distorting markets, undermining regulation, curbing economic growth and promoting corruption and crime around the world.

Developing countries are losing billions every year that would provide a vital boost to their economies and could be spent on reducing poverty. Tax evasion, corruption, and crime cost the developing world \$858.8 billion in 2010, according to the Washington-based research organization Global Financial Integrity (GFI). This is nearly a trillion dollars that could have been used for investing in healthcare, education, and infrastructure¹.

For every aid dollar they receive, developing countries lose ten dollars via illicit financial outflows².

In 2009, the G20 agreed to take action against tax havens secrecy by negotiating new transparent tax cooperation agreements. In June this year, G20 finance ministers approved an ambitious plan by the OECD to clamp down on tax evasion by multinational corporates³. Oxfam is pushing for the G20 to ensure that poor countries have a seat at the table in all tax discussions, and that new tax agreements benefit all countries: not just the rich.

The G20 must now finish the job by adopting new rules that require tax havens to disclose information on money entering their jurisdiction. Multinational companies should also be required to improve tax compliance and report the taxes they pay in each country in which they operate.

Growth that works for people

Income inequality is on the rise across the G20⁴. The OECD cautions that without a comprehensive strategy for inclusive growth, gaps between rich and poor will widen⁵. But this trend is not inevitable: governments can and should act.

¹ <http://www.gfintegrity.org/content/view/592/70/>

² <http://www.gfintegrity.org/content/view/149/70/>

³ <http://www.oecd.org/ctp/BEPSActionPlan.pdf>

⁴ <http://www.oxfam.org/en/policy/left-behind-by-g20>

⁵ <http://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm>

G20 policies now need to concentrate on ensuring that growth is fair and boosts equality, so that its benefits reach people living in poverty. It can do this by taking action to clamp down on illicit financial flows, and prioritize investment in sectors like health and education. These are the policies that will deliver results on equitable, strong and balanced growth.

Oxfam policy experts at the Summit

Oxfam will have a team of policy experts at the St Petersburg summit, available for interview, comment and analysis in English, Russian, Spanish, French, German, Japanese and Italian.

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www.oxfam.org Oxfam is an international confederation of 17 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. We work directly with communities and we seek to influence the powerful to ensure that poor people can improve their lives and livelihoods and have a say in decisions that affect them.