

7 November 2025

To: Negotiators of the United Nations Framework Convention on International Tax Cooperation

Democratic and Participatory Localisation of Fiscal Governance for Sustainable Development

We write on behalf of communities and civil society actors in Kenya to highlight a critical gap in the current draft of the UN Tax Convention: the absence of mechanisms linking taxation to **economic democracy and accountable governance with Article 9 - sustainable development**.

According to the Terms of Reference for the United Nations Framework Convention on International Tax Cooperation from the General Assembly 2024, the Convention aims to establish:

“an inclusive, fair, transparent, efficient, equitable and effective international tax system for sustainable development, with a view to enhancing the legitimacy, certainty, resilience and fairness of international tax rules, while addressing challenges to strengthening domestic resource mobilization.”

We strongly support this vision, such as the fair allocation of taxing rights, unitary taxation with formulary apportionment and the Global Asset Register to tax high-net worth individuals. However, to realise it fully, the Convention must ensure that fiscal governance itself becomes **democratic, participatory, and locally accountable**.

Fair and effective taxation is essential for financing sustainable development. Yet the legitimacy and impact of tax systems depend not only on how revenues are raised but also on **how revenues are governed and used**. In many countries, decisions regarding the collection, allocation, and expenditure of public funds are centralized and opaque, leaving citizens and civil society without meaningful oversight or influence. Without inclusive governance, even progressive tax policies risk reinforcing inequalities and failing to deliver tangible social, environmental, and climate outcomes.

Objective

To ensure that taxation strengthens economic democracy, where citizens and communities have real power over how resources are mobilized, allocated, and spent and that fiscal governance contributes directly to sustainable development, accountability, and equity.

This proposal builds upon existing international commitments, including the **Addis Ababa Action Agenda on Financing for Development (2015)**, **The FfD Sevilla Commitment (2025)**, the **Paris Agreement**, and the **2030 Agenda for Sustainable Development** (notably Goal 16 on accountable institutions and Goal 17 on global partnerships). These frameworks already recognize that sustainable fiscal systems must integrate transparency, participation, and inclusivity as core governance standards.

Proposed Principles and Measures

1. **Democratic Principles in Fiscal Governance**

Parties shall ensure that the collection, allocation, and expenditure of tax revenues are guided by democratic principles and participatory decision-making, including at national and sub-national levels.

2. **Localisation of Fiscal Decision-Making**

Parties shall localize fiscal governance by introducing mechanisms that allow communities, civil society organisations, and trade unions to influence decisions on public spending, resource allocation, and delivery of public services, in accordance with principles of transparency, accountability, and equity. To operationalize this, Parties should institutionalize participatory budgeting and fiscal decentralization frameworks that allocate a minimum percentage of national tax revenue to sub-national entities. This could draw inspiration from practices such as Kenya's County Revenue Allocation model, Brazil's participatory budgeting, and South Africa's intergovernmental fiscal transfer mechanisms.

3. **Economic Democracy and Public Spending**

Parties shall recognise that economic democracy requires both fair taxation and inclusive, transparent public spending, ensuring that revenues directly contribute to the progressive realisation of economic, social, cultural, and environmental rights, including climate action and ecological protection. Democratic oversight at national and local levels enhances transparency and helps curb illicit financial flows (IFFs) by increasing public scrutiny over revenue collection and expenditure. When citizens and civil society can monitor fiscal pipelines, they reinforce accountability chains that deter corruption, profit shifting, and resource mismanagement.

4. **Inclusive and Equitable Participation**

Parties shall integrate gender equality, intergenerational equity, and the representation of marginalised groups into participatory fiscal decision-making, including through structured national and local budget dialogues. This should include gender-responsive and youth-inclusive budgeting frameworks, with mandatory gender and youth audits of public spending to ensure equitable allocation and intergenerational fairness.

5. **Conference of the Parties (COP) Oversight**

The COP shall develop guidelines and indicators for participatory fiscal governance, ensuring measurable community engagement, transparency, and accountability in budget planning and monitoring. Indicators could include the proportion of budgetary decisions subject to public consultation, the percentage of tax revenues disclosed in open data formats, and the extent of community participation in sub-national fiscal

planning. These indicators should form part of the Convention's national reporting obligations

6. Civic Education and Community Engagement

Parties shall initiate civic education programs aimed at building community knowledge and awareness on existing national and international avenues of engagement with particular emphasis on empowering the youth, vulnerable and under-represented regions and groups. To support this, Parties should allocate specific budget lines for capacity building in participatory fiscal governance. The COP may establish a **Fiscal Democracy Support Facility** to coordinate technical assistance, training, and south-south cooperation among states and civil society.

7. Dissemination of Information.

Parties shall ensure progressive, timely and inclusive circulation of information through publicly available and community-friendly channels, including open data platforms and local language media.

8. Definition of Roles and Responsibilities

Parties shall ensure clear definition of roles in all levels of engagement; Local (community), state, regional and international actors in governance to prevent duplication, overlap and exclusion of roles to ensure easy accountability and coordination.

Fiscal governance, climate justice, and systemic reform

The UN Tax Convention presents a historic opportunity to align fiscal governance with **climate and development objectives**. Democratic and participatory fiscal systems ensure that revenues are directed toward climate action, environmental protection, and sustainable development, including mitigation, adaptation, and loss and damage financing.

Progressive environmental taxation such as carbon levies, resource royalties, and polluter-pay instruments, should be accompanied by transparent mechanisms that channel revenues to locally managed climate adaptation and resilience funds. Democratic fiscal governance ensures that climate-related revenues address community priorities and advance just transition strategies.

Embedding economic democracy will strengthen the legitimacy and effectiveness of domestic resource mobilisation, reduce inequalities, and create inclusive pathways for civil society to shape fiscal and environmental priorities. This approach directly supports commitments under **COP30** and the **2030 Agenda for Sustainable Development**, and the ongoing reform of international financial architecture under the UN system.

To achieve true systemic reform, the Convention must connect fair taxation rules, fiscal governance, and sustainable development, ensuring that revenues serve people and planet, empower civil society, and support the transformation of national and global financial architectures toward justice, accountability, and sustainability.

Conclusion and Call to Action

We urge negotiators to ensure that the UN Tax Convention not only establishes fair international tax rules but also transforms fiscal governance into a democratic, participatory, and accountable system. By embedding economic democracy and fiscal transparency, the Convention can become a cornerstone for inclusive development, empower local communities, and align global finance with justice, equity, and sustainability.

This is an opportunity to create a **new social contract** between states and citizens, one grounded in shared responsibility for people and the planet.

Sincerely,

POLIFA

Imara Twasimama Foundation

Ghetto Parliament

Mathare Social Justice Centre