

Clinton endorses the tax justice agenda

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Hilary Clinton made an extraordinary speech to the OECD on aid today. It went far beyond anything I might have expected. [The whole thing is here](#). The important highlights are as follows, in my opinion:

There are many urgent issues we could discuss today, but I want to focus on two. First, partnering with developing countries on reforms in three interconnected areas — taxes, transparency, and corruption — because focusing on these three will give us the tools needed to enable more countries to fund more of their own development. And second, doing more to support women as drivers of sustainable economic growth.

I apologise that I'll only concentrate on the first here.

Let me begin with the reforms. This is a very high priority for me. I've spoken about the importance of countries and international organizations like the OECD working together on taxes, transparency, and corruption many times in many places, from Pakistan to Ecuador.

Why? Because corruption, lack of transparency, and poorly functioning tax systems are major barriers to long-term growth in many developing countries. Corruption stifles entrepreneurship and it siphons funding away from critical services, hurting the people who rely on those services. Poor transparency makes it difficult if not impossible to determine how governments raise and spend their funds, and therefore, how to hold governments accountable.

So, and let's not beat around the bush about it, Hillary Clinton is saying that country by country reporting is necessary. And she's right, of course.

She's right about this too:

Weak tax systems rob states and citizens of the resources needed. Why? Either because the taxes are not levied at all, or because it's very easy for people to avoid paying them. Nobody likes paying taxes, but the countries around this table represented know that in the absence of funding public services, it's very difficult to

achieve the kind of outcomes for prosperity, growth, opportunity that we seek.

It's good to hear someone saying in an international arena saying that tax is a good thing. It's a statement of the glaringly obvious, and yet it is not said often enough.

Nor is this:

And let's be very clear — many wealthy people in low-income countries avoid taxes by hiding their money offshore, an outflow that by some estimates comes to more than \$1 trillion a year.

That is a direct endorsement by Hillary Clinton of the work undertaken by Task Force on Financial Integrity and Economic Development member Global Financial Integrity. Tax Research LLP is delighted to partner GFI in the Task Force.

Next she went on to endorse automatic information exchange for tax (tax havens, take note):

Now, to some degree, it is logical that low-income countries would raise less revenue internally than others. After all, some of the most common sources of income in developing countries are very difficult to tax, and building strong public institutions is a challenge for any nation. But we also have to acknowledge that wealthy countries share responsibility, so that is why, for instance, the United States is making it easy for other governments to know when their citizens are keeping money in American accounts.

We all have an interest in solving these problems together, to empower governments to collect precious revenues they use to build roads and power lines, to open schools and train teachers, to provide healthcare and invest in all the other drivers in economic activity. Corruption, lack of transparency, and poorly functioning tax systems not only deprive government of revenues; they inflict a quieter and in some ways an even more dangerous cost as well, because they corrode citizens' trust in each other and in their government. And when those bonds of trust crumble, it becomes much more difficult for communities and countries to make progress.

I promise you, the Tax Justice Network did not write this speech.

And finally, corruption in poorly functioning tax systems put a strain on our partnerships with developing countries. All of us here are supporting development. We're committed to doing so. And the United States will continue to lead the world in providing assistance. But let me say very openly it is difficult to ask American taxpayers to spend money abroad when the elites in the countries themselves turn their backs on their own people, especially at a time of difficult budgetary decisions. It is not hard to imagine that an unemployed worker or a struggling business somewhere in my country would wonder why we would offer our hard-earned tax dollars to help those who will not reach the social consensus to help themselves.

But this requires a crackdown on tax havens and all those bankers, lawyers and accountants who make up the offshore world that deprives developing countries of the revenues that they desperately need. And I do mean, all of them. Clinton was right, therefore, to go on in the next section to stress the importance of developing countries improving their tax systems. I could not agree more, but she did need to say a little bit more about how they are prevented from doing so by the so-called professions who seek to undermine their revenues through the operation of tax havens.

Nonetheless, the conclusion is also welcome

Other institutions including the G-20, the IMF, the World Bank, and civil society organizations like Oxfam and Transparency International have lent their expertise as well. And all of these efforts are critical and they should continue, but in the end, success will depend on more than funding and sharing expert technical solutions. It will depend on building the political will to implement them. Any kind of change will take hard work, but these reforms will also take courage. Elected leaders will have to look their most powerful supporters right in the eye and tell them, "You need to pay your fair share for the good of your country." Budget officials will have to make their decisions public, even if it subjects them to tough criticism. And tax collectors will have to speak out against bribery and corruption. In short, behind every success story, there will be a committed group of people who refuse to accept the status quo, who stand up to entrenched interests and take on tough reforms. Without this essential leadership, technical solutions will remain necessary but unfortunately insufficient.

There is a challenge in this for the OECD. There is an even bigger one for the International Accounting Standards Board. Both need to embrace country by country reporting. The European Union is taking the lead on this.

And the OECD also needs to embrace automatic information exchange, which is possible, and deliverable.

But this was a good speech, however looked at. For those of us that have worked for many years to find solutions to poverty in developing countries through improvement in transparency and taxation systems to beat corruption, so much of which is promoted by tax havens, this was a very welcome step forward and an endorsement for all that we have asked for.

Now it is time for the politicians to deliver.