



2023 Financing for Development Forum

Panel Discussion 8: Advancing international tax cooperation and tackling illicit financial flows to safeguard and mobilize domestic resources

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Chair, thank you very much for the opportunity to contribute as a lead discussant in this incredibly important session.

Over the past few decades, DRM has been identified as **the most sustainable source of financing** - recent experience – and even conversations in this room this week - has indicated that while important elements, we can no longer depend private financing, debt and/or ODA to fund national development plans. However, conversations about enhancing DRM **have almost always been one-sided**.

Countries, read: global south countries, are constantly being saddled with responsibilities to help them achieve these DRM objectives – improve beneficial ownership transparency, strengthen tax systems, revenue authorities, but truth be told, even if global south countries **were able to address these issues**, this wouldn't be enough.

While traditionally, tax policy was once recognised as an issue of national sovereignty, following the explosion of world trade and globalisation states recognised that there was a need to develop international solutions to address the issues of base erosion and profit shifting.

The novelty of this session is to help unpack and address some of the systemic issues confronting the international tax system today – that are in essence preventing particularly developing countries from achieving the fiscal space that they need to attain their DRM goals.

To draw from an analogy that one of my colleagues – only addressing national level constraints to DRM is akin to constantly pouring water in a bucket with holes. Put simply, Chair, we have loopholes in our international financial architecture and as is reflected in title of the resolution we are discussing today – have a system that ineffective, and to use the words of many in room over the past few days, not fit for purpose.

Unlike other cross-border issues such corruption, climate change, migration, international taxation is decentralised and determined by the application of tax laws of the relevant jurisdictions; it also does not have a coordinating tax authority which has oversight over cross border transactions.

Dating back to when Global South countries **were first able to contribute to conversations** regarding the international tax regime, Global South countries have called for two things – firstly, the fair allocation of taxation rights because at that time developing countries had had no voice in global conversations - secondly, they called for a multilateral tax body to address

issues pertaining to tax avoidance and tax evasion. The **Mexico Draft of 1943** following a regional conference of global south countries.

In response to the Mexico draft, **developed countries refused to support this and subsequently derailed these efforts**. It was this response that saw, at the time, the abolishment of the United Nations Fiscal Commission. I say this to make the point that developing countries have always called for the United Nations to have a central role in the cross-border issue of taxation.

Today we see global south countries, led by the African Group, coming to the fore with issues they raised back then. Why? Because the **current international tax system has still not sufficiently addressed issues pertaining to tax avoidance, tax evasion and the unfair allocation of taxation rights**.

At present, the countries that have tax havens and secrecy jurisdictions that are responsible for the housing **of these resources are the very ones that are at the forefront** of developing the rules of the global tax system and this needs to change.

It is against this background, that resolution 77/228 was tabled - in recognition of the lack of inclusivity at present within global rule making and lack of effectiveness that has resulted in the continuation of tax avoidance and evasion.

What we need is a binding multilateral solution, **a UN Tax Convention and UN tax body to democratise the way in which we develop tax rules and address one of the most important constraints to promoting domestic resource mobilisation**.