

Second drafting session on Financing for Development *Section on “Domestic Resource Mobilisation”*

Statement by the Organisation of Economic Co-operation and Development (OECD)

Tuesday, 14 April 2015

New York

The OECD would like to thank the co-facilitators for giving the opportunity to provide comments, and we welcome the zero draft's onus on domestic public resources as the key pillar for sustainable development and believe it grasps the crucial issues countries face in strengthening domestic tax capacity, curbing tax avoidance and tackling illicit financial flows.

In line with the Co-facilitators' request, we would like to provide proactive and focused technical suggestions to specific paragraphs of the draft as follows:

- **At paragraph 25** we would suggest adding after “harmful tax competition” the following reference to the Tax Inspectors Without Borders Initiative: **“We support the Tax Inspectors Without Borders initiative to enhance tax audit capacity which is critical in developing countries.”**
- **At paragraph 26** we would suggest more focused language in various parts of the document and I will read out drafting suggestions as follows:

26. In this context, we welcome ongoing efforts, including the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes **where 126-members work together on an equal footing, and** stress that efforts in international tax cooperation should be universal in approach and scope and should fully take into account the differentiated needs and capacities of all countries, including LDCs and SIDS. **We invite all countries to sign the multilateral Convention on Mutual Administrative Assistance in Tax Matters [which already has 85 jurisdictions participation and which is a powerful tool to enhance cross-border cooperation including greater tax transparency].** We commit to strengthen efforts to develop global norms on taxation, taking into account the work of the Organisation of Economic Cooperation and Development (OECD)-G20 Project on Base Erosion and Profit Shifting **which brings together 62 developed and developing countries directly involved in the Project,** and we welcome the inclusive deliberations to ensure that these efforts benefit all countries, including LDCs and SIDS, **through a structured regional dialogue involving the IMF, the UN and the World Bank Group,** to ensure its global impact. We welcome the efforts of the International Monetary Fund (IMF), including on tax spill-overs and capacity building.

At Paragraph 27, we would suggest to mention **the Global Forum's Africa Initiative which will be critical to improving tax transparency in the region**. Furthermore we would propose to include a reference to the OECD among the other International Organisations.

We will be glad to provide the Co-facilitators with the aforementioned drafting suggestions in writing.

Thank you.

Proposed drafting suggestions attached.

Attachment 1: Proposed Revisions:

25. We recognize that there are limits to how much governments can individually increase revenues in our interconnected world. We thus commit to a global campaign to substantially reduce international tax evasion through more concerted international cooperation. We agree to work together to strengthen transparency and adopt pending policy innovations, including: public country-by-country reporting by multinational enterprises; public beneficial ownership registries; and multilateral, automatic exchange of tax information, with assistance to developing countries, especially the poorest, as needed to upgrade their capacity to participate. We agree to work through relevant fora to end harmful tax competition. We support the Tax Inspectors Without Borders initiative to enhance tax audit capacity which is critical in developing countries. We call on competing countries to engage in voluntary discussions on tax incentives in regional and international fora, which can also stimulate cooperation to stem illicit financial flows.
26. In this context, ~~while~~ we welcome ongoing efforts, including the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes where 126-members work together on an equal footing, we-and stress that efforts in international tax cooperation should be universal in approach and scope and should fully take into account the differentiated needs and capacities of all countries, including LDCs and SIDS. We invite all countries to sign the multilateral Convention on Mutual Administrative Assistance in Tax Matters [which already has 85 jurisdictions participation and which is a powerful tool to enhance cross-border cooperation including greater tax transparency]. We commit to strengthen efforts to develop global norms on taxation, taking into account the work of the Organisation of Economic Cooperation and Development (OECD)-G20 Project for the Group of 20 on Base Erosion and Profit Shifting which brings together 62 developed and developing countries directly involved in the Project, and we ~~welcome~~ call for more inclusive deliberations to ensure that these efforts benefit all countries, including LDCs and SIDS, through a structured regional dialogue involving the IMF, the UN and the World Bank Group, as well as a more inclusive governance structure to reflect to ensure its global impact. We welcome the efforts of the International Monetary Fund (IMF), including on tax spill-overs and capacity building.
27. We welcome the Report of the High Level Panel on Illicit Financial Flows (IFFs) from Africa. We urge governments to take into consideration the recommendations of the report and invite other regions to carry out similar exercises building on this initiative and note the Global Forum's Africa Initiative which will be critical to improving tax transparency in the region. To help track illicit flows, we invite the United Nations, the IMF, the OECD, the World Bank and other relevant stakeholders, to develop a proposal for an official definition of IFFs, and to publish official estimates of their volume and breakdown. We commit to developing the capacity to track 'to whom, from whom' information on cross-border transactions, bearing in mind that the poorest and most vulnerable countries will need assistance. We ask the Financial Stability Board to work expeditiously with relevant institutions to implement the proposed global Legal Entity Identifier system, with appropriate standards to incentivize countries to mandate use of the system. We will support the strengthening of efforts to effectively combat money laundering and the financing of terrorism.