SAVE THE DATE

SDG Financing, Tax Cooperation and Transparency: a Balancing Act for Developing Countries

A side event to discuss the MOIs of the Addis Ababa Action Agenda, co-sponsored by Panama, and other countries (TBC), in co-operation with the Economic Commission for Latin America and the Caribbean (ECLAC), and the Organization for Economic Cooperation and Development (OECD).

23 May 2017, 8:15–9:30am, UN Conference Room TBC

We cordially invite Permanent Representatives, delegates, and other colleagues to save the date for a side event to discuss the challenges of mobilizing resources to achieve the SDGs in developing countries in a context of low growth, costly standards updating, and a complex fiscal scenario that limits the options to promote foreign direct investment (FDI).

BACKGROUND

The Addis Ababa Action Agenda recognizes that significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing the Sustainable Development Goals. Private international capital flows, particularly foreign direct investment, along with a stable international financial system, are vital complements to national development efforts.

The agenda acknowledges that many countries, particularly developing countries, still face considerable challenges, for which solutions can be found through strengthening public policies, regulatory frameworks and finance at all levels, unlocking the transformative potential of people and the private sector, and incentivizing changes in financing.

As countries move upward in the development ladder they have traditionally relied on offering incentives to attract FDI. But under the new expectations of the international community, the legitimacy of tax incentives is questioned and considered as potentially harmful tax practices. **<u>A clear differentiation is necessary between pernicious tax incentives and tax incentives with substance. The latter are a genuine means of financing the 2030 agenda as they promote FDI that generates employment and encourages technology and knowledge transfers.</u>**

Complying with the sustainable development agenda also places pressure on domestic public finances as countries seek to strengthen the ability of tax administrations to improve tax collection and control tax evasion through the elimination of pernicious tax incentives, which ultimately limit countries' growth possibilities. But curbing tax evasion is not limited to the domestic sphere. It also requires the support of the international community and multilaterilizing global cooperation on tax affairs to tackle tax evasion and combating illicit flows.

The challenge of mobilizing resources to fulfill the objectives of the 2030 development agenda is compounded by the need to take into account the changes that have occurred in the financial development landscape in the past decade. These changes include the growing importance of new actors and sources of development finance, including donors that are not Development Assistance Committee (DAC) member countries, non-governmental organizations (NGOs), climate funds, innovative financing mechanisms and South-South cooperation initiatives. Similarly, private capital has emerged as an important source of finance with a diversified set of instruments such as equity, bonds, debt securities, non-concessional loans, and risk mitigation instruments (including guarantees), together with worker remittances and private voluntary contributions.

While these changes have increased the options for funding the 2030 Agenda, they also raise substantial challenges in terms of coordinating and combining the actors, instruments and mechanisms of finance under a coherent and consistent financing for development framework.

Objective, format and outcome

The side event will provide a platform for participants to:

(i) Reflect on actions to overcome the challenges of mobilizing resources to achieve the SDGs in developing countries including MICs.

(ii) Exchange ideas in particular on how to maximize international tax cooperation at the service of sustainable development, as well as putting in place the necessary safeguards.

(iii) Exchange experiences and lessons learned on how Governments can strengthen their regulatory frameworks to ensure more efficient and effective tax collection.

The event will consist of a panel discussion by governments, international organizations and other representatives to identify good practices to be shared and challenges on which they would like advice or support. The panel will be followed by an interactive dialogue among meeting participants.

Suggested questions for discussion

- In a context of low growth, costly standards updating, and complex fiscal scenario, how can governments and other actors address the challenges for mobilizing resources to achieve the SDGs while promoting transparency and international tax cooperation?
- How can developing countries and MICs capture external resources for SDG financing and comply with fiscal transparency standards?
- What principles could be established to differentiate pernicious tax incentives from those opportune incentives ripe for sustainable development?
- How can developing countries and MICs attract FDI thru fiscal incentives with substance while curbing harmful fiscal practices like tax evasion and illicit flows?
- How can developing countries and MICs continue to capture knowledge and technology know-how amidst global efforts of near-shoring/re-shoring private investment?

Panel Participants

- Vice-president and Minister of Foreign Affairs of Panama, H.E. Isabel De Saint Malo de Alvarado
- United Nations Deputy Secretary General, H.E. Amina Mohamed (TBC)
- Representative from other co-sponsoring country (TBC)
- Representative from other co-sponsoring country (TBC)
- Representative from other co-sponsoring organization (TBC)

The panel will be moderated by a representative from academia.