

TAX AND DEVELOPMENT: HIGHLIGHTS OF MFA'S WORK

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HIGHLIGHTS OF...

- **International agenda**
- **Finland's tax and development work**
- **Tax research collaboration**



GLOBAL TAX AGENDA: FIGHTING TAX EVASION AND ILLICIT FINANCIAL FLOWS



Universal problems:

- Tax evasion is a challenge for both industrialized and developing countries, depriving them from their own financing resources; EU and Africa lose roughly the same amount annually

Solutions to be implemented globally:

- G20/OECD–led new corporate taxation rules (BEPS), inclusive framework of implementation for BEPS (90 countries and regional networks mandated by their members), special programme for BEPS and developing countries
- new standard for AEOI on tax matters starting 2017; over 50 countries 2017, over 100 2018; 135 countries in the Global Forum for exchange of tax info
- its anticipation has voluntarily **added 50 BUSD** to tax revenues since 2014



SUSTAINABLE DEVELOPMENT GOALS

SDG 16. Promote **peaceful and inclusive societies**, and build effective, accountable and inclusive institutions at all levels (curbing illicit financial flows, capacity building of tax administrations)

SDG 17. Strengthen the **means of implementation** and revitalize the global partnership for SDGs (increase of domestic public finance, taxation)

> implement **SDG 10:** Reducing **inequalities**

Addis Tax Initiative: commitments on doubling tax support by 2020, TA reforms and policy coherence

Platform for Collaboration on Tax:

WBG + OECD + IMF + UNDESA

- **Coordination on capacity building,**
- **reporting to G20**



FINLAND'S TAX AND DEVELOPMENT ACTION PROGRAM

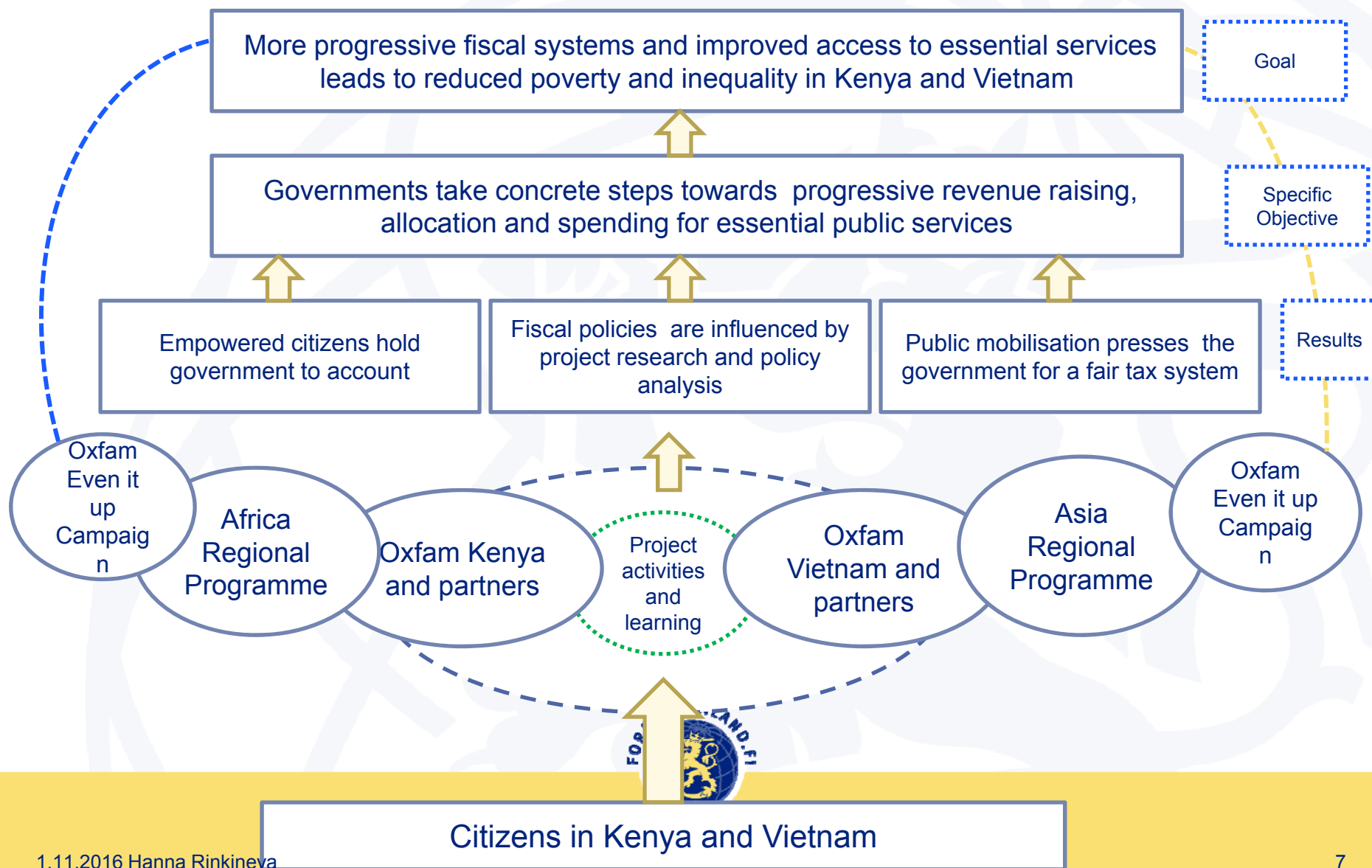


FINLAND'S TAX AND DEVELOPMENT ACTION PROGRAMME: OBJECTIVES

1. **International tax rules**, country-by-country tax reporting at the core, to reduce tax evasion, tax avoidance and corruption.
2. Country –level and regional **taxation capacity** has strengthened: tax administrations and other institutions relevant for state assets (e.g. parliament, customs, judicial system, bodies supervising use of state assets) developed or reformed.
3. **Civil societies'** awareness and knowledge on the link between taxation and public services has increased, and the ability to hold governments accountable for increasing tax revenues and using them for public services has improved.
4. Reliable country-specific **research and analysis** of illicit financial flows and solutions to curb them exist, and evidence of effectiveness of measures to build tax capacity.



Example: OXFAM DRM Project Theory of Change



TAX RESEARCH COLLABORATION

Objective 4 of the tax and dev programme: *Reliable country-specific research and analysis of illicit financial flows and solutions to curb them exist, as well as evidence of the effectiveness of measures aimed at building taxation capacity.*

- The emphasis on broadening of research to establish **reliable, factual data**.
- Research on **effectiveness of measures** to build capacity is important for planning of further measures.
- **Key issues:** monitoring and statistics to reduce trade misinvoicing and abuse of transfer pricing.
- **Global Financial Integrity:** MFA cooperation on 1) research on illicit financial flows based on public data, 2) analyses of IFF effects on economies of developing countries, and 3) efforts to find potential solutions to illicit flows in individual partner countries.
- **IESE research institute:** Social and economic research, incl. extractive industries in Mozambique



MFA & WIDER

- UNU-WIDER's research programme in Mozambique with local university and Ministry of Finance (e.g. development of tax policy, tax administration and public financial management)
- Cooperation with the UNU WIDER will be developed during the period of the tax & dev action programme.
- MFA supports WIDER in that collecting tax revenues must be **equitable** and **private sector development** cannot be impeded by taxation.
- WIDER has launched a **major research programme** to provide a solid evidence base to guide tax policy decision making in poor countries
- Many developing countries building social protection systems that need domestic revenues > WIDER in **Mozambique**
- WIDER in **Namibia** > if FTA model multiplied, will research as well?

THANK YOU!

