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REMARKS AT
Economic and Social Council
Special Meeting on International Cooperation in Tax Matters

8 April 2022

Mr. President of ECOSOC,
Excellencies,
Distinguished Members of the UN Tax Committee,
Ladies and gentlemen,

It is my great pleasure to address this ECOSOC Special Meeting on International Cooperation in Tax Matters.

These meetings — and this inclusive, global UN platform — serve as an important input into key actions on sustainable development.

I welcome the focus of today's meeting on tax-related illicit financial flows, including the challenges faced by developing countries, particularly in the extractive sector.

These challenges are exacerbated by the COVID-19 pandemic and the increasingly digital economy that impacts our domestic and international tax systems.

The war in Ukraine has heightened risks for developing countries, creating a triple crisis of food, energy, and finance.

And the climate emergency has continued unabated — with the world nowhere near the targets agreed to over seven years ago, when the Paris Agreement was signed.

Against this backdrop — and as we struggle to support countries through this challenging moment in history — illicit financial flows continue to function as a major source of leakage in the system.

Recovery and ending inequality depend on strengthening international cooperation on tax matters, which is why we're here today.

This issue is also central to the Secretary-General's second term and his report on *Our Common Agenda*. To reduce inequalities, rebuild trust, and ensure finance is invested in sustainable development for all — rather than into the bank accounts of billionaires — stronger international cooperation is needed to tackle tax evasion and aggressive tax avoidance, money laundering, and illicit financial flows.

A Global Working Group on Extractive Industries, spearheaded by the UN System as a follow-up to a series of Roundtables held last year, found that reforming

international corporate tax is a key requirement to emerge effectively from the pandemic, and accelerate the transition to equity, sustainability and resilience.

More broadly, a new social contract between companies, governments, and citizens is needed — one that includes progressive taxation as the foundation of sustainable development. This also means that, when reforming tax systems, policymakers need to take gender equality into account, which should be an integral part of achieving tax design that supports inclusive growth.

With an increasingly digital and global economy, we are also seeing increased challenges related to the fairness and workability of tax systems, as value can increasingly be created remotely. Under current tax treaty rules, such value may not always be subject to tax in the country in which economic activity takes place.

The G20-led OECD/Inclusive Framework initiative is currently negotiating a multilateral convention that would allocate taxing rights to market jurisdictions. Continued analysis is needed to ensure an equitable distribution of revenues among market jurisdictions where economic activity takes place, often within developing countries.

To support these efforts, the UN Tax Committee has designed and presented, in the 2021 UN Model Taxation Convention, an alternative approach for the taxation of digital automated services. As countries continue to determine the options available to them, it is important for them to consider their specific realities and situations to achieve fair and effective tax systems.

In developing economies, this reform is especially critical in the extractive sector. This has the potential to drive growth and sustainable development for many countries, especially developing countries endowed with natural resources, including those needed for the green transition.

Yet too often, the sector has been plagued by illicit financial flows and regressive taxation, contributing to what is often referred to as “the paradox of plenty.”

For extractive industries to successfully contribute to sustainable development, several conditions must be met that require greater international cooperation on tax issues.

First, the governance of extractive resources must be improved to bolster environmental sustainability,

transparency, inclusive decision-making, and accountability. This includes investing rents from extractives into the sustainable development of local populations.

Second, countries need to diversify their economies and reduce dependence on revenues from extractive industries over time. This includes bolstering direct taxation of income and property to enhance fiscal resilience in the sector.

And third, the extractive sector needs to be aligned with the SDGs and the Paris Agreement in support of a just and efficient transition. This includes creating tax incentives to encourage sustainable practices in the sector, and shifting fossil fuel subsidies to support increased renewable energy, energy efficiency, and energy access for all.

Together, we can not only strengthen international taxation to ensure that finance is invested where it is needed most, but also ensure more inclusive — and, ultimately, effective — setting of tax norms and tax policies for sustainable development.

Thank you for contributing to this important effort.

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