Remarks by Ms. Shari Spiegel
Acting Director, Financing for Sustainable Development Office,
United Nations Department of Economic and Social Affairs, to the
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Tax and the Sustainable Development Goals

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I am heartened by the UN Tax Committee's cross-cutting focus on Tax and the Sustainable Development Goals (SDGs). Critically, such focus highlights the purpose of taxation and the rationale for the Committee's continued work in helping to strengthen domestic resource mobilization and international tax cooperation.

Taxation is not the end in itself; it is the means to an end. The ultimate goal is to support human well-being and national sustainable development priorities.

Linking tax to the SDGs not only reminds us of the purpose of taxation; it also underscores that tax is at the heart of financing for sustainable development and implementation of the SDGs. At the first Financing for Development Conference, at Monterrey in 2022, public domestic finance was not a main focus area. In 2015, the third Conference decided to specifically include a chapter of the Addis Ababa Action Agenda on public domestic finance, in order to highlight the role of taxation in financing the SDGs.

As I mentioned at the opening of this session, the challenging global environment makes the work of this Committee in supporting domestic public resource mobilization more important than ever. For some of our most fundamental priorities – such as fighting hunger and ending extreme poverty – trends have gone in reverse. One-third of countries are at risk of fiscal crisis.

The SDG Stimulus and much of the discussion in the international community is on reforms to the international system, including making the multilateral development banks (MDBs) bigger and better. Yet, there is general understanding that this must be complemented by increased tax revenues. Historically, economies that have developed have done so through domestic resources. Domestic resource mobilization is the only way to sustainably finance social needs, such as education and social protection, to name a few critical examples.

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Tax is central to the social contract between a government and its citizens. Let me share examples of four areas where tax supports the SDGs.

First is macro stability and growth/fiscal policies, which is not the focus of the Tax Committee's work.

Second is raising resources to invest in critical areas such as health, education, social protection, and the environment. The financing for development agenda highlights all sources: public, private, domestic, and international. Yet, there is increased understanding that these different sources are not really fungible, as many needs, including those mentioned, will never be sufficiently financed from abroad or by private sources. From this perspective, all of the work of the Tax Committee is relevant for the SDGs because it focuses on raising domestic public resources.

However, the Committee should continue to complement this focus by raising attention to the impact of tax on inequality, incentives, and behavior.

Third is the impact of tax on inequality. This includes considering the degree that different taxes are progressive within each workstream, for example, in the indirect taxation and environmental tax workstreams. It also calls for looking at fiscal policy as a whole – bringing tax policy together with expenditure is important in understanding the impact on fiscal policy on the SDGs. Beyond this, we also need to better understand implicit biases in the tax code itself and what these mean for achievement of the SDGs, such as implicit biases related to gender equality. We look forward to the Tax Committee's work in this area.

Fourth is how taxes create incentives that change behavior. This includes incentives that are positive, such as incentivizing sustainable production and consumptions, climate action and healthy behaviors. Yet, there may also be cases where taxes create incentives that degrade the environment, exacerbate inequalities, or increase poverty. There is a constant need to examine the incentives in tax policies and the trade-offs that come with these in connection with other aspects of the SDGs, much like we do in the context of designing and implementing integrated national financing frameworks for the SDGs at the country level.

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Finally, I want to address international tax cooperation in support of the SDGs.

In addition to the SDG Stimulus, the UN Secretary-General also put out a policy brief on reforms to the international financial architecture, containing bold recommendations where systemic reforms are needed to achieve the SDGs.

The Secretary-General insisted on including international tax cooperation as part of this reform agenda, given the critical importance of fully inclusive and more effective international tax cooperation, and linking that to advancing efforts for increased fiscal transparency and accountability to combat tax-related illicit financial flows, with the goal of supporting of the SDGs.

I applaud the Committee for the commendable work you have undertaken so far during your mandate, addressing all these pivotal areas. The depth, evident in the Conference Room Papers, coupled with the comprehensive agenda, shows your dedication and focus on advancing the Tax and SDGs approach.

I urge you to keep this essential tax and SDG thread woven consistently throughout your diverse workstreams.

I thank you for your attention, and I look forward to our continued collaboration and dedication to advancing the SDGs and the 2030 and Addis Agendas.

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