TAX AND DEVELOPMENT:
HIGHLIGHTS OF MFA’S WORK

Hanna Rinkineva
Department for Development Policy
MINISTRY FOR FOREIGN AFFAIRS
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 PROGRAMME

Agenda 2030

Tax and Development Action Programme

Government Programme

Country strategies

Development Policy

Multilateral policy influencing plans

Govt Action Plan against Intl Tax Evasion
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.
Fiscal policies are influenced by project research and policy analysis

Public mobilisation presses the government for a fair tax system

Empowered citizens hold government to account

Governments take concrete steps towards progressive revenue raising, allocation and spending for essential public services

More progressive fiscal systems and improved access to essential services leads to reduced poverty and inequality in Kenya and Vietnam

Example: OXFAM DRM Project Theory of Change

1.1.2016 Hanna Rinkinen
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!