

UN GENERAL ASSEMBLY SIDE EVENT ON DEVELOPMENT CO-OPERATION AND DOMESTIC RESOURCE MOBILISATION

NEW YORK, 24 SEPTEMBER 2013

SUMMARY

Nigerian Minister of Finance Ngozi Okonjo-Iweala, Co-Chair of the Global Partnership for Effective Development Co-operation, hosted a high-level side event on development co-operation and domestic resource mobilisation at the Permanent Mission of Nigeria to the United Nations on the occasion of the opening of the 68th session of the UN General Assembly. The discussion aimed to raise awareness of issues related to taxation and illicit flows in the context of development cooperation; to encourage reflection on how these issues might be addressed within a post-2015 framework for development; and to seek ideas on how the Global Partnership can help tackle these issues at its first High Level Meeting, which will be held in Mexico City on 15-16 April 2014.

Background

Domestic resource mobilisation has been identified as one of the top priorities for action at the first High Level Meeting of the Global Partnership. While tax systems in many developing countries have been improved in recent years, challenges remain. Evidence suggests that half of all sub-Saharan Africa countries mobilise less than 17 per cent of their GDP in tax revenues – a level deemed by the United Nations to be insufficient to achieve the Millennium Development Goals.¹ Organisational capacity and political will are among some of the constraints that developing countries face in growing domestic revenue. The transfer pricing practices of multinational firms can result in particularly important losses for developing countries. For some, dependence on natural resources such as oil means that current government revenues will not be sustainable over time unless alternative approaches are identified.

Illicit flows also present an important challenge for the international community. In 2007, international estimates suggested that between USD 20 and 40 billion had been illegally removed from low-income countries to safe havens abroad.² While a number of conventions and initiatives are in place to tackle illicit flows, more needs to be done to track, investigate and return illegal assets to developing countries.

Over 150 government officials, representatives of international organisations and a range of non-state actors participated in the New York event. An interactive discussion brought together several high-level panellists and discussants, including: H.E. Ellen Johnson-Sirleaf (President of Liberia), H.E. Thabo Mbeki (former President of South Africa and Chair of the High Level Panel

¹ UNDP (2010), *What will it take to achieve the Millennium Development Goals? An international assessment*.

² UNODC and World Bank (2007), *Stolen Asset Recovery (StAR) Initiative: Challenges, Opportunities and Action Plan*, IBRD / The World Bank, Washington D.C.

on Illicit Financial Flows from Africa), Armida Alisjahbana (Minister of National Development Planning, Indonesia), Justine Greening (Secretary of State for International Development, UK), Angel Gurría (Secretary-General, OECD), Heikki Holmås (Minister of International Development, Norway), José Antonio Meade Kuribreña (Minister of Foreign Affairs, Mexico), Ngozi Okonjo-Iweala (Minister of Finance, Nigeria), Juan Ricardo Ortega (Director, National Tax and Customs Administration, Colombia), Emilia Pires (Minister of Finance, Timor Leste), and Nemat Shafik (Deputy Managing Director, International Monetary Fund).

The event also built on a high-level meeting on “Aid as a catalyst for domestic resource mobilization,” organized by the African Union Commission, NEPAD, and the Africa Platform for Effective Development Cooperation in Addis Ababa, Ethiopia on 24 July 2013.³

Highlights from the discussion

The panel discussion pointed to the convergence of interests between developed and developing countries on the international tax agenda. There was a general sense that **the timing is right for concerted international action**, with participants pointing to the 2014 High Level Meeting of the Global Partnership in Mexico City as a useful milestone to advance aspects of the tax, illicit flows and broader domestic resource mobilisation agendas, and making the link with the fresh impetus given by recent G8 and G20 initiatives.

The role of **developing country leadership and partnership** in addressing illicit financial flows was underscored by the panellists. Mr. Mbeki briefed participants on the work of the High Level Panel on Illicit Financial Flows, which will deliver its recommendations early in 2014. Panellists also highlighted the importance of good governance, broader domestic reforms and anti-corruption efforts, as well as the issue of fair taxation of natural resources.

Capacity and knowledge were identified as a particular area where further efforts and support would be useful. Mr. Ortega pointed to concrete examples in Colombia of the impact of investments in tax administration supported by partners, such as the OECD and the IMF, highlighting the high rates of return on relatively modest investments in this area. Panellists provided updates on a number of initiatives undertaken by both developed and developing countries, including international exchange of information for tax purposes, capacity development for tax administration, the OECD’s work on Base Erosion and Profit Shifting (BEPS) and the EU initiative to spur country-level reporting on income and expenditure by multinational companies.

Participants reflected on the **contribution and potential of the Global Partnership for Effective Development Co-operation**, both in relation to the domestic resource mobilisation agenda and to international development cooperation efforts more broadly. The Global Partnership Co-chairs stressed its value in encouraging collaborative, voluntary action on shared challenges. Panellists underscored the values of mutual respect and mutual accountability as central to the work of the Partnership, and pointed to its value as a multi-stakeholder forum – and particularly the link with the private sector on domestic resource mobilisation and management issues.

³ See Ngozi Okonjo-Iweala (2014), “Aid as a catalyst for domestic resource mobilization in Africa.” [Background Paper](#)

Discussions on the **linkages with the post-2015 development agenda** touched on the need for different types of partnership to support development; the importance of domestic resources as a key element of the “how” of a post-2015 framework; and the potential for the Global Partnership to help unlock additional and higher quality resources in support of post-2015 development objectives.

Mr. Kuribreña highlighted the importance of the interface between development co-operation and domestic resource mobilisation as part of a broader agenda for the Mexico City meeting, which will look at effective partnerships in the run-up to 2015. The issues of development co-operation in middle-income countries; South-South and triangular co-operation, and knowledge-sharing; the role of the private sector; and the quality of development co-operation; were identified as other items to be addressed by ministers and heads of organisations at the meeting.

Comments from the audience touched on a range of issues including the particular capacity challenges faced by fragile and conflict-affected states in relation to the negotiation of investment agreements; on-going efforts in the areas of financial inclusion and work to facilitate remittances; the importance of new approaches to partnership, and broader international efforts to support economic transformation and industrialisation in developing countries. Participants also spoke of the potential for the discussion to contribute to efforts on the post-2015 UN development agenda.

Additional information

Video footage of the event will be made available online shortly via the Global Partnership web site (www.effectivecooperation.org). This event was one of a series of high-level side events and consultative meetings initiated by the Co-chairs of the Global Partnership for Effective Development Co-operation in preparation for the Mexico High-Level Meeting.

The Global Partnership for Effective Development Co-operation is a new forum that helps governments, business and organisations work better together to ensure that their development efforts produce maximum impact. It was established at the Fourth High Level Forum on Aid Effectiveness in 2011 (Busan, Korea) to sustain political dialogue on issues relating to the quality and effectiveness of development co-operation. The [Busan Partnership agreement](#) has been endorsed by over 160 nations and 45 organisations, representing a wide range of stakeholders.