Speech of Lilianne Ploumen, Dutch Minister for Foreign Trade and Development Cooperation, during the International Tax Conference "Pay your taxes where you add the value", The Hague, the Netherlands, 2 July 2015.

Ladies and gentlemen,

In less than ten days, the UN conference in Addis Ababa will start taking decisions that will have a profound impact on the world community in the next 15 years and beyond. If we can get the Sustainable Development Goals right – in Addis and then in New York in September – developing countries may do in the next 15 years what it took the West well over a century to achieve.

The single most important aspect of that challenge is the theme of this conference: taxes. To finance their share of the SDGs, developing countries will have to increase the amount of tax they collect to about 20 per cent of GDP, according to the UN. For most developing countries, that figure is currently between 10 and 15 per cent.

That's low compared with the average tax rate of 35 per cent for developed countries. But consider the historical perspective that Thomas Piketty offers us in his book Capital in the Twenty-First Century. It was only after 1910 that the tax rate in Western countries slowly started rising above 10 per cent.

We certainly shouldn't aspire to return to those times. A tax rate of 10 per cent would leave government able to provide only the most basic services, like general public administration, policing, the courts, the armed forces and foreign policy. It would leave much of the population without access to health care or education, and would leave the country without decent infrastructure or any social safety net. In short, it would leave most of us unable to build decent, prosperous lives.

What is needed to achieve this is, first and foremost, an effective, comprehensive and fair tax system. This should be a top priority for all of us. That is what we will speak about today: how can your sector help developing countries finance their own development?

I see three main areas for action:

•One: ensure fair taxation and combat tax avoidance and evasion.

•Two: strengthen the tax collector. In other words: boost the capacity of tax agencies in developing countries.

•Three: broaden the tax base.

Allow me to elaborate on each of these areas.

1: Ensure fair taxation and combat tax avoidance and evasion

The urgency here is overwhelming. UNCTAD estimates that multinationals avoid one hundred billion dollars' worth of corporation tax in developing countries. The Mbeki report calculated that African countries alone miss out on tens of billions of dollars due to tax evasion. First and foremost, this requires action by governments and international institutions. They now have to make good on their promises to fight tax avoidance and tax evasion.

Pascal Saint-Amans will no doubt brief us shortly on the latest developments in the OECD/G20 Base Erosion and Profit Shifting Project. I'm curious to hear how it aims to respond to the plea reflected in the title of today's conference: 'Pay your taxes where you add the value'. The entire tax landscape will have to adjust, requiring changes from countries including my own.

For the Netherlands as well as for developing countries, the importance of foreign investment can't be overstated. UNCTAD estimates the total contribution of multinational enterprises to government revenues in developing countries at 730 billion dollars a year. On average, this represents just over 10 per cent of total government revenues. But there are still huge gains to be made. Just take the amounts developing countries currently waste trying to attract investment: UNCTAD estimates that 130 billion dollars are spent every year on unnecessary tax incentives.

2: Strengthen the tax collector

We have to assist developing countries in their efforts to broaden their tax base and build tax collection capacity. Two years ago, the Netherlands started giving technical assistance to developing countries. Currently we are active in 10 countries. In a partnership of donors and developing countries we are starting an initiative to generate extra resources for building tax collection capacity. The Netherlands aims to double its contribution. To me, that seems like a good investment, because internationally the rate of return on such support is way over a factor of 10. We will launch this initiative at the Financing for Development summit in Addis Ababa in mid-July.

It is important that countries that want to use these extra resources express the political will to reform their tax systems. In developing countries, tax systems often have a regressive effect because they tend to be simple. They rely heavily on consumption taxes like VAT and on import levies. The poor are hit harder by such taxes than the rich. Poor people pay a relatively high amount of tax because they spend all their income on goods subject to VAT, like their groceries and phone credit. And they pay import levies on their mobiles. There is no tax-free shopping for the poor.

3: Broaden the tax base

Developing countries need more capacity to administer and collect more complex forms of tax, like income and wealth taxes. Countries need a progressive income tax regime. Because the poor are often hit harder by income tax too.

In Zambia, for instance, the sugar picker and the market woman pay more tax than the sugar factory itself. Businesses can use smart tax arrangements – tax avoidance tactics, in other words – to ensure they pay less than 1 per cent in tax. While the market woman has to pay four times that rate on the couple of dollars she earns. That's completely unfair.

For that reason, I'm delighted that we're on the point of signing a new tax treaty with Zambia and four other countries. In the end we want to revise the treaties with a total of 23 countries. The anti-abuse provisions will ensure that the Netherlands is no longer an attractive option for companies that use such tactics. Theirs is the kind of business we would rather do without. From now on, tax benefits must accrue only to the companies they are truly aimed at.

To broaden the tax base, policy coherence is crucial. We need to look at every measure we take in terms of its impact on the overall goal of inclusive growth. Since I'm pressing for a constant international focus on this, let me outline what we in the Netherlands are doing in this area:

a) First, we're including anti-abuse provisions in our tax treaties with developing countries, as in the Zambian example I just mentioned. From now on, tax benefits must accrue only to the companies they are truly aimed at.

b) As I'm sure you're all aware, we regularly urge developing countries to be more discerning when awarding tax exemptions. The Netherlands is now putting its money where its mouth is. Along with other countries, we are prepared to forgo tax exemptions on goods and services that fall under Official Development Assistance.

c) Where possible we facilitate full participation by developing countries in the international tax debate. And we're willing to support relevant organisations in this area, like the United Nations Committee of Experts on International Cooperation in Tax Matters – another body that could help better equip developing countries to collect their fair share of taxes.

d) Finally, we remind companies with international operations of their social responsibility to meet their tax obligations in accordance with the OECD's recommendations. That means complying with both the letter and spirit of the tax laws and regulations of the countries in which they operate.

As I said, policy coherence depends on transparency. And corporate transparency is essential to ensuring fair taxation. Especially as 60 to 70 per cent of all international transactions take place between companies in the same group. That's why I believe that country-by-country reporting on profits earned and taxes paid is vital. The EU is currently assessing whether such data should be made public. In our banking system, we already have that kind of transparency, but it took a major financial crisis to make it happen. So let me make this appeal to the business world: report your profits and taxes in a transparent manner, and publish your tax policies as part of your Corporate Social Responsibility strategy.

Ladies and gentlemen,

I realise the task before us is daunting. It's a big leap from the billions we needed for the Millennium Development Goals to the trillions we'll need to make the Sustainable Development Goals a success. But look at what we've achieved already! Ending hunger is within this generation's grasp and that seemed inconceivable only a generation ago.

I for one see ways to do it. I see ways to make our ODA billions spark the trillions we need in private sector resources. Above all, I see ways to increase tax revenues in developing countries. And all of you are needed to make that happen.

I look forward to a productive discussion that results in some interesting recommendations. I will be glad to add them to our 'to do' list for Addis Ababa.

Thank you.