



The Third International Conference on Financing for Development, Addis Ababa

Side event on

“Domestic mobilization of resources and international financial governance: the MICs and SIDS perspective”

14 July 2015, 8:15-9:45 a.m.

Hotel Radisson BLU, Lalibella Room

Background

The side event, co-organized by the Economic Commission of Latin America and the Caribbean and the Governments of Colombia and Chile, will discuss from a Middle Income Country (MICs) and Small Island Developing States (SIDS) perspective the challenges Latin America and Caribbean countries face to foster the mobilization of domestic resources and the need to promote international cooperation on fiscal, financial and trade matters.

Domestic resource mobilization is at the core of the strategy to finance the post -2015 development agenda. However for Latin American and Caribbeanⁱ countries effective mobilization is constrained by domestic and international factors.

At the domestic level, tax reforms made in the region in the past two decades have increased the tax burden and shifted fiscal policy towards improving redistribution. However, the domestic mobilization of resources is curtailed by a tax structure that is insufficiently progressive, a limited tax base due partly to tax evasion and avoidance, the specific characteristics of the Latin American and Caribbean business cycle, low levels of development, and the insufficient depth of the region’s domestic financial markets.

Besides domestic resource mobilization issues , the region’s governments are facing new challenges internationally including combating illicit flows and capital flight and the existence of tax havens. Another important limiting factor is the existing asymmetries in both the international financial architecture and the trade system. To address these asymmetries, the international financial

architecture has to reflect the shift that has taken place in global economic and political power towards emerging economies and MICs and deliver stability as a global public good. Also, the trade system must provide MICs and SIDs with the opportunities to increase their share in global trade, access to global markets and value chains, receive technology transfer and acquire knowledge.

At the core of the debate on domestic resources mobilization is also the role of private flows in financing for development. Public resources must be complemented by private flows. A key challenge within this context is to channel private capital towards production development in an effective manner. This involves public-private cooperation and blending public and private resources to achieve the leverage required to maximize the impact of development financing.

Domestic resource mobilization should not be only equated with fiscal resource mobilization but also include the key role played by development banks in financing sustainable development. Indeed, subregional and national development banks have played a crucial role in channeling resources to the production sector, including to Small and Medium Enterprises.

Overcoming the challenges facing domestic resource mobilization also requires international cooperation in fiscal matters. International and regional agreements should be the basis for common international rules and standards to improve tax transparency and prevent the erosion of tax bases and competition among countries to reduce taxes to attract investors, and promote more development friendly financial and trade systems.

¹ For background information, please refer to the following ECLAC documents:

- Ten key messages of the Latin American and Caribbean Regional Consultation on Financing for Development (<http://repositorio.cepal.org/handle/11362/37913>)
- Financing for development in Latin America and the Caribbean: A strategic analysis from a middle-income country perspective (http://repositorio.cepal.org/bitstream/handle/11362/37769/S1500126_en.pdf?sequence=1)

DRAFT PROGRAM

This side event caters to high level government representatives, international organization officials, representatives from the academia, civil society, private sector and other relevant stakeholders.

8:15-8:20	Welcome and Introductory Remarks	Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)
8:20-9:35	Panel Interventions and Discussion	Panelists: Joseph Stiglitz, Professor School of International and Public Affairs (SIPA) at Columbia University, USA Mauricio Cárdenas Santamaria, Minister of Finance and Public Credit, Colombia Luis Arce Catacora, Minister of Economy and Public Finance, Bolivia Jeanette Sánchez, Minister of Economic Policy Coordination, Ecuador Manuel A. González, Minister of Foreign Affairs and Cult, Costa Rica (TBC) Alonso Segura, Minister of Economy and Finance, Peru (TBC) Moderator: Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)
9:35-9:45	Closing Remarks	Eduardo Gálvez, Deputy Director of Multilateral Affairs, Chile Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)