



Preparatory Process for the Third International Conference on Financing for Development

Substantive informal session on domestic public finance

New York, 11 November 2014

Swiss Statement

Distinguished Co-Chairs

Mr. Moderator

Excellencies,

Ladies and Gentlemen,

Switzerland welcomes that a full day is spent to discuss the role of domestic public finance to prepare for the third International Conference on Financing for Development in Addis Ababa. Domestic Resource Mobilization (DRM) and sound public finance management help to reduce aid dependency, build institutions and foster accountability. Having said this, we consider domestic resources as the most important financial source for sustainable development. Domestic resources will have to be at the center of each country's financing strategy to ensure that it can implement the SDGs.

However, it is important to keep in mind that collecting revenues and spending them wisely are closely related. Additional resources can only advance sustainable development if they are used efficiently and effectively. It is good that we will deepen this issue with a focus on public financial management in the afternoon session.



Governments must ensure a predictable and fair regulatory environment for companies to create good and productive jobs that will spur domestic resource mobilization in a sustainable manner. A fair, equitable and transparent tax system should be in the center of these efforts. If we look for specific ‘revenue gaps’ in developing countries, for Switzerland some of the most evident are: (i) the large amounts of potential tax income that is given away routinely by governments in the form of unjustified ‘tax incentives’; (ii) dealing with “hard to tax” sectors, especially where administrative capacity and compliance habits are weak (iii); the large informal economy limiting the number of taxpayers compared to the workforce; (iv) the under-taxation of land and property; (v) the under-taxation of the profits of mining companies. It is important to note that many of these aspects are caused by the weak underlying capacity of tax administrations or the lack of political will to implement existing tax laws.

We will have to further expand on the underlying factors when talking about governance in our December session. Nevertheless, already now we are convinced that these five issues building upon shared principles should be addressed with an action-oriented agenda in the new framework on financing for sustainable development we agree upon in Addis.

Let me elaborate a bit on quick wins. One of the easiest ways to raise more revenue might be for countries to increase the productivity of their VAT systems by improving their design. Another one is to close the gap vis-à-vis higher income countries in the taxation of land and property. Switzerland therefore provides partner countries with technical support, advisory services and training on a bilateral basis to improve the capacity of their tax administration and design.

In addition to the national level, Switzerland considers the sub-national level of particular importance as fiscal decentralization fosters both local governance and ownership. Effective examples include taxes on property, revenue from economic infrastructure, user charges or building community assets from natural resources, strengthening tax collection capacities of local governments focusing on their tax administration, incentives to positively influence tax compliance. Solutions need a systemic perspective to promote both legal and policy reforms enabling transparent local revenue generation.



To sum it up: For Switzerland it is important that all countries commit to programs to help Domestic Resource Mobilization reach a critical amount of domestic resources in relation to their GDP, allowing to fund essential public services to foster sustainable development and eradicate poverty. We could consider having specific policy recommendations in this regard.

When talking about revenue generation, let me also say a word on the issue of illicit financial flows which needs to be addressed both domestically and internationally: Switzerland recognizes that illicit financial flows constitute a fundamental obstacle to economic growth and good governance in developing countries. A comprehensive vision and internationally coordinated action is necessary to successfully curb illicit financial flows. Switzerland contributes to these efforts by the implementation of globally agreed standards. All countries should continue their efforts to combat money laundering and to curb tax evasion and tax avoidance. At the domestic level, Switzerland aims to achieve this goal with a wide range of instruments including measures to counter money laundering, tax evasion and tax avoidance and corruption. At the international level, it takes further action to ensure the restitution of stolen assets of politically exposed persons to the countries of origin.

Switzerland has signed the UN Convention Against Corruption (UNCAC) in 2003. Over the course of 25 years, Switzerland has become a world leader in the field of recovery of illegal assets held by former heads of state and other PEPs (politically exposed persons) by having returned to their countries of origin a total of USD 1.8 billion in assets unlawfully acquired by PEPs.

Switzerland promotes the use of tailor-made solutions to ensure that the returned assets will indeed benefit the population of the country of origin, as restitution can be a delicate matter if corruption is endemic in the country of origin of the assets. Possible approaches in such cases include setting up an independent monitoring mechanism, returning assets via an international organization that runs programmes in the country of origin, or cooperating with NGOs.

I am looking forward that we will have more time to discuss these issues in depth at our next gathering in December and I can ensure you that Switzerland will actively engage in this regard.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Seul le texte prononcé fait foi
Check against delivery

Thank you