

Preparatory Process for the Third International Conference on FfD
First Drafting Session: Domestic Public Finance
(as prepared)

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Increasing domestic public resources holds the key to achieving sustainable development objectives. Domestic resources have been the most rapidly growing components of development finance this past decade. As countries enjoy growth, the public sector needs to be able to raise the revenues and this requires **strengthened domestic revenue systems** so that the collection and use of resources is efficient. Decisions on how best to manage government budgets and prioritize public expenditures to balance core objectives of growth, investment, and social protection are critical to ensuring the effectiveness of domestic financial resources.

All countries must take steps towards greater transparency in tax matters to achieve greater mobilization of domestic resources. Universal support for a single global standard for automatic exchange of information would significantly advance this goal. Addis should also support work underway on base erosion and profit shifting, and efforts to develop rules regarding transfer pricing documentation to enhance transparency for tax administration, taking into account the compliance costs for business. Rules should incorporate requirements on confidentiality and appropriateness of use, and the exchange of information on the global allocation of income, economic activity, and taxes paid by multinational enterprises among different countries according to a common template. Administrative capacity to collect taxes due is equally critical. Therefore, greater investments to strengthen tax and customs administration and enhance domestic revenue mobilization should receive high priority.

Transparent, effective, and sustainable management of natural resources is critical to achieve sustainable development goals. Supporting sustainable development requires integrating the principles of sustainability into a country's development strategies, domestic policies, and budget process. This type of reform includes policies that support renewable energy and align fiscal and macro-economic policies to support low-carbon, climate-resilient development strategies. We believe Addis provides an opportunity for universal support for the extractive Industries transparency initiative.

We underscore the need to combat illicit finance, corruption, tax evasion, and other criminal activity. Corruption and illegal activities deny many countries of substantial revenue, and corruption remains a pervasive problem. We believe the outcome document should include language stressing the need for all countries to sign and ratify the UN Convention against Corruption. We also support language reflecting the need for all countries to work together to investigate cross border financial crimes. To develop effective and well targeted strategies to combat corruption and illegal activities, it is critical that we differentiate between financial strategies, which are legal, and activities, which are illegal.

Finally, as we've emphasized in earlier statements – **inclusion is central principle for us in this agenda and it is equally relevant in domestic public resources.** Inclusion of all segments of

society in the economy drives growth and in turn the domestic public resources available for sustainable development. One study suggests that raising the female labor force participation to country-specific male levels would, for instance raise GDP to levels ranging from 5 percent to 34 percent. .