

# How can we finance sustainable development? | Alicia Bárcena

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## Alicia Bárcena

**WASHINGTON, United States, Monday July 6, 2015** – The Third International Conference on Financing for Development, which will be held from July 13 to July 16 in Addis Ababa, represents a unique opportunity to overcome the challenges that middle-income countries face, to procure effective financing at all income levels, and to fulfill the transformative objectives of the post-2015 agenda and the Sustainable Development Goals (SDGs), which will be presented in September in the framework of the United Nations General Assembly.



To this end, the financing architecture for development must mobilize a large quantity of resources and change the way in which they are obtained, organized and allocated.

The internal mobilization of resources is at the center of financing in the post-2015 agenda. But this runs up against domestic and international obstacles.

The governments of Latin America and the Caribbean have made significant efforts to increase fiscal revenue collection; however, they have been limited by tax evasion and fiscal avoidance. According to official estimates, evasion rates on the Value-Added Tax (VAT) in Latin America range from 17.8 per cent to 37 per cent of total collection, figures that are much higher than those in countries belonging to the Organization for Economic Cooperation and Development (OECD), where rates oscillate between 3 per cent and 22 per cent. The rates of evasion on personal income and corporate taxes are even higher, surpassing 40 per cent of total income in some cases.

The governments of the region also face new challenges in the international arena, such as the need to combat illicit flows that, according to Global Financial Integrity (2014), exceed \$150 billion, which represents more than ten times the official development assistance, or ODA (\$10 billion in 2013) and is similar to what the region receives in terms of foreign direct investment (\$158 billion in 2014).

That is why I have insisted that to promote the mobilization of internal resources international cooperation

on fiscal policies must be “multilateralized” to the point where major tax accords and fiscal rules have been established at a global level. This should be complemented by the active role of development banks, which are a significant source of financing for productive development.

These challenges are compounded by others related to sovereign debt and the need for restructuring. Due in large part to their structural vulnerability to natural disasters, the small island States of the Caribbean make up one of the most indebted regions of the world: in 2014 their total public debt reached an average of about 80 per cent of GDP, dragging down the sub-region’s development.

For this reason, I am calling for the exploration of routes that would lead to pardoning part of these countries’ external debt.

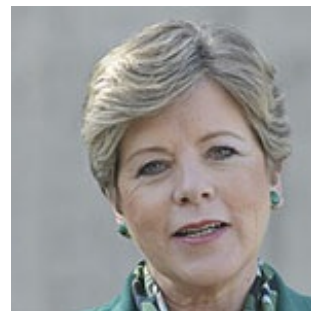
The mobilization of internal resources should be complemented by private flows. A key challenge consists in finding a way to channel these resources towards development objectives, taking into account that private capital is motivated primarily by economic benefit.

But national strategies to mobilize internal and external resources, by themselves, are insufficient. That is why I argue that there is an urgent need to address the asymmetries in the governance mechanisms of the international financial architecture and allow developing and middle-income countries to take advantage of the benefits of technology transfer and knowledge acquisition.

I hope that in Addis Ababa a broad global consensus is reached. The new development agenda can and should become a powerful catalyst for a new equation between the State, the market and society, in which all actors can establish new rules and complementary alliances for the sake of the common good.

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