

**Speech of Mr. Ville Skinnari
Minister for Development and Foreign Trade of Finland**

**Launch event of Finland's new
Taxation for Development Action Programme
Tuesday 9 June, 2020**

**Stronger, healthier and more resilient societies
through taxation**

Distinguished speakers and participants, ladies and gentlemen.

Thank you very much for joining us today in this important virtual launch event of the Government of Finland's new **Taxation for Development Action Programme**.

At this moment of the global Covid-19 crisis, citizens and companies need their governments very much. Over the years, there have been times, when the governments were not in fashion: Many vocal voices claimed that the smaller the government the better. Now, in every country of the world governments are working day-in-day-out to protect their citizens and companies from the shock. **No-one is campaigning for a small government now.**

The very first reaction was the **health care** response: We had to save lives, and we still do. But very soon, we have had to respond also to the socio-economic crisis: People and companies have lost their livelihoods.

Most countries are financing the immediate response through **debt**. As we all know, that cannot continue forever: To build back better and greener, governments are going to have to mobilize more domestic revenue. So, while many things are uncertain, one thing we know for sure is that all countries will have to **strengthen their taxation capacities** and cooperate better globally to curb the illicit financial flows that benefit the very few at the cost of the very many.

Dear participants,

Finland has been ranked high recently in several international comparisons of effective governance, trust in government, least corruption, and high levels of human wellbeing. For the third year in a row, Finland has also been named the world's happiest country! Citizens can typically trust that Ministers and civil servants will do their very best to turn agreed objectives into reality.

Although Finland is a relatively small nation in the northernmost part of Europe, we want to play an **active role** in the world, influencing matters that are important to us and where we have good experiences to share. Fair and efficient taxation is definitely one such matter.

The power of taxation is a tool to promote several other important objectives of **sustainable development**, such as poverty eradication and reduction of inequalities. This is well recognized in our new Action Programme. We want to understand better how taxation could be used to promote, for instance, **gender equality and climate sustainability** objectives, and healthy and sustainable patterns of **consumption and production**. And we want to pursue broad international cooperation in these areas.

One of the priorities of Finland's official development assistance (ODA) will be **to contribute to improvements in the taxation systems of developing countries**.

Another priority is that **companies that receive development cooperation funds will be obligated to meet tax responsibility and transparency criteria**. These two priority goals are now the first two pillars of Finland's new Action Programme on Taxation for Development.

The third pillar – **strengthening the 'voice' of developing countries in global tax policy** - is also derived from the Coalition Government Programme. Global problems

can be resolved only in the context of an efficient and effective rules based international system. Finland's security and economic success is also built on this same foundation.

Dear friends,

Fair treatment and gender equality have to be strongly visible in all our activities, and we will establish new partnerships for strengthening the UN and for promoting these matters especially with African, Asian and Latin American countries.

Africa's significance as an EU neighbour and strategic partner is growing. Finland wants to give its firm support to moving forward on the partnership negotiations between the African Union (AU) and the European Union, in all sectors. Capacity development for taxation and curbing of illicit financial flows is one of the priorities from our point of view. We also pledged to co-operate with those UN agencies, other multilaterals and civil society actors that are effectively focusing on our priority areas, including taxation.

The geographical focus of Finland's ODA is Africa.

In most African countries the majority of enterprises and citizens earn their living in the **informal sector**. This does not mean that they do not pay taxes: quite the contrary, informal sector traders, artisans and farmers often pay VAT and relatively high licenses and fees, while large – national and multi-national - formal sector firms often avoid paying taxes by negotiating tax holidays or by shifting profits to tax havens.

This means that the total impact of taxes is much more regressive in many African countries than it is in Finland, where the relatively progressive taxation system, together with the social protection and public services that it finances, redistributes income and reduces inequalities.

The **gray economy, aggressive tax planning, tax havens and harmful tax competition** are real challenges for Finland, as they are for African countries. We recognized this in our Government Program and made a firm decision that aggressive

tax planning will not be tolerated. Finland will play an active role in the EU, the OECD and the UN to counter these challenges, both within the European Union and throughout the world.

Taxation and bringing the informal businesses into the formal economy and tax system, are also relevant questions from **gender equality** point of view. Finland will also play an active role in international cooperation for confirming the taxation of platform and **digital economy** businesses. And these examples we are gladly sharing with our international partners.

We know that these very same – or similar - questions are also on the Agenda of our African partners, including the African Tax Administration Forum ATAF. Mr. **Logan Wort**, the Executive Director of ATAF is going to speak here today immediately after **Jutta Urpilainen**, the EU Commissioner for International Partnerships.

We are very much looking forward to working closely both with our African partners, as well as with the EU Commission. Let me also recognize the presence of Mr. **Felix Fernandes-Shaw**, Director of the Development Policy Department of DEVCO, and his senior Domestic Resource Mobilisation expert, Mr. **Benedikt Madl**. Thanks for joining us.

We are very much interested in the work that EU-DEVCO will be doing to support the capacity of the African Union Commission on tax policy questions. Our support to ATAF and to Tax Justice Network Africa will be doing the same – providing opportunities for these key champions of tax justice in Africa so that the '**Voice of Africa**' can be heard in all global fora of tax policy making.

We need to identify **cross cutting solutions** that promote our climate objectives in the most economically effective way, accelerating the **shift away from fossil fuels** while being in line with the requirements of **social justice**. The package will include a reform

of energy taxation, a reform of transport taxation, health promotion, focus on circular economy, and a study of emissions-based consumption taxation.

To conclude; the power of taxation can be used as an effective tool of socially, economically and environmentally sustainable development. We want to learn more from our European, African and global partners. And we want to share the best practices and new innovative ideas we have in Finland. This is why Taxation for Development is one of the priority topics of Finland's development cooperation.

Thank you!