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Statement By
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The world is currently facing a series of global disruptions and geopolitical tensions that pose serious challenges to people's welfare and sustainable development. They include lower economic growth expectations, the weakening of multilateralism, the return of protectionism, the disruptive effects of the digital technological revolution, the ongoing changes in climate and demographic patterns, and growing inequality, which erode the social contract, drive migrations and make progress harder to achieve. All of this makes it ever more urgent to implement the 2030 Agenda for Sustainable Development, which offers an important road map for greater cooperation to correct asymmetries and set the foundations for an open, sustainable and stable multilateral system.

No country will be able to implement the 2030 Agenda and its seventeen Sustainable Development Goals (SDGs) without the contribution of several actors. At the regional level, ECLAC will host the third meeting of the *Forum of the Countries of Latin America and the Caribbean on Sustainable Development* on 22-26 April 2019, at ECLAC's headquarters in Santiago, Chile. The Forum is a space for dialogue in which the countries of our region share the progress, opportunities and challenges that they face implementing these very ambitious goals. It is an integrating space in which governments participate alongside all actors of society, forming alliances to seek solutions to shared challenges in areas that address social, environmental and economic issues.

Mobilizing resources

The countries of Latin America and the Caribbean have made significant efforts to integrate the SDGs into national development plans and programs; the great challenge from here forward is to advance on the means of implementation, especially with regard to financing. Countries will need to mobilize sufficient external and domestic resources in order to meet these goals.

A key challenge of the 2030 Agenda's development architecture is to mobilize private resources and channel them towards the SDGs. Private flows have become the main source of external financing for Latin American and Caribbean developing countries (FDI represented in the last decade an average of some 52% of private sector financial flows to the region) as well as remittances (which represent 24% of total net private financial flows to the region, exceeding 10% of GDP in some economies of Central America and the Caribbean), while there has been a decline in more traditional forms of financing for development, such as official development assistance (ODA). Indeed, ODA flows currently represent 0.25% of regional GNI, a significant drop from the 0.4% average for the 1970s, 1980s and 1990s.

The global context in which mobilization of resources occurs matters. Therefore, an enabling external environment is essential to implement the 2030 Agenda. And this will require profound changes in the global trade system and in the conditions for the transfer of knowledge and technology from developed to developing countries. Moreover, these efforts should be accompanied with the promotion of new and innovative instruments and mechanisms for financing development.

Tackling tax incompliance and illicit financial flows

At the national level, fiscal space and resource availability remain limited; accordingly, public finances will need to undergo comprehensive, sustained reform in order to secure the solvency of the public sector, safeguard investment, protect social achievements and broaden tax resources. In the area of public financing, it is imperative to improve the region's tax systems, which in most countries are characterized by insufficient revenue generation and rampant evasion of income and indirect taxes.

According to ECLAC's latest estimate, the regional cost of tax evasion and avoidance amounted to 6.3% of GDP in 2017, which is equivalent to US$ 335 billion. Meanwhile, the illicit flows stemming from the manipulation of international trade in goods reached US$ 85 billion in 2016, or 1.5% of regional GDP. Tackling the high level of tax incompliance and illicit financial flows in the region is more necessary than ever and will require better international cooperation at the global, regional and national levels.

At the global level, this means creating an intergovernmental body within the framework of the United Nations with a mandate for international tax cooperation and promoting the adoption of multilateral instruments to avoid double taxation. At the regional level, the use of tax incentives should be reviewed through agreements to adopt a regional code of conduct and explore other ways of reducing harmful tax competition in the region. At the national level, all economic authorities must be made aware of the need for cooperation within and among countries, as well as to adapt the tax framework to good international practices, strengthen tax administration (particularly in the area of international taxation) and promote a constant cost-benefit analysis of tax incentives.

Along with examining those elements of tax policy that enable progress on the 2030 Agenda and the mobilization of domestic resources, ECLAC has analyzed the taxation and oversight of the digital economy in the region, highlighting changes to business models and the challenges to tax policy and oversight they entail, since tax systems – designed in an earlier era – have a number of weaknesses that facilitate the erosion of tax revenues.

In our annual *Fiscal Panorama of Latin America and the Caribbean 2019,* we review unilateral measures that countries in the region have adopted in an effort to close loopholes for tax avoidance and collecting tax on digital economy activities. To date, progress in taxation of the digital economy in our region has been moderate. At present, just three of the sixteen countries analyzed levy a VAT on digital services and three others are in the process of establishing the means of doing so. It is important that other countries make efforts to advance in this area, following internationally recommended practices.

Bolstering resilience

Bolstering the resilience of Latin American and Caribbean societies is key to implementing the 2030 Agenda. However, moving toward more resilient societies is an even greater challenge for our region due to its high degree of vulnerability to natural disasters, particularly in Central America and the Caribbean, a vulnerability that is increasing as a result of climate change.

Between 1990 and 2017, there were 345 climate-related disasters in the small island states of the Caribbean, and their impact represents an additional burden on these countries, which cannot take advantage of economies of scale because of their size. In addition, high levels of indebtedness have limited budget allocations toward prevention, mitigation and post-disaster reconstruction, to the detriment of investment in other sectors that are key to sustainable development. ECLAC has highlighted the current context of environmental crisis and financial vulnerability as an opportunity to create a multilateral debt relief mechanism for Caribbean countries, with the aim of freeing up resources to create a fund for investment in low-carbon climate adaptation and mitigation. The Caribbean Resilience Fund would provide financing for investment in climate resilience, green growth and structural transformation in the economies of the region.

Rethinking development

The role of regional and global multilateral platforms is essential to tackle global challenges and to strengthen the alliances needed to resolve them. However, the modalities of international cooperation must adapt to the new global context and facilitate countries' development processes. The 2030 Agenda cannot continue using traditional thinking and tools to account for countries that are no longer defined as "developing" or "most in need" because they passed a certain threshold of average per-capita income. The challenge is particularly acute in Latin America and the Caribbean, where many countries have achieved greater GDP per capita but still face significant vulnerabilities and structural obstacles to long-term prosperity. The answer is to adopt a new and better set of tools to asses challenges and implement solutions.

First, stakeholders must change how they evaluate progress. Many countries have been 'graduated' from official aid, but they still have structural gaps, which make them fall into a "development trap." It is important to underscore that the current measurements of income and per capita GDP are inadequate since they do not capture the real level of countries' development and they provide very poor information for policymaking.

Second, because there is no one-size-fits-all approach to human development, countries must develop strategies that are tailored to their needs. In this endeavor, inputs from regional and local actors must be considered when establishing national goals, which must be anchored to the 2030 Agenda, while taking local economic realities into account.

Third, countries must solve the funding difficulties that occur as development progresses. When economies achieve higher income levels, they often must confront decreasing flows of official development assistance and other sources of capital. But, because many countries have relatively low tax-to-GDP ratios, mobilizing domestic resources for development spending can be difficult and may require international cooperation to design and implement fiscal reforms to maintain macroeconomic stability while improving socioeconomic health.

Finally, new forms of cooperation are needed. For the first time, the 2030 Agenda provides a universally accepted measurement set so all countries can communicate within the same parameters. Options for enhanced engagement include South-South and triangular cooperation, knowledge sharing, technology transfers, and peer-to-peer policy dialogues. Also, if the mechanisms for integration and regional cooperation were bolstered, intraregional trade could be strengthened, reducing financial risks (including climate-related), better combating tax evasion and illicit funds, closing gaps with regard to technology and innovation, and investing in infrastructure and digital connectivity.

Against this background of global challenges, I look forward to deepening the collaboration between ECLAC and the G-24 in the effort to find solutions to our shared problems and to advance the implementation of the 2030 Agenda for Sustainable Development.