



Meeting: India as the Voice for the Global South Statement of the Minister of Finance of Colombia

January 12, 2023

- We applaud India's intention to voice the concerns of the Global South in its role as the new president of the G20. Let me give a special thanks to the Minister of Finance of India for the invitation to contribute to this meeting and welcome all colleagues of developing countries who are participating.
- The battle against the global pandemic has left many governments vulnerable, saddling them with massive debts they took on as tax revenues fell, health needs soared, and as they strived to soften the economic blow. Now developing countries confront spiralling energy and food prices, higher interest rates, and more volatile capital flows.
- The need for greater public resources to invest in the recovery and the urgent need to restore trust in national and international governance is clearer than ever.
- For Colombia and the Latin American region, a top concern that has a large impact in financing for development is the establishment of an inclusive, sustainable, and equitable international tax system. We congratulate the strong role that India took, together with Colombia, in the OECD/G20 Inclusive Framework negotiations in 2021 under the Group of 24, the group of developing countries in the Bretton Woods Institutions
- Tax avoidance and tax evasion reduce fiscal space along with the availability of valuable resources for financing for development.
- We believe that the 2-pillar solution delivered by the Inclusive Framework under the previous G-20 presidencies is a step forward but does not fully address the concerns that developing and emerging countries have regarding the inadequacy of the current international tax rules and thus recommend that global discussions continue until we find sustainable solutions. We hope that India can show leadership in protecting developing countries' interests.
- The Pillar 1 and 2 global deal should therefore not to be seen as the end of the road, we need to start thinking on solutions that go beyond the current deal but with a





completely different approach for the Global South. Such new dialogue should start now, and I hope that India in its role as chair can build on the G20 achievement to date and foster a more inclusive and effective dialogue

- In more concrete terms, more remains to be done in three key areas to better represent the interests of countries in the Global South.

1. Reallocation of taxing rights

- As Inclusive Framework countries will be asked to sign a multilateral convention later this year to implement Pillar One, India, in its role as chair, should ensure that the OECD publish an impact assessment so as to ensure that the decision by inclusive framework members to sign their multilateral convention reflect their best interests.
- Pillar 1 does not address the current bias in the allocation of taxing rights towards advanced economies. Whilst Pillar One can be seen at best as an interim solution, and Countries should therefore be allowed to consider complementary and alternative measures, there is a need to build on the current outcome towards a fairer reallocation of taxing rights based on a more comprehensive fractional apportionment of all multinational's profits, as originally demanded by the G-24 grouping of countries.

2. Tax competition

- Pillar 2 is intended to limit harmful tax competition between countries and will force all countries to rethink how they attract foreign direct investments and how they engage in industrial policies designed to expand employment and raise living standards.
- This is particularly important in light of the need to tackle climate change, curb harmful emissions and promote green technology. Developing countries and emerging economies can work together to reshape tax incentives towards other fiscal interventions (such as R&D support and dedicated infrastructures).



3. Taxation of offshore income and wealth

- Much remains to be done to address the scale of offshore income and wealth, starting from increasing transparency of wealth ownership and mitigate the tax competition to attract wealthy individuals and investments.
- Latin America and the Caribbean region will also be working this year on proposing an agenda of urgent issues that still must be resolved in the international tax arena, through a ministerial summit to be held in Cartagena in the summer of 2023.
- The declaration will be built through a bottom-up inclusive and transparent process that will start with an open call to academics, governments, civil society organizations, and taxpayers, who will deliver their input on unresolved issues in an academic event called “Rethinking Global Taxation”, to be held the first week in May in Bogota.
- With the full range of unresolved issues in mind, Latin American and Caribbean leaders will prioritize those that are the most urgent from our perspective in the Cartagena Summit.
- We hope that this tangible input will lead to a more materially inclusive discussion at a global level, which we acknowledge India has championed as a member of both the G20 and G-24.
- This is why we would like to invite India and all other countries here present to contribute to this common endeavour so that together we can make progress on the agenda for an inclusive, sustainable, and equitable global tax system.

Other financing issues

- Time would not allow me to make detailed proposals in other areas but let me add the importance of three issues.
- The first is the need for an increasing role of the system of multilateral development banks. This should include not only their counter-cyclical development role in a time of limited and costly private financing, such as the one we are living one. The support of MDBs should middle-income countries with normal access to the relevant markets.
- To this I would add the increasing role that these institutions must play in financing climate change mitigation and adaptation, and the increased social needs of all





developing countries associated to food supply issues and health policies, including combating pandemics.

- The second is the need to adopt an ambitious framework for debt restructuring for countries in several parts of the developing countries that face unsustainable debts. This should include the creation of a permanent framework for debt renegotiations, either in the United Nations or the IMF –though in the latter case only if the arbitration body is independent from the IMF Board. In the short run, however, a transitional framework could be created in which the multilateral development banks support debt renegotiations on a case-by-case basis.
- Finally, let me add that it is time for another issue of IMF's Special Drawing Rights, similar to that adopted in 2021, and similar in its magnitude.
- Let me thank again the Minister of Finance of India for the invitation to participate in this meeting and welcome the leadership of her country during this year as chair of the G20.

