Introductory statement by
Alexander Trepelkov, Director, Financing for Development Office, UN-DESA, on the Report of the Secretary-General "Strengthening of institutional arrangements to promote international cooperation in tax matters, including the Committee of Experts on International Cooperation in Tax Matters" (E/2011/76)
26 April 2011

Mr. President,
Distinguished delegates,

institutional arrangements to promote international cooperation in tax matters, including the Committee of Experts on International Cooperation in Tax Matters" (E/2011/76), submitted in response to ECOSOC resolution 2010/33. Against the backdrop of universal consensus on the key role of international tax cooperation for the mobilization of domestic resources for development, the report reviews the existing institutional arrangements, including complementarities between the work done by the UN Committee of Experts on International Cooperation in Tax Matters and other international organizations, such as the Bretton Woods institutions, OECD and relevant regional bodies. It also summarizes the views provided by Member States and presents options, for consideration by the Council, on strengthening of the UN institutional capacity to promote international tax cooperation.

The setting

The relationship between financing for development and international tax cooperation features prominently on the UN development agenda. Last year's Summit on the Millennium Development Goals (MDGs) highlighted the need for enhancing domestic resource mobilization and fiscal space through modernized tax systems, more efficient tax collection, broadening the tax base and effectively combating tax evasion and capital flight. While each country is responsible for its tax system, it is important to support national efforts of developing countries by enhancing international cooperation and participation in addressing tax matters.

In the wake of the recent financial and economic crisis, the global recession has depressed government revenues and aggravated budget deficits, while creating a need for stimulus packages and recovery measures in many countries. Meanwhile, pressure is mounting to address long-term development goals, such as the MDGs, as well as new challenges related to climate change, population ageing, volatility of food and fuel prices, and support for fragile and conflict-affected States. Thus, donor countries have a strong renewed interest in helping developing countries to improve their tax revenues, as a way to reduce pressure for additional financing for development.

UN Committee of Experts on International Cooperation in Tax Matters

Due to its universal membership and legitimacy, the United Nations has a key role to play in promoting international tax cooperation to the benefit of both developed and developing countries. Under the current institutional arrangements, the 25-member Committee of Experts on International Cooperation in Tax Matters serves as a subsidiary body of ECOSOC. Its core mandate is to keep under review and update as necessary the *UN Model Double Taxation Convention between Developed and Developing Countries* and the *Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries*. In addition, the Committee provides a framework for dialogue with a view to enhancing and promoting cooperation among national tax authorities; considers how new and emerging issues could affect international tax cooperation and develops assessments, commentaries and appropriate recommendations; and makes recommendations on capacity-building and the provision of technical assistance. In all its activities, the Committee gives special attention to developing countries and countries with economies in transition. The Committee meets annually for five working days in Geneva and submits its report to ECOSOC at its substantive session.

For most of its work the Committee relies on ad hoc subcommittees and working groups composed of experts and observers who work throughout the year, using both electronic communications and face-to-face meetings. The subcommittees have been instrumental in taking forward the Committee's work on updating the UN Model Tax Convention; revisi

Countries that objected to the conversion of the Committee commonly cited the following three reasons: (1) the danger of duplication of work of other international organizations and the resulting risk of establishment of multiple and inconsistent international standards in the area of international taxation; (2) additional resource requirements with the risk of fragmenting the already limited resources currently allocated to international tax issues; and (3) the possibility of interfering with the ongoing work of the existing Committee, especially on the revision of the UN Model Tax Convention, and preventing its successful conclusion. Several countries were of the view that while the conversion of the Committee would not necessarily result in enhancing its effectiveness, increasing the resources dedicated to its work, including funding for the work of the subcommittees and working groups, would be essential.

Another group of countries were of the view that an intergovernmental body should be established with dedicated technical staff and expanded budget. As the only international tax cooperation body with its membership comprising a balanced representation of both developing and developed countries and with the benefit derived from the legitimacy and convening power of the United Nations, it could play a crucial role in fostering dialogue and cooperation between national tax authorities and in promoting North-South, South-South and triangular cooperation. According to the proponents of a conversion, it would provide the Committee with more authority, consolidate its achievements and further advance its work towards effective treatment of the relationship between tax and development.

Full texts of the replies received to date are available on the FfD website at www.un.org/esa/ffd/tax. Further views are welcome and will be posted on the same website.

Possible options for the strengthening of institutional arrangements

Drawing upon the views provided by Member States and other relevant material, the following three options have been identified:

(1) Strengthening the existing arrangements within the United