



**OVERVIEW OF COOPERATION ON CAPACITY BUILDING IN TAXATION**

Given that we base this report largely on information available on public websites of the agencies concerned, we are aware that this may not correlate closely with the specifics of how some activities function on the ground.

4. Moreover, given the lack of comparable data on size of activity, our judgment as to which agencies are more active than others is based on our general experience rather than on

financed by its member countries. The programs are typically executed by consultants who are hired by UNDP through a tender system with a competitive element for short-listed consultants. Currently a program – financed by the Dutch Government – is provided to Montenegro whose main outcome should be an

(UNDESA). While very small, the Secretariat is currently seeking to find ways of better meeting relevant capacity building mandates.

countries. The programs are delivered by panels of serving government specialists from OECD and non-OECD countries, and/or from other International Agencies.

14. The Global Forum on Transparency and Exchange of Information for Tax Purposes plays a key role in building country capacity in exchange of information, with specific emphasis on the Caribbean region.

## **2.2. *International Financial Institutions***

15. The International Monetary Fund (IMF) provides advice to its membership on: (1) tax policy; (2) revenue administration; and (3) legal drafting. Tax policy missions differ widely in their coverage, from broad reviews of an overall tax system to very specific issues. Revenue administration missions typically focus on the design and implementation of revenue administration components, such as the organization and management structures; modernization procedures for assessment and collection; developing audit and enforcement programs; and implementing major revenue policy reforms. Legal drafting missions are focused on the translation into legislation of policy decisions made by the tax authorities. The IMF also reviews authorities' own tax reform plans at headquarters.

16. Missions commonly bring together policy, administrative and drafting aspects.

17. TA missions from IMF headquarters, whether or not in the context of IMF-supported programs, take place only upon request from the authorities, typically addressed to the Director of the Fiscal Affairs Department (tax policy and revenue administration) or the Legal Department (legal drafting). Additionally, advice is provided via Regional Technical Assistance Centers operating in different parts of the world.<sup>7</sup> All missions are conducted exclusively by IMF employees (either HQ-based staff and/or external consultants hired for

subsequently delayed (currently, charging is to come into effect as of May 1, 2011). Charging has already been in effect for long-term TA advisors and under the above decision would be extended to short-term and peripatetic expert assignments as well. The IMF also holds occasional focused training and outreach events, both at its regional training institutes and elsewhere (such as an event on resource taxation in Uganda in summer 2010). TA reports are provided to officials of the requesting agency in confidence, although there are procedures for limited sharing of these reports.<sup>8</sup>

19. The OECD's Center for Tax Policy and Administration organizes through its multilateral tax centers in Austria, Hungary, Korea, Mexico and Turkey a global discussion on international tax issues (e.g. tax treaties, transfer pricing, international tax avoidance and evasion, exchange of information, consumption taxes, financial innovations and institutions, and tax administration). The objective is to share OECD expertise and collective experiences on those issues and to identify and develop international 'best practices' in dealing with global taxation problems to the benefit of both OECD and non-OECD partners.

20. The OECD recognizes three categories of partnership in this policy dialogue: (1) a comprehensive partnership with particular countries based on a three year rolling program of co-operation both bilaterally and multilaterally and association of partners with the work of the Committee on Fiscal Affairs, annual negotiations/outcome analysis and co-ordination with other international partners such as the International Monetary Fund and the World Bank through the International Tax Dialogue; (2) a flexible partnership which includes bilateral discussions of the needs and priorities of particular countries, delivered through multilateral events with opportunities for demand driven bilateral dialogues on key issues and linkages with international tax organizations; and (3) a development focused partnership which aims at securing a country's tax base and providing a clear and transparent tax system to attract foreign direct investment. It reflects the wider development agenda and is focused primarily on tax administration as well as tax policy.

21. The OECD partnership events are financed through a combination of OECD budgets, host country contributions, and in-kind/cash voluntary contributions from member countries. The costs to member countries of this in-kind contribution are the costs of staff time, travel and per diem expenses. The participation in those events is by invitation following

22. The World Bank (IBRD/IDA) offers technical assistance in taxation to its members typically as part of a broader public sector development program. Occasionally, exclusive assistance is offered to strengthen the tax administration (e.g. in South-East Asia). Technical



work. The draft final report is reviewed at a tripartite meeting attended by representatives of the government, AfDB, and the consultants. During this process, the AfDB agrees with the government on an executing agency for the project or program. AfDB has been involved in establishing a semi-autonomous revenue authority

29. Consulting contracts—for individuals and/or firms—are the most usual form of procurement prior to project approval. Consultants for project activities are most often hired directly by the country. However, depending on the type of project and the size of the country's economy, IDB may occasionally hire consultants for project activities. Usually, the IDB's Country Office in the borrowing country will supervise the project, including any procurement it entails, in accordance with the instructions contained in the loan proposal and the respective contract. IDB disburses the loan as the project proceeds and the borrower incurs obligations relating to its implementation. IDB finances several revenue administration modernization projects in Central and South America. It also conducts policy research.

#### **2.4. *Bilateral Aid Agencies***

30. This section describes generally the activity of a number of government agencies that are most active in the tax area. In addition, although not detailed here, many of these and other governments have made financial contributions to pay for the activities of various international organizations or regional development banks.<sup>12</sup>

31. In recent years the Australian Government involvement with the developing countries of the Asia-Pacific region has increased substantially as development challenges and threats to stability in some countries in this region have intensified.

32. In this regard the Australian Agency for International Development (AusAID) works with the governments of neighboring countries to help them improve the way they deliver economic and community services. Aid is delivered by a variety of methods, increasingly using partner government systems. Some projects are very large and complex and need to be managed by Australian or international companies. These companies are selected through a competitive tender process. Some aid is delivered by Australian-funded advisers in developing countries, who share their knowledge and skills with local counterparts. Australia has untied its aid, meaning that contractors/advisors can be hired irrespective their base of origin. Australia's aid program focuses on the Asia Pacific region. For instance, in 2000–01, the public sector reform aimed at strengthening public sector management for effective delivery of government services included (a) building the capacity of the fledgling East Timorese administration, which has contributed to significant achievements in key areas such as budgeting, taxation, customs and land administration; (b) improved capacity for strategic planning, management and decision-making in the Public Service Commissions of Samoa and Vanuatu; (c) strengthening of institutions responsible for revenue collection, customs, immigration, land management, asset management and census administration in several countries, particularly in the Pacific region; and (d) support for the process of

---

<sup>12</sup> See, for example, the discussion above concerning financing of the IMF's TA.



38. French interventions in the taxation field form part of a set of complementary actions relative to the management of public finance, judicial and legal reform, internal security and the respect of human rights, controlling the use of public funds by independent institutions, the training and informing of citizens, overhauling the administration system, decentralisation and the promotion of local democracy and regional integration.

39. French cooperation in the tax field seeks to cover all areas of policy, legislation, and administration, all this with the cross-cutting concern of capacity building. These actions incorporate concerns about transparency, equity and parliamentary participation in the drafting of tax laws. France's bilateral interventions take three principal forms:

- The financing of multi-annual projects by the Priority Solidarity Fund (PSF): four projects are currently ongoing in Burkina Faso, Cameroon, Mali and Madagascar;
- The financing of African students' training in the French finance schools for Customs, Treasury and Tax Authorities: approximately 70 trainees enrol on an annual basis, from about 15 countries, almost half of them receiving grants from the French Ministry for Foreign and European Affairs;
- Making technical assistants available to African financial administrations: 80 are currently posted, 30 of whom are from the French Ministry for the Budget, Public Accounts and State Reform, i.e. the Directorate-General for Public Finance and the Directorate-General for Customs and Indirect Taxes. Formally, the assigned staff is temporarily employed by the MoFA and assigned at no charge to the host administration. Occasionally, local experts are hired to work in cooperation with their French counter partner.

40. France also intervenes at regional level through tax capacity building of the West African Economic and Monetary Union (WAEMU), which is benefiting from two technical assistants on secondment. It also plans to open a position of technical assistant with the East African Community (EAC).

41. In France the main providers of technical assistance are the Ministry of Foreign and European Affairs (MoFA) and the Ministry for the Budget, Public Accounts and State Reform, especially the department of international cooperation. Tax projects are adopted based on an explicit request by the beneficiary authorities. The funding is available through the cooperation office of the French Embassies upon a positive assessment (on technical grounds) by the department of public fina

Budget, Public Accounts and State Reform currently have 3 officials from the Directorate-General for Public Finance on secondment with this institution, 2 of whom are at the head office and 1 of whom has the post of Director of the West AFRITAC (West Africa Regional Technical Assistance Center). France also contributes financially to the running of the Central and West AFRITACs, which have received subsidies reaching €2 million over the last three-year period.

43. In Germany several organizations are involved in providing TA in the tax area. The main provider is the Gesellschaft für Technische Zusammenarbeit (GTZ). Its core activity – providing services for various clients within the scope of international cooperation for sustainable development – is incr

as grants. In addition KfW raises funds for development cooperation on the capital market. They are combined with funds from the budget of the German Government into so-called composite loans to finance projects in more advanced and creditworthy countries. The poorest countries receive financial contributions that do not have to be repaid. Support consists of a wide range of activities. A major portion of commitments is made for projects to support improvement and expansion of the social and economic infrastructure. The Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung has launched

systems for effectively providing public services based on the needs of people, and at fostering the institutions and human resources needed to manage those systems appropriately.

48. The Netherlands are providing technical assistance in taxation chiefly through the IMF and World Bank by contributing to their efforts. These funds are given by the Dutch Ministry of Foreign Affairs. Some smaller projects – e.g. tax audit assistance – are provided directly by bilateral projects of the Ministry of Finance, such as with certain countries in Central Asia. The Netherlands currently chairs the OECD-DAC initiative on capacity building.

49. New Zealand's international aid and development agency (NZAID) within the Ministry of Foreign Affairs and Trade provides technical assistance on taxation within the framework of its priority of leadership and governance enhancement. NZAID delivers this assistance mainly in the Pacific region through a variety of means, including hiring individual experts through procurement procedures.

50. Norway provides its development aid mainly through the Norwegian Agency for Development Cooperation (NORAD). NORAD works with Norwegian companies, government agencies and a number of different development assistance and cultural institutions. Most of this cooperation takes place through a variety of support schemes. Each year, NORAD announces funding for research and institutional cooperation between Norwegian research institutions and research institutions in developing countries. NORAD is also responsible for providing support for international organizations.

51. Norway currently makes contributions in the sphere of taxation in three ways. With other bilateral donors Norway supports tax reform through different public financial management reforms. In addition, Norway makes available its experience in the field of natural resource taxation and management. NORAD supports Zambia and Tanzania with capacity development in mining-related tax administration, and serves in an advisory capacity in East Timor within the petroleum sector. Norway is also involved in taxation initiatives in OECD/DAC. Some of Norway's contributions to research are channeled to the tax research program at the Christian Michelsen Institute and studies of taxes and charges at the Inter-American Development Bank (IADB) for several Latin American countries.

52. The Swedish International Development Cooperation Agency (SIDA), channels its

Swedish companies, universities, and government agencies arrange training programs with partner countries for the exchange of knowledge, experience and skills. These take place in Sweden and SIDA finances and oversees those projects. Finally, SIDA participates in a Consultant Trust Fund Program: 10 consultant funds with regional or global operations are funded through international development banks and organizations.

53. The Economic Development Cooperation division of SECO



countries, as well as from regional economic communities. Projects are delivered by external contractors and consultants hired through a tender system operated by the recipient.

57. The primary U.S. agencies involved in technical assistance in the tax area are the U.S. Treasury's Office of Technical Assistance

## **2.5. Tax Administration Networks**

### *2.5.1. African Tax Administration Forum (ATAF)*

59. ATAF – established in 2008 – seeks to foster the development of effective and efficient tax administrations in its member countries. ATAF contributes to developing sufficient, skilled capacity in Africa

- to collect the taxes that are due to the respective governments,
- to tax the profits of multinationals operating in Africa,
- to increase transparency in tax administration and
- to implement internationally-agreed standards on exchange of information to counter tax evasion and other abuses.

60. ATAF has already held several technical events for African tax officials on key issues of tax administration. ATAF is driven by its African membership, but partners with other tax administrations, and technical and development institutions (ADB, GTZ, IMF, OECD, and others), which have expressed interest in supporting ATAF in the areas of establishing a permanent secretariat, research on tax systems in Africa, technical expertise and capacity building, for instance.

### *2.5.2. Association of Tax Authorities of Islamic Countries (ATAIC)*

61. The purpose of the Association is to facilitate the improvement of tax and zakat policies and administrations within member Islamic countries in order to meet the challenges of a rapidly changing world. To this end the activities of the Association may include (a) holding meetings including an Annual Technical Meeting in related tax/zakat issues for the exchange of ideas and experiences, (b) organizing seminars, workshops and training courses on aspects of tax/zakat organization, (c) collecting, analyzing and disseminating information on tax/zakat issues, (d) providing directly or collaborating with, and generally facilitating the work of, bilateral and multilateral agencies that provide technical assistance and research facilities in the field of tax administration, (e) generally carrying out functions related to overall improvement of the capabilities of tax/zakat administration through functional cooperation between and among Islamic countries, and (f) keeping all member Islamic countries abreast of development of tax and related regimes in non-Islamic countries as well as activities of regional tax associations.

### *2.5.3. Commonwealth Association of Tax Administrators (CATA)*

62. The purpose of the Association is to promote the improvement of tax administration in all its aspects within the Commonwealth with particular emphasis on developing countries. To this end the activities of the Association may include: (a) holding meetings of technical and administrative personnel in tax administration for the exchange of ideas and experiences;



2.5.6. *Intra-European Organization of Tax Administrations (IOTA)*

67. IOTA provides a forum to assist members in European countries to improve their fiscal functionality. The members are th

*2.6.1. African Tax Institute (ATI) – University of Pretoria, Pretoria (SAF)*

72. The African Tax Institute is located in the Department of Economics at the University of Pretoria, South Africa. ATI offers a postgraduate master program in taxation designed to prepare especially public sector officials from African countries for senior government positions in the area of tax policy or tax administration. The program is offered in 7 modules over the course of two three-week periods and completed in a distance-learning format. The program must be completed by a comprehensive research survey. ATI also offers shorter courses. ATI also conducts research, for example in cooperation with the Lincoln Institute (Cambridge, Massachusetts) on property and land taxes in African countries.

*2.6.2 Center for Taxation and Public Governance (CTPG) – Amsterdam (NLD)*

73. The Center for Taxation and Public Governance is an independent foundation that is a knowledge center for tax governance. Its mission is to contribute to the strengthening of governments in the fields of tax policy, tax administration, tax management and legal drafting. CTPG liaises closely with the International Bureau of Fiscal Documentation (IBFD) and the Centre of Tax Documentation and Studies (CDiSP) of the University in Łódź, Poland to develop the Tax Governance Program (TGP). TGP provides its participants with a comprehensive and coherent education and training for managerial functions within the tax administration, revenue authority or ministry of finance. The Program is a full time academic education program, but its courses are designed to be offered individually as well. The experts of the Center have broad and recent experience in providing technical assistance on tax policy, tax administration, tax management, legal drafting, and tax education issues with the IMF, World Bank, DFID, GTZ, and the European Commission. They have worked in over 40 different countries around the world to provide this technical assistance.

*2.6.3. Duke Center for International Development (DCID) – Duke University, Durham NC (USA)*

74. The Duke Center for International Developm



79. The main providers of tax policy advice are:

Provider	Type	Countries
IMF	<p>TA is focused on all economic aspects of tax systems (including income, consumption, resource,<sup>20</sup> and trade taxes), and may involve:</p> <ul style="list-style-type: none"> <li>• Reviewing authorities' tax reform plans.</li> <li>• Advising on possible tax reform measures to be considered by the authorities (whether or not in the context of Fund-supported programs).</li> <li>• Conducting applied research in tax policy;</li> <li>• Preparing policy papers on tax policy issues.</li> </ul>	

	<ul style="list-style-type: none"> <li>- Assistance in the preparation of policy papers on tax policy, including forecasting revenue</li> <li>- Facilitating a South-South and North-South dialogue on tax policy and administration.</li> </ul> <p>Assisting countries to build up comparative information on tax administrations and on the structure of tax systems</p>	
<b>IDB</b>	All aspects of tax policy	Latin America
<b>Australia (Treasury)</b>	Providing assistance in interpretation and development of tax treaties	South-East Asian and Pacific countries
<b>France (MoFaE)</b>	Providing assistance in tax policy (income, consumption, and trade taxes)	West African (francophone) countries
<b>Germany (GTZ)</b>	Providing assistance on tax policy matters	Bosnia Herzegovina, Ghana, and Romania
<b>Norway (NORAD)</b>	Providing assistance on tax policy focused on natural resource taxation (oil & gas)	Timor Leste, Tanzania, and Zambia
<b>USA (Treasury)</b>	Providing assistance in tax policy, e.g. resource taxation	Central Asian countries

80. The most active agency providing technical assistance on tax policy is the IMF (FAD's Tax Policy Division), covering a broad range of topics and drawing on wide experiences. They provide general advice on the economic impacts of the application of good international tax practices and tax reforms being considered. The other international organizations—like for instance the European Commission and the OECD—tend to focus on more specific aspects of tax policy related to their specific areas of expertise or provide tax policy advice as part of other projects that may not be tax specific (this is also the case with bilateral donors). Bilateral donors may also emphasize either their own experience (e.g., Norway with its particular focus on resource taxation), or region (e.g., Australia in the South-East Asian and Pacific region).

### 3.2. *Tax administration strategy*

81. Assistance in tax administration strategies (both customs and taxation) is normally provided to adopt best practices in organizing the process of administering, collecting, and enforcing the tax laws. The development of medium-term institution-building programs as well as short-term solutions for compliance and other administrative issues form part of the ongoing strategy assistance. Usually this type of assistance is provided in the form of missions (lasting up to 4 weeks), but can also take the form of stand-alone expert



assignments designed to assist countries in implementing the recommendations made through missions. They can be either resident, short-term, or peripatetic (i.e., repeat visits). Normally recommendations and reform strategies are laid down in formal TA reports presented to the tax authorities (i.e., director-general of the customs and/or tax administration).

82. The main providers for tax administration strategy are as follows:

<b>Provider</b>	<b>Type</b>	<b>Countries</b>
<b>IMF</b>	<p>TA is focused on administrative, managerial, and organizational aspects of maintaining the integrity of tax systems (both in customs and taxation), and includes:</p> <ul style="list-style-type: none"> <li>• Reviewing tax authorities' own organizational reform plans.</li> <li>• Advising on possible administrative reform measures to be considered by the authorities in the context of Fund-supported programs.</li> <li>• Conducting applied research in tax administration policies, particularly but not exclusively for developing and transition countries; resulting in policy papers on tax administration issues.</li> <li>• Supporting IMF efforts to promote tax administration reform measures in accordance with international best practices, with a view to improving transparency, good governance, and solving balance of payments problems.</li> </ul>	All member countries
<b>OECD</b>	<p>TA is focused on the publication of information and guidance notes, developed by the Forum on Tax Administration, on crucial structural functions within tax administrations.</p> <p>Further assistance is provided to help effectively implement international tax policies.</p>	<p>Drawn up by OECD member states, as well as some selected states.</p> <p>Developing and emerging economies</p>

83. The most active agency in providing technical assistance on tax administration strategies is the IMF (FAD's Revenue Administration Division). They provide general strategic advice on best practices in organizational and managerial issues. The OECD provides advice chiefly on issues related to treaties, information exchange, and transfer pricing.

E

### 3.4. Tax administration implementation

87. This type of technical assistance is primarily aimed at the implementation of tax administration strategies. Core functions like for instance tax auditing and collection enforcement require technical skills. In addition, this assistance also comprises the introduction of IT systems (both hardware and software). Typically, a long-term advisor will work on a day-to-day basis with the local tax authorities to implement best practices to improve and strengthen administration processes.

88. The main providers of tax administration implementation are:

<b>Provider</b>	<b>Type</b>	<b>Countries</b>
<b>IMF</b>	Providing peripatetic technical assistance in implementing tax policy advice.	All member countries
	Providing technical assistance by long-term consultants	
<b>World Bank</b>	Providing broad programs to enhance managerial, organizational, and technical capacities.	All member countries
<b>Australia (AUSAID)</b>	Strengthening tax/customs department	Pacific countries (Fiji)
<b>United Kingdom (DFID)</b>	DFID)	

89. The leading agencies in providing assistance in implementing administrative capacity are the bilateral aid agencies, for instance DFID and GTZ. Both have experience in providing long term assistance to improve customs/tax administrations around the world.

3.5. *Training and knowledge management*

90. In order to enable tax authorities in developing countries to adopt tax policy measures, amend tax legislation accordingly, and implement new administrative operations, tax authorities need to develop technical skills (taxation, organization, and management). This requires extensive training.

91. The main providers of training are:

<b>Provider</b>	<b>Type</b>	<b>Countries</b>
<b>IMF</b>	Providing high level policy training through the INS and regional TA Centers (RTACs)	All member countries
<b>World Bank</b>	Providing financial support for selective external training, including by universities	All member countries
<b>ADB</b>	Organizing tax conferences and workshops	Asian-Pacific countries
<b>IADB</b>	Training tax administration officials	Latin America (Ecuador)

**CTGP, US:  
Duke)**

**Netherlands  
(IBFD)** Providing short courses on various tax issues  
(including tax treaties, transfer pricing, international  
profit allocation, etc.) through their International  
Tax Academy (ITA)

97. The main provider is this field is:

<b>Provider</b>	<b>Type</b>	<b>Countries</b>
<b>IFC</b>	Providing technical assistance to improve investment climate (including that of small and medium-sized enterprises)	All member countries (Sierra Leone, Vietnam, and Yemen)

98. This type of assistance is the most comprehensive in improving the business environment and typically only a small part of it relates to taxation issues.

## **6. Options and Issues**

99. Several issues arise when considering the plethora of aid providers in the tax area. These concern coordination, adequacy of funding, and effectiveness.

### *4.1. Coordination*

100. Coordination of assistance can provide multiple benefits. Coordination can eliminate duplication of effort, thereby enhancing the efficiency of aid expenditure. To the extent that different agencies have different comparative advantages and focus, coordination can be a means of delivering an integrated package of services, as opposed to disjointed efforts, thereby enhancing effectiveness. Coordination can increase responsiveness. It can also improve the substance of advice – if different agencies share information, best practices can be identified and emulated. Advice on taxation involves a lot of intellectual capital. If this is shared, better and more cost effective advice can be provided, since time needed to research

projects out of country or regional offices. Moreover, a project involving tax reform might not be a tax project primarily, but might be part of a larger project involving public sector reform. So even within one agency, there is usually no one with an overview of the tax projects in which that agency is involved.

103. Some options exist to overcome these obstacles. The International Tax Dialogue has on its website information about technical assistance activities of various agencies. The amount of information on each activity is minimal, but this is a conscious choice motivated by several factors. First, keeping the information to a minimum makes it easier to report this information because the reporting does not involve a lot of effort. Second, minimizing the

be difficult to arrange for such an approach universally, it can be effective if even a small group of countries applies it. In other words, there is no minimum number of countries that would have to undertake the development and posting of a strategic plan for capacity building in order for this to be effective.

106. In fact, in many countries, there is already coordination of assistance along the lines of what is suggested in the paragraph above. The main difference might be that the above suggestion contemplates the posting of the information on the agency's website, whereas current efforts are likely to be shared only among a smaller circle. As long as only non-confidential information is involved, posting this information on a website that can be accessed through the ITD would assure that anyone with an interest in this information would be able to access it conveniently.

#### 4.2. *Adequacy of funding*

107. Under current conditions, it is quite difficult to tell whether the level of funding for capacity building in the tax area is sufficient.

108. It is almost impossible to determine how much is being spent on tax in any given country. Even where budgets for specific projects are published, the tax component of the budget might not be known, if tax is just part of the project. There are situations where donors get together at a conference to determine a particular country's need for assistance. This typically arises where a country is in a post-conflict situation, is the victim of a major natural disaster, and the like. For the more



