Governments in developed and developing countries use tax incentives to attract new investment. In some cases, tax incentives have clearly played an important role in attracting new investment that contributed to substantial increases in growth and development. In other cases, however, tax incentive regimes have resulted in little new investment, with a substantial cost to the government.

Many tax advisors contend that tax incentives, particularly for foreign investment, have been ineffective and subject to abuse. The challenges of designing effective tax incentive regimes may be greater in developing countries where the potential for significant base erosion is likely higher.

This workshop seeks to provide an overview of key issues facing policymakers in deciding whether to use tax incentives to attract investment and how to best design and administer these incentives. It also seeks to provide officials with guidance in developing methodologies for estimating the costs and benefits of past, current or proposed tax incentives.

The workshop's objective is to provide government officials in developing countries *b B rdRstcx*

This case study will provide an opportunity to examine key design and implementation issues in the context of a proposed investment project. It will examine the objectives of investors and governments in using tax incentives and highlight different alternatives for achieving those objectives. It will also focus on the challenges to both investors and governments in complying with the conditions of tax incentive provisions, especially in times of changing economic conditions.

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Many countries have a long history of using tax incentives. This experience is valuable in determining the strengths and weaknesses of different tax incentive regimes as well understanding the evolution of different types of tax incentives in a particular country. Government officials with experience in tax policy, tax administration, and trade and investment policies will share their perspectives on the challenges in designing, implementing, and monitoring tax incentive regimes.

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This part will examine approaches for estimating the costs and benefits of tax incentives regimes. Participants will review an existing study that sets forth the purported costs and benefits for a proposed investment project and tax incentive package. There will then be a review of the information required to estimate costs and benefits and the key assumptions that are explicit or implicit in the analysis. This part will then provide guidance on how countries can develop methodologies for estimating the costs and benefits of tax incentive regimes.

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For this case study, the participants will be asked to take specific roles in designing and negotiating a tax incentive project for a potential investor. The case study will also provide an opportunity for country representatives to share their experiences in designing and implementing tax incentives and to identify those areas with the greatest challenges.

Successful implementation of tax incentives requires cooperation of government officials responsible for tax policy, tax administration, and trade and investment policies. Participating countries will be asked to send representatives from each of the government offices with responsibilities for tax incentives.

Participants will include senior country representatives from: (i) tax administration offices with experience in implementing and monitoring tax incentives; (ii) the Ministry of Finance with responsibilities for designing policies or drafting laws on tax incentives, and (iii) the Ministry of Investment or Trade with responsibilities for designing tax incentives and negotiating agreements with investors.

The workshop will be conducted in English without translation. Participants will be required to have good working knowledge of the English language.