

Tax Inspectors Without Borders

An OECD/UNDP Partnership to tackle domestic resource mobilisation with a hands-on approach

The Challenge

A lack of capacity is limiting the ability of governments in developing countries to raise the tax revenues they are due. This means less money for hospitals and schools, and reduced investment in infrastructure to build a stronger future. Domestic resource mobilisation (DRM) is **the most significant source of funding for development, and a long-term solution** to poverty reduction and growth. Although DRM efforts of developing economies amounted to US\$ 7.7 trillion in 2012, low income countries still collect on average only 15% of tax/GDP, insufficient to meet all the outgoing MDGs in 2015.

Tax administrations are on the frontline in the battle against tax avoidance. Estimates vary and are contested but cross border tax avoidance impacting on developing countries is likely to exceed ODA by some distance. Tackling complex international tax arrangements that divert profits otherwise liable for corporate tax, calls for skilled tax auditors. A well-trained tax team can identify the high risk cases and uncover the arrangements that are stripping tax revenue from governments.

A contribution to the DRM efforts of developing countries

Tax Inspectors Without Borders (TIWB) is a joint new initiative of the OECD and UNDP for delivering assistance needed to build tax audit capacity in developing countries, bridging the gap between theory and practice and complementing efforts from the international development community to help with a range of broader DRM issues. As such, TIWB can make a significant contribution to DRM efforts by developing countries.

Tax Inspectors Without Borders – How it works

TIWB facilitates targeted, tax audit assistance programmes in developing countries across the globe. Under TIWB, **tax audit experts work alongside local officials of developing country** tax administrations on **current direct and indirect tax audits and audit related issues** concerning **international tax matters** and **sharing general audit practices** for specific cases. TIWB programmes can include pre-audit risk assessment and case selection, investigatory techniques, audit cases involving transfer pricing issues, anti-avoidance rules, or sector-specific issues, relating for example to natural resources, e-commerce, financial services or telecommunications.

The **host administrations of developing countries are the lead partners** in TIWB programmes, clearly specifying their needs and scope of work. TIWB assistance is delivered by current or recently retired tax audit experts. **Audit experts work** with the host administration **under a programme agreement** which covers all the legal and practical safeguards and provisions. The experts are not intended to act as a substitution of local audit staff or to carry out audit work where no local audit personnel would otherwise exist.

A dedicated **central organising unit (TIWB Secretariat)**, supported by an oversight board of stakeholders, operates as a clearing house to match **the demand for auditing assistance with appropriate expertise**. **The Secretariat facilitates** full-time or periodic deployment of experts.

A TIWB Toolkit sets out a guide for establishing TIWB programmes, addressing potential issues such as confidentiality and conflicts of interest.

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A learning by doing approach to tax audit assistance

The Evidence: What can be achieved with TIWB?

The 18-months pilot phase of the TIWB programme carried out in 2013/14 revealed great potential for practical tax audit assistance in developing countries. TIWB programmes have already been undertaken in several countries, including in Albania, Colombia, Senegal and Zimbabwe. Experience has shown that TIWB-style audit assistance results in improved quality and consistency of tax audits; sustained improvements in tax audit skills and higher levels of voluntary compliance by taxpayers. South-South deployments are a growing element of TIWB projects.

To date, TIWB has delivered an estimated **185 million USD** in additional revenues (April 2016).

The OECD/UNDP Partnership

OECD and UNDP joined forces during The third Financing for Development conference in Addis Ababa to extend the global reach of the project and to scale up operations. The OECD's technical competence in tax matters and a network of tax experts will be complemented by UNDP's global reach and membership, a network of representations in developing countries with access to policy makers at the highest level, and policy and programme expertise in public financial management. The partnership will comprise of the following features.

- A **joint OECD/UNDP Secretariat** based in Paris supported by UNDP's network of Country Offices in developing countries that will establish, coordinate and facilitate each TIWB expert deployment. UNDP's Country Offices will promote the initiative with senior officials and ministers in developing countries and assist host administrations to complete the request procedures, according to the guidance in the TIWB Toolkit. The Paris based joint OECD/UNDP Secretariat will perform the match-making function of experts, operate a data base of qualified experts, promote the initiative, monitor and evaluate deployments and produce tools to support the process. The Secretariat will also support and report to the oversight Board.
- Funds for TIWB deployment from governments and/or private foundations will be channelled to and by UNDP, to finance experts, the Secretariat and the operations of the Board. Joint fund raising efforts will begin immediately with selected sponsors prior to the Addis conference, and will then accelerate after the Conference to take advantage of the funds that may be made available from the donor led Addis Tax Initiative which it is anticipated will be announced at Addis.

The Governance Board & The Secretariat

The Governance Board comprises:

Mauricio Cárdenas; Minister of Finance and Public Credit of the Republic of Colombia; **Sir Paul Collier**, Professor of Economics and Public Policy Blavatnik School of Government University of Oxford; **John Christensen**, Director, Tax Justice Network; **Ngozi Okonjo-Iweala**, former Minister of Finance, Nigeria; **Emilia Pires**, Special Envoy of the G7+, former Minister of Finance of Timor-Leste; **Lilianne Ploumen**, Minister for Foreign Trade and Development Cooperation of The Netherlands; **Mr Andrew Treusch**, Commissioner of Revenue and Chief Executive Officer of the Canada Revenue Agency.

The first meeting of the Governance Board takes place in April 2016.

[Mr. James Karanja \(Kenya\) has been appointed as Head of the TIWB Secretariat.](#)