



**Norms and Policy Setting, Identification of Gaps,  
and Exploration of Opportunities for  
Creating Greater Synergies in respect of Technical Assistance in Tax Matters**

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**1. General Introduction**

Under the agreement between IBFD and the United Nations, IBFD has been asked to deliver a background paper of at least 10,000 words which will do the following :

- (1) Survey norm and policy setting as well as capacity development activities undertaken by the United Nations, OECD, IMF and World Bank; Regional Development Banks and Regional tax authorities groupings (e.g, CATA, CIAT, CREDAF, IOTA, SGATAR, ATAF); and at bilateral level.
- (2) Identify “gaps” that have arisen in the coverage of international tax cooperation and point out where the United Nations and the UN Tax Committee may be able to play a greater role, consistent with relevant mandates; and
- (3) Explore opportunities for creating greater synergies between UN policy development and capacity-building work and these other bodies, consistent with relevant mandates.

In this paper, after describing the methodology in section 2 and the limitations of the study in section 3, I will identify which types of technical assistance have been or may be provided by international organizations, regional tax authority groupings or by individual states with respect to taxation (section 4). I will also address the forms in which this technical assistance may be shaped (section 4). Thereafter, in section 5, I will make an inventory of the types of technical assistance that have actually been provided by international organizations (5.1), regional tax authority organizations (5.2) and by individual states (5.3). In section 6, I will identify the “gaps” in the technical assistance that is provided. Finally, in section 7, I will make suggestions for creating greater synergies between the

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different providers of technical assistance and regarding other areas in which the United Nations would be able to play a key role concerning technical assistance in the area of taxation.

## **2. Methodology**

This paper is based on a literature study which involved analysing websites and annual reports of international organizations, regional tax authority organizations and development institutions of individual states. With respect to the regional tax authority groupings, additional information was gathered by requesting IBFD staff members who attended meetings of these organizations to fill out a questionnaire. The paper is also based on actual technical assistance projects in which IBFD was involved.

With respect to the mapping of technical assistance in tax matters, several publications have been issued over the last years.<sup>2</sup> These publications were used in the research as well.

## **3. Limitations**

The paper aims at providing a global overview of the technical assistance provided by international organizations, regional tax authority groupings and individual states. Especially with respect to technical assistance rendered on a bilateral basis by individual states, identifying all relevant projects is often very complex as some of them take place at different levels of the government. Due to the limited time and resources available for conducting the research and writing this paper, only a selection of individual countries has been included in the report. Further, it cannot be guaranteed that all relevant projects rendered on a bilateral basis are included in the paper. Despite the link between taxation and customs, projects relating to customs issues have not been included in the research.

The scope of the paper is restricted to identifying the types of technical assistance and the ways in which technical assistance is provided. The paper will therefore not address the funding of the

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<sup>2</sup> Geerten Michielse and Victor Thuronyi - Overview of Cooperation on Capacity Building in Taxation, United Nations' Committee of Experts on International Cooperation in Tax Matters, W/C.18/2010/CRP.11, 11 October 2010;  
International Tax Compact – Mapping Survey, Taxation and Development, Eschborn, May 2010.



technical assistance. In other words, no attention will be paid to whether the assistance is provided under a grant, a loan or a bilateral exchange. Certain organizations such as the World Bank provide technical assistance as part of a loan whereas individual countries often provide assistance under their development aid programme. The paper will not focus either on the countries in which or the regions in which the technical assistance with respect to a certain topic has been provided. Finally, as a rule, the paper does not address whether certain organizations provide technical assistance worldwide or just within a given region.

#### **4. Various types of technical assistance**

To identify the gaps in technical assistance provided in tax matters, it is crucial to identify the areas of taxation in which technical assistance can be provided. Sub-section 4.1. will provide an overview of all the areas where technical assistance can be provided. In 4.2 an overview will be given of the various ways in which the technical assistance may be provided.

##### **4.1. Areas of technical assistance related to taxation**

In the area of taxation, many different types of technical assistance may be provided. The technical assistance may relate to the legal framework with respect to taxation as well as to the tax administration side. Especially in relation to the functioning of the tax administration, technical assistance can be provided with respect to a large variety of issues. Sub-section 4.1.1. will focus on possible technical assistance with respect to tax policy and legislation and 4.1.2. will deal with the options for technical assistance at the level of the tax administration.

###### **4.1.1. Tax policy and legislation**

The technical assistance under this heading is usually provided to the institutions in developing countries that are responsible for the creation and the maintenance of the legal structure. In many countries tax policy and tax laws are the responsibility of the Ministry of Finance. Possible technical assistance includes:

- Tax Policy

Technical assistance with respect to tax policy may deal with the design of the entire tax system or with individual taxes. Relevant issues in the field of tax policy may include the types of taxes that should be introduced (e.g. CIT, VAT and/or environmental taxes) and what income, transactions or capital gains should be tax exempt, etc. Also to be addressed are issues such as whether the tax should be shaped as a withholding tax on gross payment or a tax on net income.

The main reason to start with tax policy is that tax authorities need to have the knowledge in-house to predict and to analyse the outcome of the tax system and the planned changes. The design and implementation of taxes have an impact on economic development and growth. Decisions of households to save, to spend, to supply labour, to start families, to raise children and to invest in education may be affected by taxes as are decisions made by entrepreneurs and investors to establish businesses, to produce, to deliver services, to create jobs, to invest, to do research, to innovate and to use financial services. In general, tax policy is the knowledge based on four principles of taxation:

- a. raising funds for the provision of public (social) goods;*
- b. adjustment of the distribution of income and wealth;*
- c. stabilization of the economic process; and*
- d. influencing of behaviour.*

- Tax legislation drafting

Quality of legislation is important and this applies especially to tax legislation as it is key in raising revenue for the state. However, many developing countries lack proper drafting skills. This may lead to sub-standard tax legislation that may cause significant loss of revenue. Therefore, technical assistance may also be provided in the actual drafting of the laws and bylaws.<sup>3</sup> Technical assistance in this area may also involve assisting in developing a training programme on new tax legislation for tax officials as well as developing a public awareness-raising campaign.

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<sup>3</sup> The legislation of many developing countries has been drafted either fully or with the assistance of foreign tax experts.

- Tax treaties

The possibilities in shaping a country's tax system are being restricted more and more by international agreements. Tax authorities need to have an understanding of at least two international aspects. These are: 1. doing business in an international environment and 2. the main principles of international taxation. On the policy side this awareness is even more important when tax laws are designed, in the first place because the tax treaty negotiation process always refers to the national tax code and certain provisions can hamper the negotiators. Secondly, the tax treaty negotiators need to have an in-depth knowledge of the economic interests of their country. The OECD and UN Models and their commentaries are useful references but the economic agenda of a country has to be the driving force.

With respect to international tax issues and for attracting FDI often double taxation conventions with other countries are concluded. However, this may involve technical assistance in the following areas:

- tax treaty negotiations;<sup>4</sup>
- tax treaty application by the tax administration and by the Ministry of Finance; and
- transfer pricing.

- Combatting tax avoidance

Tax planning and tax avoidance are concerns for many countries and may lead to significant loss of revenue. Therefore, many countries and organizations consider combatting tax avoidance a key issue. Tax avoidance and tax evasion need to be combatted not only in the area of tax policy and legislation but also by the tax administration during the process of applying the tax law. However, developing countries often lack the skills that are required to successfully combat tax avoidance on several levels.

#### **4.1.2. Tax administration issues**

The tax administration of a country is responsible for the proper execution of the tax laws and the collection of tax. In their work the tax administrations may face several issues in which technical

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<sup>4</sup> See also Victor Thuronyi – Tax treaty process for developing countries, United Nations E/C.18/2009/3.

assistance may be of use. Therefore, technical assistance may be provided in relation to the following:

- Tax administration organization

Support in strengthening the functions of a tax administration mainly involves a focus on the following areas: the autonomy of the tax authority, the functional architecture of the organization (how the processes are structured), how the risk assessment process is defined and how the activities in each individual process are related to the different functions within the tax administration, the affiliated job descriptions and the formal description of the correlated responsibilities.

- Tax administration capacity building is concentrated around the following areas:
  - tax-technical skills;
  - accounting skills;
  - IT skills;
  - soft skills (i.e. writing skills, negotiation skills, etc.); and
  - management skills.

The staff of the tax administration should be well trained and able to carry out their tasks with confidence. A tax administration needs staff with different skills depending on the type of the tax system.<sup>5</sup> However, tax officials dealing with taxpayers and their consultants need more than technical skills and where needed should also be trained in soft skills.

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<sup>5</sup> If a country has what is known as a self-assessment system, it is often argued that the tax administration of such a country needs to employ more staff members that are able to do tax audits. These auditors need to have knowledge of both the tax system and auditing techniques.

- Tax administration IT

A sound IT architecture is nowadays the backbone for a modern tax administration. For the design and implementation of IT systems it is essential that the management of the tax administration is involved in the determination of the functional design that connects the different processes, users and the technical requirements. Increasingly, information and communications technology is playing a critical role in compliance management (e.g. through automatic collection of third-party information as a by-product of ordinary business processes; use of electronic invoices to facilitate real-time transaction monitoring and verification; and analysis of revenue risks). The design and control of the IT system and databases are becoming more and more a core business of a tax administration. Another important IT aspect deals with the use of information. Information is related to taxpayers and may only be used by authorized tax officials. Data protection is a key element of taxpayer service and not an issue dealt for only the IT department. Unauthorized use of information creates a negative image for the tax administration. Therefore, communication is more than informing the public but is also one of the cornerstones in the integrity process. The examples and issues mentioned above illustrate both the importance of IT and the fact that a modern tax administration is structured more and more around these IT-systems. Other relevant issues, such as the exchange of information, transfer pricing and enhanced relations, have a relation to the proper design and use of supporting information technology. Finally, it needs to be mentioned that in providing technical assistance to tax administrations of developing countries a considerable part of the available funds have been allocated to IT investments. It is therefore utmost important that the management of the tax authorities is able to understand the basic principles of project management and steering IT-architecture. Otherwise the investment is in jeopardy.

- Tax administration dispute resolution

A proper tax assessment system also provides for an effective complaints, objection and appeals mechanism, which guarantees the taxpayer a fair treatment in accordance with the law. A proper tax appeals system should be based on a legal framework, be easily accessible for taxpayers, and have transparent administrative procedures guaranteeing independent decision-making processes including provisions assuring that decisions are promptly acted upon. The tax administration has to also consider other channels for complaints and suggestions, because not every contact between the officials and the taxpayer is related to the assessment or collection process. In this respect, it would

also be possible to include the introduction of an APA practice or other forms of enhanced relations under this heading.

- Tax administration exchange of information

While businesses can cross borders or even go global, tax administrations remain confined to their respective jurisdictions. The exercise of sovereign powers, including tax verification, assessment and collection activities, is generally limited to the territory of a given country. Thus, if he relies on domestic sources of information, a tax official of a given state may often see only a small part of the overall activities or investments of a taxpayer operating on a global basis. As a result, tax administrations increasingly rely on co-operation with their foreign counterparts to more effectively administer their national tax laws. A key element of such co-operation is exchange of information. It is an effective way for countries to maintain sovereignty over the application and enforcement of their tax laws and to ensure the correct allocation of taxing rights between tax treaty partners. Similarly, co-operation in the assistance in the collection of taxes is increasingly viewed as an important tool in protecting tax revenue and increasing tax compliance. During the last years many Tax Information Exchange Agreements or TIEAs have been concluded and which have to be applied in practice. Just like assistance with respect to the negotiations and application of comprehensive tax treaties, also assistance with respect to negotiation and application of TIEAs may be helpful for many developing countries.

Nonetheless, in practice, the exchange of information and other forms of international cooperation turn out to be very complex and time-consuming. First of all, the requesting state needs to gather quite a bit of information before it can request another state for information. Then there may be difficulties with respect to the identification of taxpayers (some countries do not use Tax Identification Numbers (TIN) and often the requesting state does not know the TIN of the taxpayer in the other state). Also, differences in domestic tax laws, processes and information technology systems may add to the complexity. Further, the exchange of information also requires human capacity made available to deal with requests received from other countries. For these reasons, tax administrations have also refrained from exchanging information regarding the grouping of individual registrations, the risks regarding the total entity and the risks related to the tax planning of the entity.



- Taxpayer services

It has been acknowledged that as a consequence of providing certain services to taxpayers, the rate of compliance may be increased significantly while the compliance cost for both the taxpayer and the tax administration is reduced. A large percentage of non-compliant behaviour is caused by not understanding the system rather than by deliberate non-filing.

Taxpayer services can take several forms, ranging from the creation of brochures or a user-friendly website to establishing a call centre or even providing assistance in filing tax returns. The introduction of an Advance Pricing Agreement system or an advance tax ruling practice can be regarded as taxpayer service.

#### **4.2. Ways to provide technical assistance related to taxation**

Further, technical assistance with respect to the topics mentioned above can be provided in different ways. Technical assistance may be provided by organizing conferences on relevant topics, by publishing reports, manuals and guidelines, by organizing training courses or by sending experts to work side-by-side with the local Ministry of Finance or tax administration. With respect to the different ways of providing technical assistance, the following comments can be made. Many of the international and regional organizations host conferences on a number of tax topics. These topics are often attended by top-level officials from either the Ministries of Finance or the tax administrations. The number of conferences to be attended by these top-level officials is often large. This aspect may hamper the dissemination of the knowledge acquired during such conferences to the tax administration. Therefore, it would seem useful that more conferences be organized at a variety of levels including conferences for a slightly lower technical and managerial level in the tax administration.

## **5. The provision of technical assistance**

Technical assistance is provided by international and regional organizations such as the United Nations, IMF, World Bank, European Union, by regional tax authorities groupings such as CIAT, Credaf, CATA and SGATAR, and by many countries. In 3.1 an inventory is given of the technical assistance provided by international and regional organizations. Sub-section 3.2 focuses on the technical assistance provided by regional tax authorities groupings and 3.3 deals with the technical assistance provided by selected countries on a bilateral basis.

### **5.1. International Organizations**

A number of international organizations are active in providing technical assistance to developing countries relating to taxation. The organizations providing such assistance may be global organizations such as the United Nations, the OECD, the International Monetary Fund and the World Bank but also regional organizations such as the European Union, the Asian Development Bank and other regional development banks. This section briefly analyses in which areas of taxation technical assistance is provided by these organizations and what the form of the assistance is.

#### **5.1.1. United Nations**

Within the United Nations, the Committee of Experts on International Cooperation in Tax Matters as a subsidiary body of the Economic and Social Council “provides a framework for dialogue with a view to enhancing and promoting international tax cooperation among national tax authorities and assesses how new and emerging issues could affect this cooperation. The Committee is also responsible for making recommendations on capacity-building and the provision of technical assistance to developing countries and countries with economies in transition. In all its activities, the Committee gives special attention to developing countries and countries with economies in transition.”

Apart from the development of the United Nations Model Double Taxation Convention which is a model tax treaty that caters to the needs of developing countries and a manual to negotiate tax treaties, a Practical Manual on Transfer Pricing for Developing Countries is currently being drafted.



The TP manual is scheduled to be completed in 2012. Also, in the areas of exchange of information and capacity building, papers have been produced. In this section these are not discussed in more detail.

### 5.1.2. OECD

The OECD provides training and studies on a number of topics such as:

- tax policy;
- tax administration;
- exchange of information;
- dispute resolution;<sup>6</sup>
- harmful tax practices;
- tax and crime;
- transfer pricing; and
- tax treaties.

On the topics mentioned above, the OECD has published a number of reports and manuals proposing down standards which the OECD would like to set as internationally accepted standards. These reports and manuals present the OECD's views (i.e. the views of developed countries), which are not always the most suitable positions for developing countries.

The OECD has embarked on a Partnership Programme on Taxation. The aims of the partnership programme on taxation with Non-OECD Economies (NOEs), in general, are to:

- bring NOEs into the global debate on international taxation issues and, through dialogue, achieve a consensus on international standards and guidelines; and
- share experience on the implementation of measures which, in partnership economies, assist in sustainable development through a predictable tax base and enhanced ability to attract foreign direct investment.

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<sup>6</sup> Predominantly mutual agreement procedures under tax treaties.



Under this partnership programme, the OECD also provides training courses on tax treaties and transfer pricing. The OECD provides its technical assistance in its regional training centres as well as in the developing countries receiving the technical assistance.

Further, the OECD has joined forces with other organizations such as in the framework of the International Tax Dialogue (ITD), a collaborative project of the European Commission (EC), Inter-American Development Bank (IDB), International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), United Kingdom Department for International Development (DFID) and World Bank Group. The ITD organizes a conference every two years and has an online library which is freely accessible and which contains to date over 3000 tax-related documents.

The OECD is an observer in the United Nations Tax Committee. Further, OECD speakers disseminate the OECD views around the world at international tax conferences.

Other OECD initiatives are:

- the Global Forum on Transparency and Exchange of Information for Tax Purposes<sup>7</sup>; and
- the Informal Task Force on Tax and Development. This task force is an initiative by the G20 countries to support the less developed countries in their tax reform initiatives, the exchange of information agreements, the taxation of multinationals and the development of transparency regulations.

Further, the OECD is involved in the Financial Action Task Force on Money Laundering (FATF) which was created under a G7 initiative.<sup>8</sup> The topic of money laundering is not always connected to taxation; however, there is a strong correlation between money laundering and tax evasion.

### **5.1.3. IMF**

The International Monetary Fund (IMF) is “an organization of 187 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.”<sup>9</sup> In the area

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<sup>7</sup> [www.oecd.org/tax/transparency](http://www.oecd.org/tax/transparency).

<sup>8</sup> [www.fatf-gafi.org](http://www.fatf-gafi.org).

<sup>9</sup> [www.imf.org](http://www.imf.org).



of taxation, the IMF provides technical assistance in the areas of tax and customs policies and administration.

Technical assistance is integrated with country reform agendas as well as the IMF's surveillance and lending operations. The IMF's technical assistance takes different forms, according to the needs identified, ranging from long-term, hands-on capacity-building to short-notice policy support in a financial crisis. Technical assistance is delivered in a variety of ways. IMF staff may visit member countries to advise government and central bank officials on specific issues, or the IMF may provide resident specialists on a short or a long-term basis.

The IMF is providing an increasing part of its technical assistance through regional centres located in Gabon, Mali, and Tanzania for Africa; in Barbados for the Caribbean; in Lebanon for the Middle East; and in Fiji for the Pacific Islands. The IMF also offers training courses at its headquarters in Washington, DC, and at regional training centres in Austria, Brazil, China, India, Singapore, Tunisia, and the United Arab Emirates.

IMF launched in 2010 a multi-donor trust fund known as the Tropical Trust Fund (TTF) to boost capacity building in the areas of Tax policy and Administration and Managing Natural Resources Wealth. The Tax Policy and Administration Tropical Trust Fund aims to meet the increasing demands from countries who want to upscale their revenue policy and administration. The fund has an initial phase of 5 years and budget of \$ 30 million to deliver Technical Assistance to approximately 15 low and lower middle income countries. The Tropical Trust Fund on Managing Natural Resource Wealth has an initial fund of US\$ 25 million over five years to scale up technical assistance to resource rich countries from low-income and lower-middle-income. Some of the areas of capacity building include extractive industries fiscal regime, extractive industries revenue administration, fiscal policies and public financial management, etc.

#### **5.1.4. World Bank**

The **World Bank Group (WBG)** consists of five international organizations that provide leveraged loans, generally to developing countries. The five agencies of the World Bank Group are:

- International Bank for Reconstruction and Development (IBRD);



- International Development Association (IDA);
- International Finance Corporation (IFC);
- Multilateral Investment Guarantee Agency (MIGA); and
- International Centre for Settlement of Investment Disputes (ICSID).

The World Bank Group provides significant technical assistance in the area of taxation. Most of its activities are related to tax policy or tax administration reforms.

#### **5.1.5. African Development Bank (AfDB)**

Founded in 1964, the African Development Bank was established to help reduce poverty, improve living conditions for Africans and mobilize resources for the continent's economic and social development.<sup>10</sup> There are currently 53 African (regional) member countries and 24 non-African (non-regional) member countries. The Bank mobilizes internal and external resources to promote investments and provide its regional member countries with technical and financial assistance.

The Bank's work on taxation is mainly within the context of their Good Economic and Financial Governance (GEFG) programme by providing support to regional members to implement economic and financial reforms through policy-based operations and institutional support projects. About 35% of the Bank's governance programs now include components supporting tax reform and tax capacity.<sup>11</sup>

The Bank is scaling up its support to domestic resource mobilization of African countries by providing technical assistance on tax policy reform and tax administration reforms; increasing accountability for revenues from extractive industries; and supporting fiscal decentralization. Furthermore, the AfDB supports African countries in their efforts to establish intra-governmental fiscal transfer and tax-sharing systems.

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<sup>10</sup> Website <http://www.afdb.org/en/about-us/>.

<sup>11</sup> Speech of Dr Kamal Elkheshen, OSVP Vice President, The African Development Bank, African Tax Administration Forum, Cape Town, 4-7 April 2011.  
<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Vice%20President%20ATAF%20DRM%20Conference%20March%202011.pdf>.



The Bank has also established close cooperation with the African Tax Administration Forum (ATAF) to increase its support to taxation and domestic resource mobilization in Africa. In November 2011 the AfDB presented the outcome of a collaborative study conducted by the Bank in partnership with the ATAF and East African Community Secretariat with financial support from the Korea-Africa Fund for Economic Cooperation entitled “Domestic Resource Mobilization for Poverty Reduction in East Africa: Lessons for Tax Policy and Administration”. The aim of the study was to draw lessons for tax policy and administration in order to enhance Domestic Resource Mobilization in East Africa.

To undertake a project, the AfDB prepares for a country mission led by an expert from a sector department by reviewing whether the project is in line with the country's Country Strategy Paper (CSP).<sup>12</sup> An external consultant is usually hired to evaluate the feasibility of the project and to work closely with the different stakeholders, such as the government, civil society, business, etc. Once the draft report has been completed, a meeting of the government, the Bank and the consultants is held to review the report and agree on the executing agency for the project.

#### **5.1.6. Asian Development Bank (ADB)**

The Asian Development Bank (ADB) is a multilateral development finance institution whose mission is to reduce poverty in the Asia-Pacific region. The ADB was founded in 1966 and is the major source of development financing for the Asia and Pacific region. There are 67 members of which 48 are from the Asian and Pacific region and 19 outside. ADB provides assistance in the form of loans, grants, policy dialogue, technical assistance and equity investments.

ADB's Technical Assistance in taxation is within their Governance and Public Management goal. Based on the long-term strategic framework of ADB, (Strategy 2020), good governance and capacity development are identified as drivers for change; thus, the Bank is increasing its efforts to improve the quality and capacity of the public sector in Asia and the Pacific.<sup>13</sup>

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<sup>12</sup> Michielse, G., Thuronyi, V. (2010).

<sup>13</sup> <http://www.adb.org/Documents/Policies/Governance/govpolicy.pdf>.



Some of the governance and public management initiatives of ADB include improving public financial management process, supporting reforms for revenue management, strengthening fiscal decentralization and strengthening anti-corruption initiatives. Most recently, the Bank has been implementing projects in Bhutan, Maldives and Sri Lanka to improve their efficiency in revenue management. Further, the ADB institute organizes annually an event on (international) taxation which is attended by delegates from a large number of Asian countries. Over the last years, organizations such as the UN and IBFD have participated in this event.

Presently, ADB's strategic approach is determined by Strategy 2020, which guides all country partnership strategies (CPS).<sup>14</sup> The objective of the CPS is to illustrate the Bank's strategic approach in a country, both in line with ADB's strategy and the country's development strategy. ADB provides grants for programme preparatory technical assistance (PPTA) to assist the government in identifying and preparing for feasible projects. A report is written as a way for ADB to recommend financing the technical assistance project.

ADB recruits mainly external consultants, where necessary, to implement the projects.

#### **5.1.7. Inter-American Development Bank (IDB)**

The Inter-American Development Bank (IDB) is the largest source of development financing for Latin America and the Caribbean with an overall objective of reducing poverty and inequality and achieving sustainable growth. There are currently 48 member countries.

To achieve the Bank's objectives, the IDB has identified several sector priorities including institutions for growth and the social welfare sector in which fiscal efficiency and sustainability is one of the priority areas. The Bank's main development areas in this sector are in tax policies and administration and public expenditure management.<sup>15</sup> Furthermore, the Bank's technical assistance, with taxation as one component, is also provided within the framework of its Modernization of the State programme.

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<sup>14</sup> <http://www.adb.org/Documents/Manuals/Operations/OM-A2.pdf>.

<sup>15</sup> <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=36399223>.





Some of the recent involvement of the Bank, with tax as a component, was in Brazil (Fiscal Management Modernization Program), Bolivia (Fiscal Policy and Decentralization Program), El Salvador (Fiscal Strengthening Program) and Costa Rica (supporting the implementation process of the Fiscal Reform).

The IDB has a programming process to define its strategies and programmes, and its lending, technical cooperation and financing activities both at the country and sub-regional level. There is a constant dialogue among the Bank, its borrowing member countries and sub-regional agencies on key issues for economic and social development. The country programming process enables an on-going updating of the Bank's Operational Program ("Pipeline")<sup>16</sup> to ensure that the activities are consistent with the socio-economic and development needs and priorities of the countries, availability of funding and the Bank's overall medium-term operational targets, guidelines and strategies.

Consulting contracts are the most usual form of procurement where consultants for project activities are directly hired by the country. In some cases, the Bank may occasionally hire consultants for the implementation of the project activities.

#### **5.1.8. European Union**

The European Union (EU) through the European Commission (EC) provides technical assistance in various forms and under various conditions. States wishing to join the EU may benefit from technical assistance under twinning programmes between governments and tax administrations with a view to prepare these states for EU accession. The EC also finances technical assistance programmes for non-EU Member States. These programmes deal with a variety of topics including tax policy and tax administration issues and involve experts providing technical assistance in the country receiving the assistance. The EC is also participating in the Core Group Meetings of the International Tax Compact (see § 5.1.9.).

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<sup>16</sup> IADB website: <http://www.iadb.org/en/about-us/idb-financial-programming-process-6237.html>.

### **5.1.9. International Tax Compact**

The International Tax Compact (ITC) is a relatively new initiative to strengthen international cooperation with developing and transition countries to fight tax evasion and avoidance. ITC was launched by the German Federal Ministry for Economic Cooperation and Development (BMZ), and aims at “promoting tax systems that allow partner countries to be more effective in fighting tax evasion and inappropriate tax practices with the intention to achieve national and international development goals.”

According to its website,<sup>17</sup> the ITC “adds value to the Financing for Development process without duplicating efforts or competing with ongoing or existing initiatives”. The work of the ITC focuses on the four different programme components:

1. national activities: The ITC encourages increased development cooperation on tax matters and the dissemination of successful practices as well as the exchange of reform experience in legislation, administration, capacity development and policy coherence;
2. international activities: In order to promote transparency, the ITC improves information access and exchange, especially with respect to already existing initiatives;
3. analytical work and studies: In cooperation with international organizations, the ITC tries to close the gap that still exists in the analytical literature on the scope and practices of tax evasion and inappropriate tax practices in partner countries; and
4. networking and studies: The ITC intends to foster networking and dialogue on taxation and development between all participants of the initiative.

Up to now the activities of the ITC seem to be concentrated on studies and networking. In September 2011 a workshop was organized in Germany for policy-makers and experts from developing and industrialized countries as well as from international organizations whose work focuses on tax-related issues in development cooperation.

In July 2011 the EC and the ITC jointly released a study on transfer pricing and developing countries which deals with all aspects relating to transfer pricing (legislation, application, IT, APA and dispute resolution. Other studies released by the ITC include a study on the mapping of international support

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<sup>17</sup> [www.taxcompact.net](http://www.taxcompact.net).



on taxation,<sup>18</sup> a study addressing tax evasion and tax avoidance in developing countries,<sup>19</sup> a brochure on benefits of a computerized integrated system for taxation<sup>20</sup> and a draft study on appropriate aid modalities for supporting tax systems.<sup>21</sup>

## 5.2. Regional Tax Authorities Groupings

Tax administrations in different parts of the world have established regional tax authority groupings to exchange experiences and to discuss relevant issues with each other. Although most of these organizations have a strong regional focus, in some organizations members from other parts of the world may be found. A good example of such an organization is CIAT (see 5.2.1)

### 5.2.1. CIAT

The Inter-American Center of Tax Administration or CIAT was founded in 1967 as a regional body for Latin American tax administrations. CIAT currently has 40 member countries and associate member countries from four continents; 31 countries of the Americas, 6 European countries, 2 African countries and 1 Asian country. CIAT organizes two conferences (one General Assembly and one technical conference) each year and publishes a monthly newsletter.

According to their website<sup>22</sup>, CIAT promotes “mutual assistance and cooperation among member countries by:

- Developing specialized technical assistance programs based on the particular needs and interests expressed by member countries, through technical cooperation activities;
- Encouraging studies and research projects about tax systems and administrations, promoting timely dissemination of relevant information and the exchange of ideas and experiences

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<sup>18</sup> [http://taxcompact.net/documents/2011-09-10\\_Mapping-Study\\_International-Support-to-Taxation.pdf](http://taxcompact.net/documents/2011-09-10_Mapping-Study_International-Support-to-Taxation.pdf).

<sup>19</sup> [http://taxcompact.net/documents/2011-09-09\\_GTZ\\_Addressing-tax-evasion-and-avoidance.pdf](http://taxcompact.net/documents/2011-09-09_GTZ_Addressing-tax-evasion-and-avoidance.pdf).

<sup>20</sup> [http://taxcompact.net/documents/ITC\\_iTax-case-study.pdf](http://taxcompact.net/documents/ITC_iTax-case-study.pdf).

<sup>21</sup> [http://taxcompact.net/documents/2011-11-02\\_Appropriate-Aid-Modalities-for-Supporting-Tax-Systems\\_DRAFT.pdf](http://taxcompact.net/documents/2011-11-02_Appropriate-Aid-Modalities-for-Supporting-Tax-Systems_DRAFT.pdf).

<sup>22</sup> [www.ciat.org](http://www.ciat.org).

through general assemblies, technical conferences, seminars, publications and other appropriate means;

- Entering into headquarters agreements as per international law.”

The areas of technical assistance provided by CIAT include: preparing reform projects on specific or global aspects of tax policy; institutional consolidation and improvement of the tax administrations, including the creation of agencies with different degrees of autarchy and their merging with other tax management areas like customs; optimization of the substantial tax administration proceedings, including, among other things, collection, compliance control, auditing, enforced collection, taxpayer assistance; incorporation of risk management models and procedures; design and implementation of organizational structures; design and implementation of tax careers and other human resources processes; and in the use of ICT, for specific purposes as well as the development of integral management systems.

### 5.2.2. IOTA

The Intra-European Organisation of Tax Administrations (IOTA) was established in 1996 and provides a forum to assist members in Eastern European countries to improve their fiscal functionality.

According to IOTA,<sup>23</sup> their strategic objectives are to:

- promote and develop strengthened co-operation between IOTA Members;
- support IOTA Members with the implementation of their development programmes;
- identify best practice and encourage its adoption;
- promote the specific identity of IOTA as a professional regional organization of tax administrations in co-operation with other international and regional organizations; and
- function as a body of consultation for IOTA Members.

As far as its work programme is concerned, IOTA aims at publishing at least two practical tax administration guides per year as well as organizing at least two further special-interest activities as part as the IOTA Technical Activities Programme.

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<sup>23</sup> [www.iota-tax.org](http://www.iota-tax.org).



The technical assistance provided focuses mainly on various types of tax administration issues and less on tax policy, tax legislation and tax treaty issues. Over the past years technical assistance was delivered in the following areas:

- prevention and detection of VAT fraud;
- strategic management: benchmarking;
- human resources;
- large taxpayer treatment and audit;
- taxpayer education and services;
- treatment of specific industries; and
- changes in management.

### **5.2.3. SGATAR**

SGATAR is a loose regional grouping having no formal organization or permanent secretariat. It aims at providing an opportunity for members to get together annually and exchange information, ideas and experiences in the field of taxation.

SGATAR itself does not provide tax-technical assistance to members. SGATAR members take turns hosting Annual Meetings and providing for the secretariat's needs. The individual members also organize working level meetings, joint training programmes and meetings of heads of training institutions. At the end of each Annual Meeting a report is published on the various topics addressed during the meeting.

Finally, SGATAR contacts may be instrumental in the organizing of study tours as well as in obtaining expertise available in other tax administrations. Due to the absence of a formal organization, this is of an ad hoc nature.



### 5.2.3. CREDAF

The Centre de Rencontres et d'Études des Dirigeants des Administrations Fiscales (CREDAF)<sup>24</sup> is an organization of the tax administrations of French-speaking countries, mainly in Africa and was established in 1982. CREDAF aims to:

- facilitate dialogue, consultation and meetings between the heads of tax administrations of the countries that are wholly or partly French-speaking in order to share experiences and exchange ideas on issues of development of tax systems, organization and operation of the tax authorities;
- organize a core of material available to member countries;
- carry out studies at the request of the General Assembly and the CREDAF Bureau.

Apart from its annual conference, which is primarily intended for the heads of the tax administrations of the CREDAF member countries, CREDAF is instrumental in providing some other types of technical assistance. The actual assistance is often provided by experts from tax administrations of developed CREDAF member countries such as Canada, France and Belgium.

### 5.2.4. PITAA

The Pacific Islands Tax Administrators Association (PITAA) was founded in 2003. The objectives of PITAA are the following:

- to be a forum where the tax administration and policy issues most relevant to Pacific Island countries can be discussed and where experiences can be shared;
- to promote closer cooperation and coordination of information-sharing in tax administration and policy formulation in Pacific Island countries;
- to help promote international standards and best tax administration practices, suitable to the characteristics of the Pacific Island countries;
- to encourage taxation institutions to design and adopt strategies to modernize and enhance their effectiveness and efficiency; and
- to enhance administrative skills and encourage the development of high professional standards by facilitating training and the dissemination of resource materials.

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<sup>24</sup> [www.credaf.org](http://www.credaf.org).



The statutory activities carried on by PITAA are the following:

- organizing an annual conference for its members;
- inviting donors and providers of technical assistance, including PFTAC, to attend this Annual Conference to help provide financial and technical assistance to the tax modernization projects defined by the member countries during the conference;
- taking stock of training needs of members, including the needs for experts, workshops and seminars, to help them address those needs;
- seeking funding to support PITAA and its agenda; and
- publishing details of its activities, including the Minutes of the Conference, on the PITAA website hosted by PFTAC.

In October 2010 a course was conducted on principles, concepts and practices of modern tax administrations. PITAA's activities also include the publication of a handbook on selecting cases for audit (2009), a handbook entitled "Working with large taxpayers: getting started" (2008).

#### **5.2.5. COTA**

The Caribbean Organisation of Tax Administrators (COTA) was established in 1971. Since 1985 COTA releases two newsletters per year. Further, COTA organizes a conference every two years and occasionally regional seminars on tax technical and administrative issues.

#### **5.2.6. CATA**

The Commonwealth Association of Tax Administrators (CATA) was founded in 1978 and draws its members from the Commonwealth. The purpose of CATA is to promote the improvement of all aspects tax administration within the Commonwealth, with particular emphasis on developing countries. Under Art. 2 of the CATA Constitution, the activities of the Association include:

- holding meetings of technical and administrative personnel in tax administration for the

exchange of ideas and experiences;

- organizing seminars, workshops and training courses on aspects of tax administration; collecting, analysing and disseminating information on tax administration;
- providing directly or, collaborating with, and generally facilitating, the work of bilateral and multilateral agencies providing technical assistance and research facilities in the field of tax administration; and
- generally carrying out functions related to the overall improvement of the capabilities of tax administrations through functional co-operation between and among Commonwealth countries.

In 2011, in addition to its annual conference, CATA organized three courses:

- a three-week workshop on the taxation of international transactions;
- a six-week Commonwealth tax inspectors course; and
- a six-week course on achieving management potential.

Recently, CATA together with the Canada Revenue Agency announced the introduction of a new E-learning product on– Tax Audit Fundamentals for CATA members.

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

The Association of Tax Authorities of Islamic Countries (ATAIC) was founded in 2003 and is open to Islamic countries. The mission of ATAIC is to facilitate the improvement of tax administration and promote sharia taxation with particular reference to Zakat within the Islamic countries, in order to meet the challenges/changes rapidly taking place in the world. The activities of ATAIC may include:

- holding meetings including an Annual Technical Meeting in related tax/Zakat issues for the exchange of ideas and experiences;
- organizing seminars, workshops and training courses on aspects of tax/Zakat organization;
- collecting, analysing and disseminating information on tax/Zakat issues;
- 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;





- generally carrying out functions related to overall improvement of the capabilities of tax/Zakat administration through functional cooperation between and among Islamic countries; and
- keeping all member Islamic countries abreast of the developments of tax and related regimes in non-Islamic countries as well as the activities of regional tax associations.

Since its creation, ATAIC has organized an annual technical conference during which tax administrators exchange experiences and discuss relevant topics. The experiences shared and the topics discussed relate to issues that are relevant for tax administrations.

#### **5.2.8. ATAF**

The newly (2008) created African Tax Administrators Forum or ATAF is “a platform to promote and facilitate mutual co-operation among African Tax Administrations (and other relevant and interested stakeholders) with the aim of improving the efficacy of their tax legislation and administrations.”<sup>25</sup>

ATAF aims at the promotion of efficient, effective and economic tax administration to foster economic growth and improved service delivery for the improvement of living standards of people living in Africa.

ATAF objectives are the following:

- promotion of economic development, good governance and accountability;
- domestic resource mobilization;
- a culture of professionalism and mutual support;
- mutual cooperation and increase in the level of voluntary tax compliance;
- combating of tax evasion and avoidance;
- implementation of African tax strategies; and
- capacity development aimed at strengthening tax administrations.

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<sup>25</sup> [www.ataftax.net](http://www.ataftax.net).



In addition to its annual General Assembly, ATAF has organized a number of workshops on transfer pricing (in cooperation with OECD), exchange of information (in cooperation with OECD) and on communication with taxpayers.

#### **5.2.9. ATAS**

Another relatively new initiative (2010) is the Asian Tax Authorities Symposium or ATAS. The inaugural Asian Tax Authorities Symposium (ATAS) was successfully hosted on 14-15 June 2010 in Kuala Lumpur, Malaysia. ATAS was organized in partnership by the International Bureau of Fiscal Documentation (IBFD), the Financing for Development Office (FfDO) of the United Nations, the Inland Revenue Board, Malaysia (IRBM) and the Royal Norwegian Ministry of Foreign Affairs (MFA).

ATAS was attended by high-level tax officials from 17 Asia-Pacific jurisdictions, i.e. Afghanistan, Australia, Cambodia, India, Indonesia, Korea (Rep.), Malaysia, Maldives, Mongolia, Nepal, the Philippines, Singapore, Sri Lanka, Thailand, Timor-Leste and Vietnam. Many of the participants spoke and presented on pertinent tax matters and issues arising out of international taxation, especially from a developing-country perspective.

ATAS is scheduled to host a symposium every two years.

#### **5.2.10 JITSIC**

The Joint International Tax Shelter Information Centre was established in 2004. Current members are Australia, Canada, China, Japan, the United Kingdom and the United States. JITSIC's task is to identify and curb abusive tax schemes through information exchange and knowledge-sharing.<sup>26</sup>

#### **5.2.11 The Seven-Country Working Group on Tax Havens**

This working group is an association among seven countries (Australia, Canada, Germany, France, Japan, the United Kingdom and the United States) with the purpose of exchanging information related to risks posed to their tax systems by tax havens.<sup>27</sup>

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<sup>26</sup> [www.hmrc.gov.uk/avoidance/aag-jitsig.htm](http://www.hmrc.gov.uk/avoidance/aag-jitsig.htm).



### **5.2.12 Leeds Castle Group**

This organization was established in 2006 and the tax commissioners of the member countries (Australia, Canada, China, France, Germany, India, Japan, South Korea, the United Kingdom and the United States) meet regularly to discuss national and global tax administration issues.

### **5.3. Bilateral technical assistance activities**

Developed countries such as Canada, France, Germany, Japan, Sweden, the United Kingdom and the United States are also active in providing technical assistance in the area of taxation. This section will focus on the technical assistance provided by these major economies. Similar technical assistance is also provided by a host of other nations such as, for instance, Denmark, Malaysia and Norway.

#### **5.3.1. Australia**

Australia provides technical assistance in multiple areas including taxation via AUSAID. The technical assistance is provided mainly in Africa and the Asia-Pacific region. In recent years the activities in the area of taxation seem to have been rather limited. Under technical assistance projects, AUSAID supplies expertise to developing countries and is (co-)funding some capacity-building projects, e.g. the ZIMRA (Zimbabwe Revenue Authority) Assistance Programme (ZIMRAP).

#### **5.3.2. Canada**

The Canadian International Development Agency (CIDA) is Canada's lead agency in development assistance in a wide range of areas. The priorities that guide the work of CIDA include stimulating sustainable economic growth. Under this banner, CIDA focuses, among other things, on building economic foundations. This includes:

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<sup>27</sup> [www.ato.gov.au/individuals/content](http://www.ato.gov.au/individuals/content).

- strengthening public financial management at national, regional and local levels;
- improving legal/regulatory frameworks and systems to stabilize economies;
- supporting governments and private sector companies to expand their business and integrate into regional and global markets; and
- building capacities to sustainably manage natural resources.

The assistance provided in the field of taxation includes assistance with respect to tax policy and legislation as well as the functioning of tax administrations (organizational, management, IT and taxpayer services). In providing technical assistance, CIODA cooperates with IMF, IDB, UNDP and others). CIDA deploys experts to the countries receiving technical assistance.

Canada is also very active in providing technical assistance through organizations such as CIAT (see 5.2.1.), CREDAF (see 5.2.4.) and CATA (see § 5.2.6).

### **5.3.3. France**

ADETEF is the organization of the French ministries for Economy, Budget and Sustainable Development that provides technical assistance related to taxation. With respect to taxation, in 2010 ADETEF provided technical assistance on a wide range of topics such as tax audit, a mechanism for the exchange of information, transfer pricing, taxpayer services, tax policy and tax legislation for countries in Eastern Europe, the Middle East, Africa and Latin America. Some of the activities were carried out by ADETEF as a twinning programme. France is also an active member of regional tax authorities groupings such as CIAT, IOTA and CREDAF and also provides technical assistance in collaboration with these organizations. Further, France is also participating in the Core Group Meetings of the International Tax Compact.

### **5.3.4. Germany**

Germany provides technical assistance in many parts of the world and in numerous areas via the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).<sup>28</sup> In providing technical assistance, GIZ often enters into partnerships with the private sector and cooperates with (regional) alliances

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<sup>28</sup> [www.giz.de](http://www.giz.de).



such as the United Nations<sup>29</sup>, the African Union and ASEAN. In providing technical assistance GIZ aims at sustainable development and makes experts available to provide assistance on the ground as well as organizes conferences, training courses and study tours. Many activities are related to capacity-building. According to its annual report for 2010, the technical assistance provided which is related to taxation (both from a legislative and a tax administration perspective) was limited.

### 5.3.5. Japan

The Japan International Cooperation Agency (JICA) provides technical assistance in many parts of the world in a wide range of areas, via capital grants and loans. JICA's core development programmes are technical assistance programmes, projects for capacity and institutional development, feasibility studies and master plans. Recent activities in the area of taxation include assistance to expand the tax base and increase tax revenue, capacity development of tax offices to ensure appropriate tax collection which is based on the law. In this respect, JICA provides training courses to tax officials and deploys experts to developing countries.

### 5.3.6. Norway

Norway established the Tax for Development programme in 2011 which aims to contribute to improve tax systems and increase tax revenues in developing countries<sup>30</sup>. The programme focuses on four areas:

- Capacity building to support partner countries such as Zambia, Tanzania and Mozambique to improve their capacities for collecting taxes. Norway also supports the African Tax Administration Forum (ATAF) in sharing best practices between member countries. Norway also supports the work of IMF on taxation and management of natural resources in several countries and provided support to ATAS (see § 5.2.9).

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<sup>29</sup> [www.un.org/esa/ffd/tax/seventhsession/CRP8.pdf](http://www.un.org/esa/ffd/tax/seventhsession/CRP8.pdf)

<sup>30</sup> <http://www.norad.no/en/thematic-areas/macroeconomics-and-public-administration/tax-for-development>



- Knowledge generation and dissemination by carrying out research on taxation and capital flight. Norway is co-financing the research programme International Centre for Tax and Development (ICTD) where focus is on taxation and state building.
- International cooperation on issues relating to taxation and capital flight. Norway is an active supporter of OECD's work on taxation and development and is also a member of the Task Force on Financial Integrity and Economic Development. Norway also supports the efforts of the UN to promote international cooperation in tax matters including the Committee of Experts on International Cooperation in tax matters by providing associate experts for the Secretariat support.<sup>31</sup>
- Supporting civil society by encouraging public debate on taxation and capital flight issues.

### **5.3.7. Sweden**

The Sweden International Development Cooperation Agency (SIDA) provides technical assistance in a large number of countries and on a wide range of topics. In the area of taxation SIDA often uses expertise from the Swedish Ministry of Finance. Over the last couple of years technical assistance has been rendered in the areas of tax policy, tax legislation and various issues related to the functioning of tax administrations. SIDA often sends experts to developing countries receiving SIDA assistance. The emphasis in the assistance in recent years was Eastern Europe.

### **5.3.8. United Kingdom**

The Department for International Development (DFID) was set up in 1997 and marked a turning point for Britain's aid programme, which until then had mainly involved economic development.<sup>32</sup> Apart from providing technical assistance on the spot in developing countries, DFID also funds research and has issued a large number of publications. The DFID projects are mainly situated in Africa, South Asia and the Caribbean.

In technical assistance projects, DFID cooperates with numerous institutions ranging from the United Nations, the European Union, the IMF and the International Red Cross to UK government departments and private foundations. In the area of taxation, assistance has been provided related

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[http://www.un.org/ga/search/view\\_doc.asp?symbol=E/2011/76&Lang=E](http://www.un.org/ga/search/view_doc.asp?symbol=E/2011/76&Lang=E), p. 6

<sup>32</sup> [www.dfid.gov.uk](http://www.dfid.gov.uk).



to tax policy and tax legislation (i.e. improving the legal framework and broadening the tax base) as well as related to the functioning of the tax administration (i.e. increasing efficiency and effectiveness and improving the administrative infrastructure).<sup>33</sup>

### 5.3.9. United States

The US Agency for International Development (USAID) was established in 1961 with a view to providing long-range economic and social development assistance to foreign countries.<sup>34</sup> USAID carries out US foreign policy by promoting broad-scale human progress at the same time it expands stable, free societies, creates markets and trade partners for the United States, and fosters good will abroad.

USAID works in over 100 countries:

- to promote broadly shared economic prosperity; and
- to strengthen democracy and good governance.

USAID works in close partnership with private voluntary organizations, indigenous organizations, universities, the private sector, international agencies, other governments, and other US Government agencies.

In the area of taxation, USAID has provided technical assistance in a broad range of areas ranging from tax policy to several types of tax administration aspects. The assistance is provided by deploying experts to the developing countries where they assist the local institutions. Capacity-building also takes the form of organizing courses. Many experts deployed by USAID to provide assistance in developing countries have gained experience in the Internal Revenue Service or the US Treasury.

In Table 1 below an overview is given of the regional organizations and the representation of the major developed countries. We note that these countries are overwhelmingly represented. We have not listed the other member countries but in most cases countries are member of only one or two

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<sup>33</sup> These aspects were, for instance, the key aspects of a long-running tax modernization programme in Tanzania.

<sup>34</sup> [www.usaid.gov](http://www.usaid.gov).



organizations. It is evident that thanks to their internal resources, the developed countries listed in the table below have the ability to play a dominant role in each of the regional organizations.



Table 1 Membership of international organizations and regional tax authority groupings

	Australia	Canada	China	India	Japan	France	Germany	South Korea	The Netherlands	United Kingdom	United States
CIAT											
CREDAF											
IOTA											
CATA											
OECD Forum on Tax											
ITD											
ITC											
SGATAR											
JITSIC											
Leeds Group											
The Seven Working Group											
National development											

#### 5.4. Tables with overview of total results

The activities carried out by the various organizations, regional tax administration groupings and individual countries can be divided into two main categories:

- a. tax policy and legislation; and
- b. tax administration.

Each of these main categories can be further divided into subcategories and a distinction can be made in the way the assistance is provided. Table 2 contains an overview of the assistance rendered with respect to tax policy and legislation whereas Table 3 will provide an overview of the technical assistance that may be provided in issues related to the functioning of the tax administration.

Table 2

NAME OF ORGANIZATION	AREAS OF TAX TECHNICAL ASSISTANCE																			
	TAX POLICY				TAX LEGISLATION DRAFTING				TAX AVOIDANCE				TAX TREATIES							
													Tax Treaties Negotiations	Tax Treaty Application	Transfer Pricing					
	T	R	E	C	T	R	E	C	T	R	E	C	T	R	E	C	T	R	E	C
<b>International Organizations</b>																				
United Nations																				
OECD																				
European Commission																				
<b>Financial Institutions</b>																				
IMF																				
World Bank																				
Asian Development Bank																				
African Development Bank																				
Inter-American Dev Bank																				
<b>Regional Tax Authorities</b>																				
ATAF																				
ATAS																				
CATA																				
CIAT																				
COTA																				
CREDAF																				
IOTA																				
PITAA																				
PFTAC																				
SGATAR																				
<b>Bilateral</b>																				
Australia																				
Canada																				
France																				
Germany																				
Japan																				
Norway																				
Sweden																				
United Kingdom																				
United States																				

Legend :

T = Training  
R = Reports, Manual

E = Experts  
C = Conference, workshops

**Table 3**

	TAX ADMINISTRATION																								
	Tax Admin Organization	ICT		Dispute Resolution		Exchange of Information		Taxpayer Services		Tax Administration Capacity Building															
		T	R	E	C	T	R	E	C	T	R	E	C	T	R	E	C	T	R	E	C	T	R	E	C
<b>International Organizations</b>																									
United Nations																									
OECD																									
European Commission																									
<b>Financial Institutions</b>																									
IMF																									
World Bank																									
Asian Development Bank																									
African Development Bank																									
Inter-American Dev Bank																									
<b>Regional Tax Authorities</b>																									
ATAF																									
ATAS																									
CATA																									
CIAT																									
COTA																									
CREDAF																									
IOTA																									
PITAA																									
PFTAC																									
SGATAR																									
<b>Bilateral</b>																									
Australia																									
Canada																									
France																									
Germany																									
Japan																									
Norway																									
Sweden																									
United Kingdom																									
United States																									

Legend : T = Training      E = Experts  
R = Reports, Manual      C = Conference, workshops

## **6. Analysis of the assistance provided and gaps identified**

This section will firstly analyse the technical assistance that is provided by international organizations, regional tax authority groupings and individual states (6.1). In 6.2, the gaps in technical assistance provided by these other organizations and states are indicated.

### **6.1 Analysis of the technical assistance provided by other organizations and countries**

From the tables included in section 5, it appears that technical assistance in the field of taxation is provided in one form or another by many international organizations, regional tax authority groupings and individual countries. Sometimes these organizations, groupings and countries cooperate. Also, it appears that all the areas in which technical assistance may be required are, in principle, covered. The ways in which technical assistance is delivered may differ from organization to organization and from country to country.

With respect to technical assistance provided by international organizations, the following comments can be made. Some of the international organizations such as IMF, World Bank and regional development banks provide technical assistance on a wide range of topics. However, in some cases, the technical assistance is only available as part of a loan. Other organizations such as OECD provide technical assistance freely. The technical assistance provided by these organizations is based on the views of the international organization itself and is therefore not necessarily the best solution for developing countries. In a number of cases the international organizations deploy experts to developing countries. In some cases (i.e. IMF) the experts are employees of the organization, in other cases experts are hired externally through a tendering process. Although experts from the international organizations frequently speak at conferences, it can be said that the technical assistance is mainly provided by international organizations through experts and reports or studies.

From the overview and the tables, it becomes clear that as a rule regional tax authority groupings focus predominantly on issues relevant to tax administrations and do not deal with tax policy and legislation. Further, the regional tax authority groupings provide assistance mainly through organizing conferences and through publications and to a lesser extent through organizing courses. It is rather unusual that these groupings deploy experts to either member countries or to third countries.

Individual countries that provide technical assistance in the area of taxation are, in principle, able to provide assistance in all relevant areas ranging from tax policy and legislation to capacity-building and taxpayer services. On the other hand, little technical assistance is provided with respect to tax treaties.

The assistance provided often takes the form of deploying experts and organizing training courses (including study tours). Some countries also dedicate resources to conduct certain studies that may be used in the provision of technical assistance. Some countries involve (retired) government officials to provide technical assistance whereas other countries hire external experts through a tendering process.

## **6.2 Gaps identified in the technical assistance provided by other organizations and countries**

From the tables 2 and 3 included in 5.4 it can be seen that technical assistance is available in one way or another in most areas of taxation. However, technical assistance is not widely available with respect to certain topics. It also appears from the research that some countries are receiving more technical assistance than other, comparable states.

It seems that little technical assistance in respect of the evaluation of existing legislation is available. It also seems that dispute resolution both within and outside the tax administration is an area where not much technical assistance is provided. However, having in place a proper and cost effective dispute resolution mechanism within the tax administration will lead to more trust in the tax system by foreign investors (see also 7.2).

As far as tax treaty negotiations and transfer pricing are concerned, only the OECD is currently providing workshops and training on a structural basis. The UN has developed a model and a manual for tax treaty negotiations and is currently working on a manual on transfer pricing but is not providing any training courses or workshops on a structural basis. Capacity-building in personal skills and IT skills for tax administrators is yet another area where little assistance seems to be provided. Only CATA and a few countries provide a full basic training (including personal and IT skills) for tax officials on a regular basis.

Relevant is also the follow-up after the technical assistance has been delivered. It should be mentioned that once a technical assistance programme has been completed, the developing country

is left on its own to resolve any issues. Unlike for the purchase of equipment, “after-sales service” is missing with respect to technical assistance.

## **7. Role and work of the UN in promoting international cooperation**

In this section the possible role for the UN in promoting international cooperation will be addressed. In 7.1, focus is on the possible role for the UN Tax Committee regarding the gaps in technical assistance provided by other institutions and organizations. Sub-section 7.2 will address other areas where technical assistance may be provided.

### **7.1. UN role vis-à-vis technical assistance provided by other parties**

From the analysis of the activities performed by international organizations, regional tax administration groupings as well as by individual states, it appears that technical assistance is provided in many different areas. It further appears that various donors are providing technical assistance simultaneously to the same country. Past experience has shown that it is possible that the country receiving technical assistance is confronted with conflicting advice provided by different donors. As such it is not a problem to receive technical assistance from various perspectives in order to be able to adopt the best solution for a specific country bearing in mind its tax system and needs. Sometimes a joint approach may be beneficial for the country receiving the assistance. This may enhance insight into various solutions for a specific problem but conflicting advice may confuse decision makers and may complicate the tax system. Mixed messages should be avoided where possible.

In the area of providing technical assistance, the United Nations Committee of Experts on International Cooperation in Tax Matters may play an important role. Among the members of the UN Committee there are representatives of both the developed countries providing technical assistance and the countries receiving such technical assistance. The UN Committee could therefore be a platform for discussing all relevant aspects of technical assistance at a global level. However, it would appear necessary that the United Nations Committee expand its horizon to team up on an ad-hoc basis with other donors to provide more training in relevant areas.



Below, a number of other areas in which the United Nations could play an important role are identified.

#### **7.1.1. Coordination of technical assistance**

In view of the assistance provided by various organizations and countries, it seems important that the various donors coordinate their technical assistance. Due to its global presence, the UN is uniquely suited to play an important role in this donor coordination with a view to avoid multiplication of similar efforts and/or conflicting advice as has been described above. To carry out this task it could be considered that the UN would attend or be represented at meetings of regional tax authority groupings as an observer.

#### **7.1.2. Evaluation of technical assistance projects**

Another area of technical assistance that could be developed further deals with the evaluation of the technical assistance received. It is important to monitor and evaluate whether the situation in the developing country has improved and, if so, why. This is important to learn lessons for future technical assistance projects. Some countries do evaluate the technical assistance that they have received but they are not in a position to benchmark the success of a project properly. The UN Committee could play an important role in this matter.

Related to this issue, the UN Committee could also play an important role in identifying successful technical assistance projects which – of course where needed, adjusted to the local circumstances – could also be carried out in other developing countries.

#### **7.1.3. Tax training curriculum for tax administrators**

Experience has shown that the tax administrations of many developing countries find themselves in a disadvantageous position when dealing with taxpayers advised by highly educated tax advisors. Many countries are struggling with setting up a training curriculum and a tax academy. Although the tax legislation of the various countries may be different, the qualifications required by the tax administration are to a large extent similar.

In this respect, it should be mentioned that training can never be an isolated island in the tax administration. Training is one of the drivers for improvement, continued learning, organizational change and experience and compliance with professional standards. Training will become more and more important because it one of the last remaining tools for management to organize a kind of strategy alignment due to the fact that the turnover of staff is increasing (the lifetime job approach is no longer appreciated by the younger generations). This phenomenon is well known in the developed economies, but it occurs as well in the emerging economies and the metropolitan areas in particular are suffering from a brain drain of young professional staff who can increase their salaries by working for the big law firms.

A dedicated training programme (preferable in a tax academy that is accredited) may provide the challenges that the staff wants to like to have. Through the programme, the staff will feel connected to the organization. Such a professional education programme can be also useful in recruiting new staff. At the end a professional training programme will increase pride in the organization and is a certain way to preserve knowledge gained in the organization. People may leave but their experiences become part of the internal knowledge.

The UN could play an important role in developing a basic tax training curriculum and in drafting training materials which can be used to train tax administrators of developing countries. Also, guidance could be provided on how to set up a tax academy and how to organize the training of tax administrators.

#### **7.1.4. Capacity building regarding negotiation and application tax treaties**

One of the areas in which the United Nations could provide more assistance in capacity-building is in the area of tax treaty negotiation and application. Since the UN Committee of Experts on International Cooperation in Tax Matters has developed the United Nations Model Double Taxation Convention as well as a manual to negotiate double taxation conventions, it would be a logical step to provide technical assistance to developing countries in developing a tax treaty policy (both a national model double taxation convention as well as policy on who to negotiate with).<sup>35</sup> In view of its position it seems less appropriate for the United Nations to provide technical assistance in preparing for or even during actual tax treaty negotiations. However, the UN could get involved in

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<sup>35</sup> In this respect, it should be mentioned that OECD provides training and workshops in tax treaty negotiations.





organizing training courses and workshops in tax treaty negotiations. It could be explored to team up with the OECD or other parties such as IBFD in providing training in tax treaty negotiations. During such a training special attention could be paid to the inclusion of anti-abuse provisions in tax treaties to combat treaty shopping and undesirable forms of international tax planning. Also in this respect one could think about the use of domestic anti abuse rules under tax treaties.

#### **7.1.5. Capacity building in transfer pricing**

Related to tax treaties and because of the large amounts of tax revenue at stake, transfer pricing is a very important topic for developing countries. The work of the UN Committee on a transfer pricing manual is extremely useful but should be followed by further steps to enhance the capability of developing countries to deal effectively with transfer pricing issues. This may involve assistance in setting up domestic law transfer pricing rules as well as training tax officials to deal with transfer pricing issues and disputes.

#### **7.2. Other areas where assistance may be provided**

In this section I will mention several areas where international cooperation is needed and where, in my experience, the areas are not foreseen in capacity-building programmes.

##### **7.2.1. Implementation test for new legislation**

Before new legislation is introduced, it is important that a proper test is conducted among the responsible operational units in the tax administration to determine whether the provisions can be executed. A due diligence test is the classic method in the business world when takeovers or mergers are involved. I recommend that an implementation test be part of the mandatory steps in the tax reform process. The systems, the structures and related responsibilities and required skills can be examined at an early stage. For the tax authorities the outcome of the test can mean making necessary changes in the regulations, or more time granted for the necessary training and adjustments to the systems or even a complete halt to the legal reform.

### **7.2.2. Independent judicial system**

Essential for acceptance of the (tax) rule of law is an independent judicial system outside the tax administration where taxpayers can submit an appeal with an independent and competent body. Therefore, countries have to think about setting up an independent court system for tax appeals and need to train judges in understanding and applying the important principles of taxation. An independent judicial system will support citizens' view on a fair and equal tax system and will support the business sector in its desire for a predictable and stable tax system. Until now, little serious attention has been given to this matter in the world of tax and development.

### **7.2.3. Organizing reliable tax data**

A lack of reliable data is one of the keystones in the failure of many tax administrations in the developing countries. Reliable data are important not only for the tax revenue part of the government but also for calculating tax expenditure more accurately. Often lots of data are collected but in many cases certain important data are left out. Getting reliable data is more a question of mind set than a sophisticated IT system. Fifty years ago, IT systems were not available either in the more developed countries. However, the organizations were using reliable data due to mental discipline with regard to holding records. IT is not the solution if the current system is not accurate; IT only makes the system smoother and faster but does not solve anything.

### **7.2.4. Assistance in the collection of taxes**

Although many developing countries are quite keen to conclude tax treaties, these countries are more reluctant to agree to assistance in the collection of taxes. Often these countries lack the legal possibilities and the resources to accept provisions on the assistance in the recovery of taxes. Having such a provision would however be in the interest of developing countries. It could be considered to provide assistance in the development of a legal framework and the training of staff in this matter.

### **7.2.5. Availability of documentation**

In many tax administrations there is a lack of sufficient information that enables the official to execute the assigned tasks. This can be essential information as the domestic tax laws, the related secondary legislation, guidelines (if available), case law and the international context such as tax treaties and the relevant literature for the application and interpretation of the tax regulations. This seems to be a simple matter but it should be kept in mind that many tax officials in developing countries are completely disconnected from the most essential information (or have no tools to use it) and for this reason are always in a weaker position than the taxpayer.