




Strengthening Tax Capacity Development Support to Developing Countries

**ECOSOC Special Meeting on International Cooperation in Tax Matters
New York, 9 December 2016**

<http://www.un.org/esa/ffd/events/event/ie-2016-ictm.html>

The Platform for Collaboration on Tax

- Joint initiative of the IMF, OECD, UN and WBG to intensify their cooperation on tax issues.
- The Platform aims to: 1) better coordinate tax capacity-building support to developing countries; 2) deliver joint outputs and; 3) strengthen the interactions between standard setting, capacity building and technical assistance.
- Joint report to the G20 Finance Ministers on “*Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries*”.
- The report identifies core elements of successful tax capacity-building programmes and includes a series of recommendations and enabling actions, drawing upon the individual experiences of the four participating organizations.



How to ensure that political commitment to tax reform is promoted and made sustainable and the international tax agenda delivers for developing countries

How to promote political commitment to tax reform and make it sustainable

- Deep country commitment within a supportive political environment is essential.
- The importance of national ownership of reforms is stressed both in the 2030 Agenda for Sustainable Development and in the Addis Ababa Action Agenda on Financing for Development.
- *Recommendation 1:* G20, the international organizations (IOs) and development partners should encourage political support for tax systems development. Options include explicit requirements for financial support and mutual accountability provisions such as those in the Addis Tax Initiative (ATI).
- *Recommendation 1b:* Donor/G20 countries should encourage and facilitate capacity building of local stakeholders (business, CSOs, media) to engage in reforms and medium-term reform strategy (MTRS) development.

How to ensure that the international tax agenda delivers for developing countries

- The Addis Ababa Action Agenda provides high level political commitment.
- Countries should identify their own national priorities on international tax.
- The international tax landscape is rapidly changing:
 - G20 now includes a developing country focus.
 - 90 members (so far) of BEPS and Inclusive Framework, including more than 40 developing countries.
 - 137 members of Global Forum on Transparency and Exchange of Information for Tax Purposes.
 - 107 have joined multilateral Convention on Mutual Administrative Assistance in Tax Matters.
 - UN Committee of Experts on International Cooperation in Tax Matters: strengthening effectiveness and operational capacity.
 - IMF and WBG support tax reform through lending and advisory services.
- Regional cooperation is vital to increase voice and participation of developing countries, share of experiences and foster South-South cooperation.

How to ensure that the international tax agenda delivers for developing countries

- *Recommendation 5:* IOs, Regional Tax Organizations (RTOs) and development partners should support developing countries to participate effectively in international tax policy discussions and institutions. Good experiences should be disseminated with a view to scaling them up.
- *Recommendation 2c:* The Platform should develop mechanisms to support the development of coordinated plans for all development providers' work in relation to BEPS implementation and wider international tax issues.
- *Recommendation 4:* G20 countries and development partners should continue to work in close partnership with RTOs and provide support for increasing their strength and coverage in: 1) fostering local networks and exchange of experiences; 2) supporting capacity development in targeted areas and; 3) influencing international rule setting and implementation.

Interactive discussion

- *What can be done at the country level to generate and sustain political commitment, while working with other stakeholders to build a society-wide consensus on reform? Are there examples of this sustained and participatory type of reform that we can learn from?*
- *How can developing countries best be supported to realize maximum benefit from international tax discussions, standard setting and implementation?*
- *What can be done to work more effectively together on international taxation?*



How to establish medium-term reform strategies and improve and integrate diagnostic tools and strategic thinking

Why and how to establish MTRSs

- Building tax capacity is a protracted/persistent effort, especially in low capacity environments which face technical and resource constraints.
- A medium-term vision can guide support where it is most needed and help cope with instabilities/uncertainties at the country level.

Core Elements of an MTRS include:

- A broad consensus on the level of revenue mobilization effort for the medium-term (5-10 years) with due consideration to the poverty and distribution implications of the associated measures.
- A comprehensive reform plan for the tax system, reflecting country circumstances and the state of institutional capacity:
 - A redesign of the policy setting to meet the revenue goal;
 - A reform of the revenue agencies to properly administer the policy setting and to achieve high level taxpayers' compliance to meet the revenue goal;
 - A strengthening of the legal framework to enable the policy redesign and administration reform.
- A country's commitment to a steady and sustained implementation, notably by securing political support and resourcing.
- Secured financing for capacity development to support the country in overcoming domestic constraints to formulate and implement a MTRS effectively.

Framework for design, implementation and measurement of MTRs

Diagram 1. IMF Revenue Reform—TA Framework

Diagnostic of Current Situation	Reform Strategy Design	Reform Implementation	Monitoring & Evaluation
Main Government-Led Tasks <ul style="list-style-type: none"> Review/understand RA current situation and performance Conduct environmental scan, including of political commitment Review trends and new developments (international and regional) Review existing reform program and main achievements Identify TA needs 	Main Government Tasks <ul style="list-style-type: none"> Define scope of reform (incremental or transformational) Determine prioritization and sequencing Develop reform program: <ul style="list-style-type: none"> Identify areas for intervention (organization, core processes, etc.) Define outcomes Establish milestones and key indicators Identify risk and mitigation strategies Identify resource requirements, including TA needs 	Main Government-Led Tasks <ul style="list-style-type: none"> Establish reform governance framework Design reform agenda and implementation calendar Develop and implement communication plan Assign and mobilize resources Operationalize reform into daily business Continue to carry out regular business Identify TA needs 	Main Government-Led Tasks <ul style="list-style-type: none"> Prepare periodic progress reports High level monitoring of reform execution and results Continuous monitoring of strategic and operational performance Prepare annual reports Undertake internal reviews Undertake taxpayer surveys Conduct independent (external) reviews Prepare final assessment
Key Inputs <ul style="list-style-type: none"> Management report on need for change RA annual reports Senior management seminars on current performance and challenges Key stakeholder consultations (internal and external) to identify change needs and areas for improvement RA performance data Reform strategy advice Benchmarking studies, e.g., RA-FIT, TADAT Data analysis, including tax gap study, e.g., RA-GAP, and cost-benefit analysis of tax expenditure 	Key Inputs <ul style="list-style-type: none"> Baseline diagnostic reports on current performance and areas for improvement Senior management seminars on future strategy, objectives and outcomes Key stakeholder consultations (internal and external) to identify strategic direction and ways to address areas for improvement 	Key Inputs <ul style="list-style-type: none"> Strategic reform plan Medium-term reform plan Key outcomes and indicators Key stakeholder consultations on detailed action plans 	Key Inputs <ul style="list-style-type: none"> Reform governance framework Action plans and timetables Periodic external review Independent (external) evaluation Key stakeholder consultations
Key outputs <ul style="list-style-type: none"> Baseline diagnostic reports on current performance and areas for improvement Communication plan 	Key outputs <ul style="list-style-type: none"> Strategic reform plan Medium-term reform plan Resource requirements Budget approval Key outcomes and indicators Communication plan 	Key outputs <ul style="list-style-type: none"> Reform governance framework Detailed action plans and timetables Allocated budget Communication plan 	Key outputs <ul style="list-style-type: none"> Progress reports Regular internal reviews by Steering Committee and RA agency reports Updated action plans, timetable, communication plan and budget Annual reports Taxpayer survey reports External review and evaluation reports
IMF TA <ul style="list-style-type: none"> Conduct diagnostic, jointly with RA agencies Dialogue with government; shared diagnostic and need to reform Coordinate with donors, other TA providers, and TA agencies Consult with stakeholders 	IMF TA <ul style="list-style-type: none"> Help design reform strategy, jointly with RA agencies Seek government approval of reform strategy Coordinate with donors on complementary TA Consult with stakeholders 	IMF TA <ul style="list-style-type: none"> Financial and advisory support for investment in reform in reform areas such as business processes, ICT, organization, and HR Appoint a lead (e.g., resident) advisor to assist RA agencies manage implementation Assign peripatetic experts to assist on selected RA areas Help mobilize/coordinate with other donors, TA providers, and tax agencies: complementary TA Consult with stakeholders 	IMF TA <ul style="list-style-type: none"> Conduct reviews and project surveillance "Backstopping" experts Report to donors, coordinate with other TA providers, and tax agencies Communicate with stakeholders Inputs to external evaluations

A coherent revenue strategy as part of a development financing plan

Recommendation 1a: National authorities, with support from IOs who are active in a country, and development partners engaged in support on tax reform, should develop country specific MTRSs, with a view to launching [3 to 5] pilot MTRSs by [July 2017]. Building on this experience, Platform partners should draw and disseminate lessons for the development of further MTRSs, and revenue reform plans more generally.

Recommendation 1b: Donor/G20 countries should encourage and facilitate capacity building of local stakeholders (business, CSOs, media) to engage in reforms and MTRS development.

How to improve and integrate diagnostic tools and strategic thinking

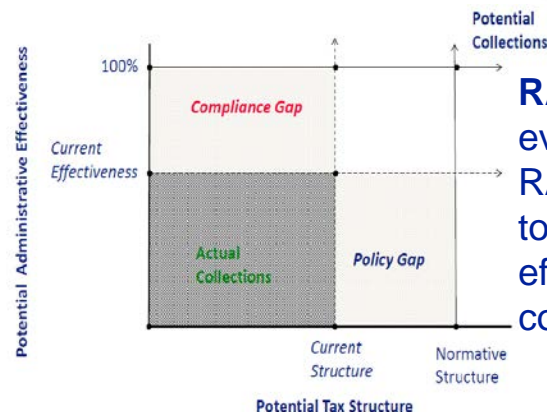
- Successful implementation of diagnostic tools, consistent with MTRS, requires:
 - An objective and evidence-based assessment of tax issues in order to identify possible solutions;
 - Cohesion of capacity development supporters in enhancing the role of authorities to undertake such analysis and diagnosis.

TADAT - tool for objective and standardized performance assessment of a country's system of tax administration

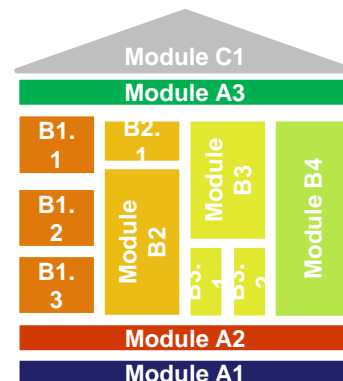


ISORA - Consistent set of global revenue administration baseline data

FARI - Analytical tool for design and evaluation of fiscal regimes for extractive industries



RA-GAP - evaluation of a RA's operations to assess their effectiveness in collecting taxes



TPAF - coherent framework for systematic and structured assessment of a tax policy system

How to improve and integrate diagnostic tools and strategic thinking

- *Recommendation 1c:* IOs should develop a diagnostic tool/framework for assessing cross-border tax issues, covering avoidance, evasion and tax crimes.
- *Recommendation 1e:* Platform partners should review and monitor the use of diagnostic tools (such as TADAT) in informing the prioritization of reforms through MTRSs and the development of tax reform programs.

Interactive discussion

- *What would be the best approach to tax reforms/MTRSs in developing countries? How could challenges in their implementation be overcome? Any examples?*
- *How can MTRSs be used effectively in the poorest and fragile states? What are the risks and possible approaches?*
- *What tax diagnostic tools have been the most helpful for developing countries? What are the lessons to be learned from existing practices?*
- *What would be the best approach to enhance the use of tax diagnostic tools in developing countries?*
- *How could the IOs effectively use existing or new instruments (loans, TA, advisory) to support implementation of tax reforms within an MTRS framework?*
- *What would be the most effective ways to build and support ownership for the implementation of the tax diagnostic tools?*

Next steps in the work of the Platform for Collaboration on Tax

- Finalize international tax **toolkits** for low-income countries on:
 - Comparability analysis
 - Indirect transfer of assets
 - Treaty negotiation
 - Transfer Pricing documentation
 - Base eroding payments
 - BEPS risk assessment
 - Supply chain management
- Send a **progress update** to the G20 by mid-2017.
- **1st Platform Global Conference** to be hosted at the United Nations headquarters in New York in February 2018 on the theme of the role of taxation in achieving the SDGs.

1st Platform Global Conference

- Some themes:
 - DRM, fiscal sustainability and good governance
 - Taxing to improve health and human development
 - Sustainable environmental taxation
 - Taxation to reduce inequalities (including gender)
 - Natural resource abundance and taxation
 - Tax avoidance and evasion across borders