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OVERVIEW OF COOPERATION ON CAPACITY BUILDING IN TAXATION*

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Summary

This report aims to provide an overview of international cooperation on capacity building in the area of taxation. Its goal is to give the various aid agencies and assistance-seeking governments an idea of the types of assistance available, what organizations are most active in specific areas, and the context, administrative framework, and financing of this assistance.

This report was prepared for the use of the subcommittee on capacity building of the UN Committee of Experts on International Cooperation in Tax Matters, which is undertaking a stocktaking exercise on what is available in terms of capacity building assistance and funding support.

* This report should not be taken as necessarily representing the views of the United Nations.

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OVERVIEW OF COOPERATION ON CAPACITY BUILDING IN TAXATION

1. Introduction

1. This report aims to provide an overview of international cooperation on capacity building² in the area of taxation.³ Its goal is to give the various aid agencies and assistance-seeking governments an idea of the types of assistance available, what organizations are most active in specific areas, and the context, administrative framework, and financing of this assistance. This report was prepared for the use of the subcommittee on capacity building of the UN Committee of Experts on International Cooperation in Tax Matters, which is undertaking a stocktaking exercise on what is available in terms of capacity building assistance and funding support.

2. The report may be of use on a number of levels:

- Information about what other agencies are doing may be of interest to specific agencies in designing their programs;
- Country authorities may get a better sense of what kind of assistance may be available to them, and under what terms and procedures;
- Agencies involved may use the information in this report as background information in efforts to improve coordination of their efforts, to gauge whether funding for capacity building efforts is sufficient, and to evaluate effectiveness of capacity building activities (some suggestions on these issues are explored in section 4 below);
- Scholars, civil society organizations, and others may find information presented here of use for their research and general interest.

2. List of Main Agencies

3. There are many agencies throughout the world who provide advice in taxation to country authorities, and it is perhaps impossible to list them all, since tax advice can also be provided in the context of projects whose primary focus is elsewhere (such as a specific aspect of economic policy, or perhaps public sector reform more generally). In addition, a number of ministries of finance and tax agencies cooperate with their counterpart agencies. We list some of them here, without, however, an assertion that this listing is complete.

² This terminology is used to describe activities involving international cooperation (e.g. one government cooperating with another, or an international agency cooperating with a government) with the aim of building up capacity in one or both of the cooperating partners in the area of taxation. At the IMF, this activity is described as technical assistance (TA) (or technical assistance and training), but the broader term is used in this report because not all agencies use the term “technical assistance” uniformly. Where this report refers to TA or technical assistance the concept is intended to be the same.

³ In order to keep the report manageable, we do not cover areas such as customs, public financial management more broadly, or non-tax revenues (e.g. from minerals).

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

4. Moreover, given the lack of comparable data on size of activity, our judgment as to which agencies are more active than others is based on our general experience rather than on specific measures of inputs. We hope that feedback and comments from the agencies concerned will help us revise this paper to make it more specific and accurate. The reader should also note that the length and detail of descriptions of agency activities in this report is not intended to correlate with the importance or level of activity of each agency. With the above caveats, the agencies which appear to be the most active in the tax area are the following:

2.1. *International (and Regional) Agencies*

5. The European Commission provides advice on taxation primarily to candidates and potential candidates to EU membership to fulfill the *acquis communautaire* (proper implementation and application of EU rules). In this context it concludes twinning programs between tax administrations. Advice may also be offered in the context of an association agreement. In some occasions the EU financed programs to strengthen capacity of non-EU member states' tax administrations through a tender system.⁴ In April 2010, the European Commission issued a communication on Tax and Development, calling for a strengthening of the EU's efforts in cooperating with developing countries on promoting good governance in tax matters.⁵

6. The United Nations Development Program (UNDP) provides advice on taxation within the framework of its program on democratic governance, and more in particular in public administration and democratic change. UNDP is involved in many areas, and work specifically focusing on taxation seems to have become less frequent.⁶ UNDP supports efforts to advance democratic governance by: (1) making democratic institutions more accountable and responsive to citizens, supporting national parliaments, public administrations and rule of law; (2) promoting the principles of democratic governance — in particular, anti-corruption, human rights, women's empowerment and equal opportunity; and (3) supporting country-led democratic governance assessments that help countries to assess their needs, monitor their progress and achieve their goals. UNDP country offices work upon request by the local authorities with government partners at all levels. UNDP programs are

⁴ See, e.g., the projects listed in Mapping Survey, *supra* note 1, at 5.

⁵ COM(2010) 163 final (April 21, 2010).

⁶ Goode (1993) notes in respect of the mid-1980s and early 1990s that "The United Nations contracted out most of its technical assistance on taxation but assigned some long-term advisers to member countries."

financed by its member countries. The programs are typically executed by consultants who are hired by UNDP through a tender system with a competitive element for short-listed consultants. Currently a program – financed by the Dutch Government – is provided to Montenegro whose main outcome should be an enhanced institutional and administrative capacity of the Ministry of Finance for financial analysis, management, and fiscal policy development. The UNDP also started CARTAC, which is a collaborative project with other agencies in the Caribbean and has been active on a number of tax issues (although tax is only one of the areas covered).

7. The United Nations Committee of Experts on International Cooperation in Tax Matters recently formed a subcommittee on capacity building. Previously, the Committee had undertaken some capacity building exercises such as the holding of workshops. Its most important contributions to capacity building have probably been the work on the UN Model Treaty and the manual on taxation of tax treaties between developed and developing countries, which have provided guidance for negotiation by many country teams. The new subcommittee on capacity building focuses on developing and executing capacity building strategies for tax agencies of developing countries. A critical objective is to empower them to more effectively formulate tax policy and carry out tax administration, so as to strengthen the economy, enhance equity, mobilize revenues for development, and collect tax according to law, with minimal administrative and compliance costs. For this purpose, capacity building should be read broadly to include all aspects of tax agencies' efforts to improve their capacity in tax policy and administration. Capacity building requires both strategic vision and political support, as well as inputs of resources that may be financed by each country's budget, as well as financial and in-kind assistance provided from abroad.

8. The subcommittee's mandate calls for addressing capacity from the following perspectives:

- Research/ Needs Analysis;
- Organisational Structure and Strategy;
- Skills;
- Legislation, manuals, and publications;
- Processes, procedures, and systems;
- Level of investment in people, institutions, and practices;
- Funding support/ Technical Assistance;
- Impact Assessment.

9. The subcommittee will reach out to members and observers of the UN tax committee and to all member states of the United Nations.

10. The Secretariat for the UN Tax Committee is located in the Tax Cooperation Unit of the Financing for Development Office of the UN Department of Economic and Social Affairs

(UNDESA). While very small, the Secretariat is currently seeking to find ways of better meeting relevant capacity building mandates. The recent provision of two Associate Expert positions by Norway will assist this objective. The Secretariat has also partnered with the International Bureau of Fiscal Documentation on tax treaty courses addressing the UN as well as OECD Models, and on the inaugural Asian Tax Authorities Symposium in Malaysia in June 2010.

11. Some important work has also been undertaken through the South-South Sharing of Successful Tax Practices (S4TP) project, a partnership of UNDESA, the Special Unit on South-South Cooperation of the UNDP and two NGOs: New Rules for Global Finance and the Tax Justice Network. S4TP's objective is to facilitate knowledge sharing and cooperation in tax administration and tax policy among developing countries without excluding the importance of North-South Cooperation. The work also emphasises the importance of facilitating developing country input into the work of the UN Tax Committee, including its subcommittee on capacity building, and ensuring greater access to online and face to face courses by developing country participants. The international development arms of the Norwegian and German governments have strategically assisted to help meet these goals.

12. The OECD's Center for Tax Policy and Administration organizes through its multilateral tax centers (in Austria, Hungary, Korea, Mexico and Turkey), and in partner developing and emerging economies, a global discussion on international tax issues (e.g. tax treaties, transfer pricing, international tax avoidance and evasion, exchange of information, consumption taxes, financial innovations and institutions, and tax administration). The objective is to share expertise and collective experiences on those issues and to identify and develop international 'best practices' in dealing with global taxation problems to the benefit of both OECD and non-OECD partners. The OECD's Global Relations programme includes a comprehensive series of dialogue events with developing and emerging economies in Africa, Asia and Latin America, aimed at building tax capacity, securing country tax bases and promoting a consensus view on international tax issues, providing a clear and transparent tax system to attract foreign direct investment. It reflects the wider development agenda and is focused on tax administration as well as tax policy. The programme is delivered in partnership with regional organizations (such as ATAF and CIAT) where possible, and is aligned with regional priorities and objectives. Co-operation with the informal Task Force on Tax and Development, launched in 2010, will further align the OECD's capacity building programme, and that of other agencies, with the wider development agenda.

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

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

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

2.2. *International Financial Institutions*

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

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

17. TA missions from IMF headquarters, whether or not in the context of IMF-supported programs, take place only upon request from the authorities, typically addressed to the Director of the Fiscal Affairs Department (tax policy and revenue administration) or the Legal Department (legal drafting). Additionally, advice is provided via Regional Technical Assistance Centers operating in different parts of the world.⁷ All missions are conducted exclusively by IMF employees (either HQ-based staff and/or external consultants hired for short-term assignment). Increasingly, IMF technical assistance (TA) is financed externally. This financing might be bilateral or through a topical trust fund (TTF). In the past, a great deal of the IMF's TA was paid for by the government of Japan through a special trust fund (since 1990, Japan has contributed more than US\$200 million). There is now a long list of other countries that have contributed to IMF TA, including through the RTACs (approximately 25 countries and international organizations have contributed to one or more of the RTACs).

18. Currently a proposal for a multi donor-supported fund to finance TA in the tax area – The Tax Policy and Administration TTF – is on the agenda (a TTF on managing natural resource revenues also encompasses tax issues specific to that sector). The IMF decided to charge for its TA in certain cases, at rates varying with countries' circumstances. This was

⁷ See the IMF website for a list of RTACs and more information about them.

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

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

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

21. The OECD partnership events are financed through a combination of OECD budgets, host country contributions, and in-kind/cash voluntary contributions from member countries. The costs to member countries of this in-kind contribution are the costs of staff time, travel and per diem expenses. The participation in those events is by invitation following nomination by the OECD's country representative. The programs are delivered by panels of serving government specialists from OECD and non-OECD countries, and/or from other International Financial Institutions.

⁸ See the IMF website for details of the policy. For example, TA reports can be shared with World Bank staff, with the IMF executive director representing the country, and, with consent of the recipient agency, with other agencies in the country, other TA providers and donors, and other IMF executive directors. TA reports can be published only with consent of the country authorities.

22. The World Bank (IBRD/IDA) offers technical assistance in taxation to its members typically as part of a broader public sector development program. Occasionally, exclusive assistance is offered to strengthen the tax administration (e.g. in South-East Asia). Technical assistance is usually delivered by means of loan financing. The program is drafted in cooperation with the recipient organization and other international donor providers (e.g. EU and IMF). The project is normally carried out by external contractors that are chosen based on a public tender system by the recipient organization and after final approval by the local IBRD/IDA office.

23. The International Finance Corporation (IFC) offers advisory services in taxation usually as part of its investment climate advisory services program. As investors identify the tax system as one of the most important parameters in making an investment decision, IFC helps to improve the business-enabling environment by reducing the time and financial cost that firms incur in complying with tax rules. IFC projects provide specialized advice aimed at promoting effective, fair and inclusive tax systems that foster investment, economic growth and political stability in developing countries (often emphasizing particular economic sectors, like for instance SME's and extractive industries). Much of IFC's technical assistance is conducted through facilities managed by IFC but funded through partnerships with donor governments and other multilateral institutions. Projects are typically designed and monitored by IFC staff, but executed by external contractors that are chosen based on a public tender system by the recipient organization and approved by IFC.

2.3. *Regional Development Banks*

24. The African Development Bank (AfDB) provides TA on taxation within the context of broader economic reform programs. The project preparation phase usually starts with AfDB Group's interest to finance a given project or program, and includes both in-bank and external collection of information and data which will help the experts to appraise the project. A preparation mission to a country is multi-disciplinary and usually led by an expert from a sector department. During the preparation mission AfDB experts review the project in line with the country's Country Strategy Paper (CSP)⁹, obtain existing documentation such as feasibility studies on the project, and cross-check information with the authorities of the country.

25. The AfDB usually hires consultants to work with government counterpart staff to undertake the project's feasibility study. The consultants work closely with the various stakeholders including the government, civil society, project beneficiaries, and other development agencies working in those sectors. AfDB closely monitors the consultants'

⁹ A country strategy paper (CSP) is a document that defines a medium-term to long-term development strategy and operational program for each borrowing regional member country.

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

26. The Asian Development Bank (ADB) works with each developing member country (DMC) to define a medium-term development strategy and operational program, called a country partnership strategy (CPS). The CPS is aligned with the country's development plan and poverty reduction goals, and its preparation with the DMC's development planning cycle. ADB often provides grants called project/program preparatory technical assistance (PPTA) to help the government identify and prepare feasible projects. A report is prepared as a recommendation for ADB to finance a technical assistance project. Implementation time generally ranges from two to five years but depends on the type and nature of the project.

27. ADB-assisted projects are implemented by the executing agency according to the agreed schedule and procedures. A project administration memorandum sets out the project's implementation agreements and details. Project consultants are recruited as needed to assist the Government. ADB's project divisions review implementation progress as well as monitor achievement of development objectives in close coordination with the borrower and the executing agencies. ADB disburses the loan for approved expenditures, as provided in the loan agreement. In the past ADB provided loans to improve the tax administrations in the Philippines, India, and the Kyrgyz Republic.

28. The Inter-American Development Bank (IDB) supports TA on taxation within the framework of its "Reform/Modernization of the State" program. An idea for a project usually originates from a country's national plan¹⁰ or through dialogue with country authorities, or occasionally, within the IDB. As project ideas are proposed, the IDB determines whether the idea is aligned with the policy and strategy agreed upon with the borrowing country during the programming process. Once defined, IDB staff analyzes the feasibility of the project from an economic, technical, financial, environmental, legal, and institutional standpoint. At this point, draft Proposals for Loan Approval are produced and presented to management for further consideration and approval. The borrowing country can finance between 60-90 per cent of the entire cost of the project with the IDB depending on the size of their economy¹¹.

¹⁰ The national plan is a document containing the IDB's expected program for the country on the mid-term (2 to 4 years) and is the product of a collaborative exercise—called the programming process—between a country's government and IDB management. During the programming exercise, the country's government communicates its development priorities to the IDB, identifying potential new initiatives and reviewing the existing IDB portfolio.

¹¹ Borrowers' Guide – Procurements Financed by the Inter-American Development Bank, 22 February 2006.

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

2.4. *Bilateral Aid Agencies*

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

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

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

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

decentralization in Indonesia, through training and expert advice on resource allocation and service delivery.

33. Also the Australian Treasury is participating in whole-of-government engagement programs such as the Financial Management Strengthening Program/Economic Reform Unit under the Regional Assistance Mission to the Solomon Islands (RAMSI) and the Economic Advice and Governance Assistance Program (EAGAP) in Nauru. RAMSI is a long-term exercise aimed at helping Solomon Islands to create the conditions necessary for a return to stability, peace and a growing economy, part of which is strengthening the revenue collection function of the government. Treasury is also providing assistance to the economic and public sector reform of the whole-of-government Development Cooperation Strategy (DCS) in Papua New Guinea.

34. In Canada the main provider of technical assistance in taxation is the Canadian International Development Agency (CIDA) that provides funding for international development programs and projects through contributions to Canadian and international institutions.

35. The Agency also enters into contracts with Canadian companies for the implementation of their programs and projects. CIDA plans some projects and has executing agencies carry them out. CIDA financially supports other projects, but Canadian or international partners design and execute them. Other projects may involve direct funding to organizations or governments in developing countries, e.g. IMF's Caribbean Technical Assistance Center.

36. Denmark's development assistance is executed through the Danish International Development Agency (DANIDA) and focuses on a selected number of developing countries (so-called program countries) that work with efficient, long-term national strategies for poverty reduction. Additionally, the assistance is focused on a selected number of multilateral organizations. Sub-Saharan Africa remains the main recipient of Danish aid. For example, since 2004 Denmark has been providing technical assistance in a private sector development program for Ghana. Within this program a legal and judicial reform component (part of which is simplification of the tax system) is included the objective of which is to strengthen the accessibility, responsiveness and efficiency of the legal and judicial environment for business in Ghana. The administration of Danish development assistance to the program countries was decentralized in 2003. Accordingly, capacity has been transferred from Copenhagen to the missions in the Danish program countries.

37. France has given long-standing support – primarily in French-speaking Africa-- to tax mobilisation as part of the more general framework of its support for the rule of law, efficiency and transparency in government action. France has also entered into cooperation contracts (*'jumelage'*) with several East-European and former Soviet countries.

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

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

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

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

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

42. Lastly, France takes action through a multilateral channel by working in close collaboration with the International Monetary Fund (IMF): the French Ministry for the

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

43. In Germany several organizations are involved in providing TA in the tax area. The main provider is the Gesellschaft für Technische Zusammenarbeit (GTZ). Its core activity – providing services for various clients within the scope of international cooperation for sustainable development – is increasingly geared to societal change processes. New forms of contract and cooperation are gaining ground, such as projects and programs to tackle transnational problems, large-scale programs which pool inputs from several bilateral and multilateral donors, and the organization of international conferences. The range of services provided by GTZ comprises the preparation, back-up, implementation and evaluation of international cooperation for sustainable development. When implementing contracts, GTZ assumes various roles, for example advisor, trainer, mediator or financing organization. GTZ's work involves a wide spectrum of modes of delivery which are applied at different levels of intervention. In line with the principle of minimum intervention they are combined flexibly so as to achieve maximum sustainable results with effective use of resources. Examples of modes of delivery: (a) advisory services, (b) project and financial management, (c) training and upgrading, (d) placement of experts, and (e) organization and management of conferences. GTZ often recruits staff from German government authorities to participate in their projects.

44. Another TA-provider is the Deutscher Entwicklungsdienst (DED). DED places technical advisers at the request of governmental and nongovernmental organizations in its partner countries and on the basis of framework agreements with the respective governments. Typically those requests are addressed to the local DED-office in the developing country. The technical advisers are professionally experienced and socially committed specialists who engage mainly in training, advisory, and planning tasks. DED supports local civic organizations and municipal structures by providing specialist advice, sometimes supplemented by financial support. By increasing promotion of local skilled staff DED fosters capacity building for a self-determined development. DED is mainly involved in projects that support promotion of the economy and employment: support for professional training systems, promotion of small and medium-sized enterprises, and co-operation with the private sector. Another area of interest is the promotion of democracy, civil society and local development: capacity building in local authorities, boosting of civil society organization capacities, and support for national processes on a local level.

45. The Kredietanstalt für Wiederaufbau (KfW) finances investments and project-related consulting services. KfW-funds are given mainly in the form of low-interest loans, but also

as grants. In addition KfW raises funds for development cooperation on the capital market. They are combined with funds from the budget of the German Government into so-called composite loans to finance projects in more advanced and creditworthy countries. The poorest countries receive financial contributions that do not have to be repaid. Support consists of a wide range of activities. A major portion of commitments is made for projects to support improvement and expansion of the social and economic infrastructure. The Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung has launched the International Tax Compact, an initiative to strengthen international cooperation with developing and transition countries to fight tax evasion and avoidance (see its website for details).¹³

46. The Japanese Government offers its TA in taxation through the following channels. The Policy Research Institute (part of the Ministry of Finance) conducts comprehensive surveys and studies with a greater policy oriented focus. One of the Institute's activities is engagement in promoting international exchange primarily through the following two avenues:

- (1) technical cooperation with developing countries by
 - (a) providing assistance for fiscal and economic reforms in transition economies and developing countries, in form of holding seminars in these countries, dispatching experts, accepting trainees and recommending relevant policies; and
 - (b) building a human network, along with transferring Japan's knowledge and experience, by inviting personnel of the finance ministries and other authorities of some twenty countries, mainly in Asia, to participate in its Seminar on Finance and Economy.
- (2) sharing research with foreign institutes by jointly organizing international conferences, regularly sharing research results through the Japan-China Joint Workshop and Trilateral Seminar on Financial Cooperation among Japan, China and Korea. PRI accepts foreign researchers specializing in Japanese fiscal policy and the Japanese economy and provides them with support in their investigations and research.

47. The Japan International Cooperation Agency (JICA) aims to promote international cooperation as well as the sound development of Japanese and global economy by supporting the socioeconomic development, recovery or economic stability of developing regions. JICA offers support aimed at improving the fundamental systems needed by a state, as well as

¹³ See also note 1 supra for reference to the Mapping Survey which is one of the bases for this report, and which was commissioned by the ITC.

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

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

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

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

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

52. The Swedish International Development Cooperation Agency (SIDA), channels its resources through NGOs, multilateral cooperation, and the EU, among others and promotes the idea of “international development cooperation” to replace the one-sided giving indicated by the term “assistance.” SIDA seeks to create partnerships with companies, popular movements, organizations, universities, and government agencies for its development projects. SIDA’s geographic focus is on countries in Africa, Asia, Latin America, and Central and Eastern Europe. SIDA arranges for the creation of a partnership between a Swedish organization with technical skills and a developing country at that country’s request.

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

53. The Economic Development Cooperation division of SECO is the Swiss government's competence centre for sustainable economic development and the integration of developing and transition countries into the global economy. Its primary objective is the reduction of poverty. Its main activities are in the fields of macro-economic support, investment promotion, trade and environmental technology cooperation, development of basic infrastructure, and cooperation with multilateral development banks. In the tax area, for example, a project in Uzbekistan to alleviate the administrative burden on taxpayers has been financed. Typically, experts are hired based on procurement procedures (acknowledged by SECO) directly by the foreign beneficiaries. For identification, planning, implementation, and evaluation of projects SECO hires experts directly.

54. Another Swiss provider of technical assistance is the Swiss Agency for Development and Cooperation (SDC). SDC focuses on certain priority countries and specific themes. These include systematic approaches to promote the private sector, with the aim of improving the socio-economic conditions for market operations and encouraging the growth of properly functioning markets. To this end, various policy components and measures are typically combined, including: the reduction of obstacles to economic activities in the formal sector, promotion of a reliable financial sector which is also geared to the needs of small and micro enterprises, strengthening public administration capacities, improving the range of vocational training opportunities, or developing an inclusive dialogue between the private and public sector. SDC concentrates many of its activities at the regional and local levels.

55. In the United Kingdom, the main provider is the Department for International Development (DfID). DfID offers several funding opportunities to countries and regions—among which the Investment Climate Facility for Africa (ICF). The ICF aims to bring about more business friendly policies, laws and regulations across Africa, and to strengthen the institutions that administer them. The ICF focuses on areas where practical steps can be taken to remove constraints and problems. It supports projects such as streamlining business registration and licensing systems, reforming customs administration and taxation, and removing barriers to competition. The ICF does not finance commercial ventures or hard infrastructure.

56. All projects funded by ICF must be for the benefit of the business community as a whole, broad sectors of the business (e.g. the ICT sector) or parts of the business community (e.g. SMEs). Project proposals are welcomed from both Anglophone and Francophone

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

57. The primary U.S. agencies involved in technical assistance in the tax area are the U.S. Treasury's Office of Technical Assistance (OTA) and US Agency for International Development (USAID). Tax is one of five areas handled by Treasury OTA.¹⁴ With a small staff at headquarters, this office provides advice almost exclusively in the tax administration area. Advice is provided by a mix of resident and intermittent experts. Project length is about 3 years. At any one time, there might be one to two dozen active tax projects. Treasury contracts technical experts directly; in this respect, the mode of operation is different from that of USAID, which bids out projects and uses contractors. Requests are typically made to Treasury directly or via the U.S. ambassador.

58. Tax assistance by USAID is somewhat more diffuse than that of the U.S. Treasury. Tax policy advice might be furnished as part of more general economic policy advice. There is no specialized tax staff at such at USAID and no tax program as such. Tax falls within the "Economic Growth and Trade" part of USAID's work and further in the subset "Economic Policy and Governance" (of which tax would be a further subset).¹⁵ However, USAID has in effect contracted out a tax staff by hiring a consulting firm to build up a tax expertise available to USAID offices and a website.¹⁶ USAID does finance specific tax projects; they tend to be few and relatively large. For example, tax reform in Egypt (\$93 million over 17 years), tax reform in Serbia, focusing on introduction of VAT (\$9.5 million over 5 years), and tax reform in El Salvador (\$9 million over 7 years).¹⁷ These projects can be characterized by their comprehensiveness, including everything from tax policy design, legal drafting, public communications, aspects of tax administration, training, computerization, and so forth. These projects are carried out by consulting firms under publicly bid contracts with USAID.

¹⁴ See generally U.S. Department of Treasury Office of Technical Assistance: Peer Review by Australian Treasury (Sept. 2008) (available on U.S. Treasury website).

¹⁵ See the USAID website.

¹⁶ www.fiscalreform.net.

¹⁷ Reports on these projects are available at www.fiscalreform.net.

2.5. Tax Administration Networks

2.5.1. African Tax Administration Forum (ATAF)

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

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

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

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

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

2.5.3. Commonwealth Association of Tax Administrators (CATA)

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

(b) organizing seminars, workshops and training courses on aspects of tax administration; (c) collecting, analyzing and disseminating information on tax administration; (d) 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; (e) generally carrying out functions related to the overall improvement of the capabilities of tax administrations through functional co-operation between and among Commonwealth countries.

2.5.4. *Inter-American Center of Tax Administrations (CIAT)*

63. CIAT provides technical assistance on tax matters to meet the needs and interests expressed by member countries and associate member countries through diagnosis, follow-up and project assessment services aimed at strengthening tax administrations, in addition to promoting and coordinating temporary exchanges of technical staff.

64. CIAT has models available for the different areas of tax management and know-how in formulating and defining modernization projects aimed at strengthening the tax administrations' institutional capacities through activities of technical cooperation for the formulation, preparation of diagnoses, follow-up and project assessment. The activities performed by CIAT are funded by the requesting country either with own funds or funding from other bodies.

65. Since 1983, CIAT has participated in technical cooperation activities for the formulation and preparation of diagnoses, follow-up, implementation and assessment of over 71 projects aimed at strengthening tax legislation and administrations in 23 countries (Argentina, Bahamas, Barbados, Bolivia, Brazil, Cuba, Chile, Ecuador, El Salvador, Haiti, Honduras, Jamaica, Guatemala, Guyana, Mexico, Nicaragua, Panama, Paraguay, Peru, the Dominican Republic, Suriname, Uruguay and Venezuela). It also holds conferences which allow tax officials to share experience and discuss best practices.

2.5.5. *Centre de Rencontres et d'Études des Dirigeants des Administrations Fiscales (CREDAF)*

66. CREDAF organizes – for the interest of its member countries¹⁸ – the following services: (a) an annual colloquium organized in one of the member countries on a current technical tax administration issue; (b) a 3-day seminar for heads of tax administrations and their management staff to discuss practical experiences on current topics within tax administration; (c) organizing working groups that share practical experiences on technical topics; and (d) initiating sub-groups of member countries to discuss tax administration issues of common interest.

¹⁸ CREDAF has 29 member countries, either francophone or part of “la francophonie”, most of which are in Africa.

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

67. IOTA provides a forum to assist members in European countries to improve their fiscal functionality. The members are the various government tax administrations.

68. IOTA activities can be grouped into three major elements: (a) *technical activities program*, including preparation and delivery of the technical events (for instance Area Group and Task Team activities, case study workshops, workshops and Training Forum) and the provision of the technical enquiry service; (b) *publications and website*, including technical publications and post-event reports; and (c) *administrative program*, including events dealing with the strategic, administrative and financial issues of IOTA.

69. The IOTA Area Group initiative aims to provide a forum for ongoing contact between personnel in the member tax administrations who are specialists in a particular area of practical tax administration. It promotes and supports liaison and co-operation by the same group of individuals over a potentially longer period, allowing for a constructive exchange of knowledge, experience and good practice. Task Teams involve a smaller number of the Area Group members and invited experts with the aim of producing comparative reports and Good Practice Guides on specific topics. Upon request, IOTA coordinates the provision of responses to technical enquiries received from the Member tax administrations. The technical enquiry service is a unique instrument to obtain fast and up-to-date information in respect of a specific area of tax administration. By using a special form which is offered on the website, Member administrations are able to initiate the request procedure. IOTA reviews the request and forwards the enquiry to all other Members of IOTA fixing a four to six weeks time limit for responses. All replies are sent to the requesting administration and to all other administrations for information. Requesting tax administrations are later asked to indicate what influence or impact the responses had on their domestic decisions.

2.5.7. *Pacific Islands Tax Administrators Association (PITAA)*

70. The Pacific Islands Tax Administrators Association is a voluntary association of tax administrations from Pacific Island countries that exchange views on tax matters.

2.6. *Training Institutes*

71. While there are many postgraduate institutions of study for tax,¹⁹ we list here a few which cater specifically to government officials, particularly from developing countries.

¹⁹ See also the listings on the ITD website.

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

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

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

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

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

74. The Duke Center for International Development (DCID) is dedicated to strengthening capacity for international development through interdisciplinary approaches to knowledge and innovations in practice, research, professional advice, mid-career training, and post-graduate education. DCID hosts a master program on International Development Policy (MIDP) with its sub-program, the International Taxation Program (ITP). ITP is offered in collaboration with the Duke Law School. The mission of the ITP is to provide the highest quality professional graduate education for future international leaders and managers of taxation and public financial management systems around the world. To achieve this, the program provides an integrated education across the three key areas of policy, administration and legislation. As from 2010, the ITP is expanded to include a new area of focus on Public Financial Management.

75. DCID faculty members are actively engaged around the world in advisory services with government ministries and international agencies. Their areas of specialization include fiscal decentralization, tax reform and other areas of importance to developing and transition countries.

5. Main Substantive Areas of Technical Assistance

76. As outlined above, a number of bilateral and multilateral donors as well as regional networks, research institutes and non-governmental organizations have been active in the area of taxation and development. The picture can be a confusing one, because each organization has a different mandate and approach, and many projects that include taxation might not even be specifically tax projects. To help get an overview of all these projects, it may be useful to distinguish the following broad types of technical assistance, bearing in mind that there are overlaps between them:

- Tax policy;
- Tax administration strategy;
- Legal drafting;
- Tax administration implementation;
- Training and knowledge management;
- Judicial reform;
- Private sector development.

77. For each of these areas the main characteristics and providers are summarized. As noted at the beginning of this report, our conclusions in this respect are impressionistic because the data for a more objective report are lacking. Accordingly, there will likely be some revisions in response to feedback.

3.1. Tax policy

78. Assistance in tax policy is typically provided to adopt best practices in application of economic concepts to taxation. Options for the design of the tax system are explained and their economic implications are reviewed. Usually this type of assistance is provided in the form of short missions (lasting between 1-4 weeks) which are policy-based or diagnostic in nature and produce detailed recommendations and reform strategies that are normally documented down in TA reports given to the authorities (i.e. Minister of Finance or Head of Tax Policy Department). Follow-up missions normally also form part of an ongoing program of TA delivery.

79. The main providers of tax policy advice are:

Provider	Type	Countries
IMF	<p>TA is focused on all economic aspects of tax systems (including income, consumption, resource,²⁰ and trade taxes), and may involve:</p> <ul style="list-style-type: none"> • Reviewing authorities' tax reform plans. • Advising on possible tax reform measures to be considered by the authorities (whether or not in the context of Fund-supported programs). • Conducting applied research in tax policy; • Preparing policy papers on tax policy issues. • Monitoring developments in, and policy initiatives undertaken by, various economic and customs unions and multilateral organizations (such as the EU, OECD, and other regional organizations) pertaining to inter jurisdictional tax competition, coordination, and harmonization issues. 	All member countries
World Bank	Involvement in tax policy as part of more comprehensive administrative reforms	Indonesia, Vietnam, Philippines, Uruguay, and Pakistan
IFC	<p>Involvement in tax policy issues (SME's, extractive industries) as part of more comprehensive investment climate improvement projects</p> <p>Mainly focused on <i>acquis communautaire</i> (customs, value added tax, and to some degree direct taxation).</p>	Georgia, Kyrgyzstan, and Yemen
European Union		EU member countries; (potential) new member countries; partners under association agreements
OECD	<p>All aspects of tax policy and administration but with particular emphasis on the international side:</p> <ul style="list-style-type: none"> - Design and implementation of international taxation arrangements - Spreading good practices in tax administration 	Africa, Latin America, and Asia, working with regional tax organisations

²⁰ Advice on resource taxation may be provided as part of broader advice that also includes non-tax resource revenues.

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

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

3.2. *Tax administration strategy*

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

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

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

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

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

3.3. *Legal drafting*

84. Policy decisions need to be embodied in laws. This form of technical assistance is provided in the form of drafting assistance to the governmental body that translates policy into legal text. Technical assistance is provided in drafting the main body of law, as well as secondary types of legislation (regulations, decrees, etc.). Normally the assistance is provided by legal experts in the form of multiple short missions (lasting up to 2 weeks).

85. The main providers of legal drafting assistance are:

Provider	Type	Countries
IMF	Providing technical assistance in drafting tax acts (including income, consumption taxes, and trade taxes as well as tax procedures) and other legal instruments to implement tax policy decisions. The law is drafted in a collaborative process with the authorities.	All member countries
IFC	Providing technical assistance in drafting elements of tax law (including SMEs and mining activities).	Yemen, Vietnam
IADB	Providing technical assistance in drafting tax legislation, typically within the framework of a more elaborated program to strengthen local authorities.	South America
Germany (GTZ)	Providing technical assistance in drafting tax legislation, typically within the framework of a more elaborated program to strengthen the revenue capacity.	Balkan countries
USA (Treasury)	Providing technical assistance in drafting tax legislation as part of a comprehensive tax reform effort (including tax policy).	Central Asia

86. The most active agency in providing technical assistance in drafting tax legislation is the IMF (Legal Department). They draw on the expertise of a number of legal professionals (mostly tax law professors) who have many years of experience in drafting tax legislation. This group of experts over the years has drafted legislation in over 65 countries. Other organizations have been involved in drafting tax legislation as part of broader programs to strengthen tax systems and customs/tax administrations. In some of those cases the experts were selected from the IMF roster.

3.4. Tax administration implementation

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

88. The main providers of tax administration implementation are:

Provider	Type	Countries
IMF	Providing peripatetic technical assistance in implementing tax policy advice. Providing technical assistance by long-term consultants	All member countries
World Bank	Providing broad programs to enhance managerial, organizational, and technical capacities.	All member countries
Australia (AUSAID)	Strengthening tax/customs department	Pacific countries (Fiji)
United Kingdom (DFID)	Improving tax administrations through long-term advisors	Mainly commonwealth countries (e.g. Bangladesh and Rwanda)
Germany (GTZ)	Strengthening customs and (indirect) tax administration; mostly as part of a more comprehensive program of tax reforms Providing IT support (hardware, but also program design)	Balkan countries Some African countries (e.g. Ghana and Tanzania)
Germany (DED)	Providing technical assistance in development of taxes of local governments	Africa, Asia, and Latin America

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

3.5. *Training and knowledge management*

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

91. The main providers of training are:

Provider	Type	Countries
IMF	Providing high level policy training through the INS and regional TA Centers (RTACs)	All member countries
World Bank	Providing financial support for selective external training, including by universities	All member countries
ADB	Organizing tax conferences and workshops	Asian-Pacific countries
IADB	Training tax administration officials	Latin America (Ecuador)
OECD	Multilateral dialogue on international tax issues through their regional training centers and developing and emerging partner countries	Africa, Latin America, Asia, working with regional tax organisations
Canada (CIDA)	Providing audit training	Caribbean countries
Japan (MoF)	Providing mainly training on international tax issues (treaty related)	South-East Asian countries
Sweden (SIDA)	Organizing study visits for tax administration officials to Sweden	East European countries (ALB, UKR)
Various universities (e.g., South Africa:ATI, Netherlands:	Providing training (master/summer courses) and research in tax policy and tax administration	Worldwide

**CTGP, US:
Duke)**

Netherlands (IBFD)	Providing short courses on various tax issues (including tax treaties, transfer pricing, international profit allocation, etc.) through their International Tax Academy (ITA)	Worldwide
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92. Providing assistance in training seems to be scattered. A variety of courses are offered – from high level policy courses (IMF and CTPG) to more general tax courses (IBFD’s ITA) and from short courses (summer courses in ZAF) to longer courses (master course at Duke University). However, there seems to be no leading institution in this area.

3.6. Judicial reform

93. Providing policy and legal advice to actors who resolve tax disputes; i.e. tax administration officials, members of internal appeal boards, mediators, judges, and lawyers. The assistance can be both tax technical and/or directed to dispute resolution mechanisms.

94. Providers of advice to the judiciary include:

Provider	Type	Countries
Netherlands (MoJ)	Providing assistance to judiciary (including providing tax judges)	Netherlands Antilles
USA (ITIC)	Providing technical assistance to strengthen the judicial system	Former Soviet Republics

95. There is not much technical assistance in this area. However, the International Tax and Investment Center (a US-based NGO) has initiated a program to strengthen the judiciary system in Russia (and other former USSR countries). The Dutch judiciary has also recently started an initiative to help the Netherlands Antilles to overcome the lack of judicial capacity by sending Dutch judges on a regular basis overseas to decide tax cases.

3.7. Private sector development

96. This type of assistance is aimed at improving the investment environment in the broadest sense (including training the private sector, public awareness campaigns, simplification of business procedures, etc.).

97. The main provider is this field is:

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

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

6. Options and Issues

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

4.1. Coordination

100. Coordination of assistance can provide multiple benefits. Coordination can eliminate duplication of effort, thereby enhancing the efficiency of aid expenditure. To the extent that different agencies have different comparative advantages and focus, coordination can be a means of delivering an integrated package of services, as opposed to disjointed efforts, thereby enhancing effectiveness. Coordination can increase responsiveness. It can also improve the substance of advice – if different agencies share information, best practices can be identified and emulated. Advice on taxation involves a lot of intellectual capital. If this is shared, better and more cost effective advice can be provided, since time needed to research and prepare materials of various kinds is reduced. Often, materials prepared for one context can be used in another context with some adaptation. This can be much more efficient than starting from scratch each time. Sharing files among practitioners is therefore an indispensable practice. More broadly, making information and analysis available and testing it through debate via conferences and publications increases the stock of intellectual capital that can be drawn on by both advisors and country officials.

101. Substantial obstacles to coordination exist, and there are some downsides to coordination. Because different agencies are on different timetables, coordination can slow down efforts. At worst, if an attempt is made to coordinate all activities, nothing may get done because discussions are not concluded. As long as different aid providers are independent, coordination will be imperfect. The costs of coordination should also be borne in mind in deciding the appropriate degree of coordination.

102. If each agency involved in tax capacity building had one person in charge of tax, it might be possible to coordinate by getting these people together. Most agencies, as shown by the review above, are not organized in this way. Most bilateral aid agencies run tax

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

103. Some options exist to overcome these obstacles. The International Tax Dialogue has on its website information about technical assistance activities of various agencies. The amount of information on each activity is minimal, but this is a conscious choice motivated by several factors. First, keeping the information to a minimum makes it easier to report this information because the reporting does not involve a lot of effort. Second, minimizing the information removes concerns about confidentiality of information. Third, those who wish to obtain further details can get in touch with the agency concerned, and such communication is ultimately required for coordination to take place. The fact, timing, and general subject area of involvement is sufficient to provide the information needed for coordination to take place. One option therefore would be for additional agencies to contribute information to the ITD website. Perhaps the main obstacle here is that within any one agency, there is not a single person with overview over tax. Gathering the information would therefore require locating all the people with knowledge about the tax activities of a particular agency and ensuring that they keep contributing it to the website in a timely manner.

104. An alternative or additional way of keeping track of this information would be for each country (or more specifically, each agency concerned with taxation in a particular country – tax authority or Ministry of Finance) to report the information. In other words, have the recipients of advice report it rather than the providers of advice. For a tax administration, this might involve designating one person who should be informed of all international cooperation in which that agency is involved. That person would be responsible for listing the information. The same ITD website could be used for this purpose. The main obstacle here might be the outreach and communication needed to keep such an effort going. One can imagine that some countries might be diligent in posting their information on the website while others might neglect this task. Without a concrete benefit or incentive, this reporting will likely be given a low priority, even if the required effort is small.

105. One way to increase interest in reporting this information would be to link it with strategic planning. Each tax agency could prepare a capacity-building program, posted on their website and linked to the ITD. The program could be documented with greater or less detail, but it should at least identify the main goals for tax policy and administration reform. Donors could refer to the country strategy document when determining their own capacity building activities. Donors could encourage tax agencies to develop and regularly update a strategy document. It should then be a straightforward matter for each tax agency to include references to specific donor activities in this strategy document, or linked to it. Such an approach would facilitate coordination among different agencies, centered on the plan of the authorities. This would also help each donor understand how their input was fitting in with the plan of the authorities and how it relates to contributions by other donors. While it might

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

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

4.2. *Adequacy of funding*

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

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

109. The preparation by the authorities of a strategic plan for capacity building might also serve the function of identifying the needs in a specific way. This would give donors an overall picture and would allow them to make better informed decisions about how much financing is needed.

110. Training is an area requiring a substantial amount of expenditure on an ongoing basis. Human capital is the most valuable resource of the tax administration, and it requires constant replenishment as staff leave and as the law changes. Most developing countries today are likely underinvesting in training to a major extent. However, it is difficult to quantify the shortfall. One way of beginning to do so would be to conduct studies that identify best practices for training tax officials and for each agency to develop a training plan. This would allow the agency to quantify quite precisely how many resources are needed. The training plan should be detailed, so that the specific required inputs are identifiable.

4.3. *Effectiveness*

111. Perhaps the most difficult issue is how to determine effectiveness, particularly cost effectiveness, of capacity building. In the current situation, a mix of activities is undertaken by different agencies. These activities probably differ substantially in terms of the cost of various outputs and the effectiveness of those outputs in terms of bringing about desired outcomes. While evaluation studies are carried out by many agencies, these studies rarely if ever compare cost and effectiveness *across* different agencies. To do such a study, the agencies concerned would obviously have to agree to open their books to an auditing team that could conduct such a study of projects across agencies. Studies of this kind are expensive and should be undertaken only if the agencies concerned intend to act on the results by allocating future resources by reference to the results of the studies, to the extent that the studies provide a basis for doing so.

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