

# international tax compact


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## **Perspectives from the ITC**

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## 1. What is the ITC?

- An informal forum established by German Gov. bringing together bi- and multilateral development partners and regional entities for dialogue and action
  - ITC aims at promoting tax systems with a governance lense and with a special focus on being more effective in fighting tax evasion and inappropriate tax practices
  - ITC wants to strengthen partner countries' voices, participation and ownership in international tax fora
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## 1. What is the ITC (cont.)

### Organisational structure of ITC:

ITC Secretariat based in Bonn/Germany:

- BMZ seed financing 2009-2012: 4m EUR
- 4 professionals (close cooperation with GIZ, KfW and GDI)
- Open for cooperation arrangements


### How does the ITC work?

- National Activities with tax administrations (e.g. pilots)
- International Activities with regional entities (CIAT, ATAF)
- Networking and dialogue (ITC workshops)
- Analytical work and studies

→ Focus on complementing and giving added value to other efforts



## 2. ITC's current analytical work

- **“Appropriate aid modalities for strengthening tax systems”** (ITC/KfW/OECD)
  - **“Mapping Study on International Support in Tax and Development Activities”** (ITC/OECD)
  - “Studies on the Needs and Possibilities to Support Transfer Pricing Issues by Development Cooperation” (ITC/EU-COM)
  - “Tax Performance Assessment Tool” (GDI)
  - Discussion Paper “Taxation in PEFA Assessments” (ITC)
  - “Study on Information and Communication Technology in Tax Systems” (in preparation)
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### **3. Promoting a governance focused tax reform agenda**

#### **a) Content of the mapping study**


- How can data on tax-related donor activities be improved?
- How can public on-line access to this data be made available?
- What kind of core information is necessary for improving the coordination and a reasonable division of labour between international partners (national, regional, international)?
- What does the pattern of international support look like (geographical and/or thematic areas of concentration)?

**Main output:** a technical oriented paper and a policy brief



### **3. Promoting a governance focused tax reform agenda**

#### **b) Content of the aid modalities study**


- Key elements of a governance focused tax reform agenda
  - Analysis of existing aid modalities (good practices)
  - Develop recommendations regarding:
    - i) Priority areas with highest returns in terms of revenues and governance
    - ii) Nature of support required by Revenue Authorities
    - iii) Strengths and weaknesses of aid modalities
    - iv) How can the design of each aid modality be improved?
    - v) Common principles for future donor engagement
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### **3. Promoting a governance focused tax reform agenda**

#### **c) Activities at operational level – the example of URA**


- Starting point: Donor basket mechanism to support modernisation plan 2006-2010 → good progress in terms of building systems, less in terms of rooting the reforms and exploiting the returns of investments
- Joint Mission IMF, DFID and KfW (June 2010) – with joint principles for future donor support to the new URA plan 2012-2016
- Dimensions to exploit governance dividends:
  - internally: e.g. procedures and their enforcement, checks and balances, investigation, HR-strategy, etc.
  - vis-a-vis the public: private sector dialogue, media information campaigns, education material, perception surveys, etc.
- Bring tax policy issues and reforms into the budget support discussions (e.g. include specific indicators)

## **Dimensions of the governance dividend:**

- Strengthening social contract and deepening democratization: e.g. through private sector dialogue, tax payer education, media campaigns, etc.
  - State modernisation regarding administrative efficiency, transparency, accountability, integrity: e.g. through publication of integrity surveys, modern HR-policy/strategy, IT-support, etc.
  - Model for other state entities
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## **Key messages and points for discussion:**

- Governance dimensions of DRM are crucial for increasing revenues
  - How can we better address governance issues in order to lift performance of RAs?
  - Are we doing the right things? What else can be done? What about the political will?
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**Thank you for your attention!**

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