

Principles for International Engagement in Supporting Developing Countries in Tax Matters

Mirco Goudriaan, OECD GOVNET/Netherlands
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Context

Tax matters and there's room for more

- Taxation provides governments with funds for development.
- Strengthening domestic resource mobilization is about tax systems that promote inclusiveness, encourage good governance, improve accountability to citizens, and cultivate social justice.
- Low income countries face many challenges to increasing tax revenues.
- Doha Declaration on Financing Development (2008); Busan Partnership Development Effectiveness (2011) identify domestic resource mobilisations as a priority.
- The international development community is gearing up support to developing countries for domestic resource mobilisation and taxation.
- Emerging knowledge about provision/needs: IMF 2011 Board paper; ITC/GOVNET Aid Modalities Study; International organisations G-20 Paper, etc.

Background (cont'd)

But...

- **More international actors entering the field**
 - ITC study suggests at least 30 providers
 - Non-traditional donors already active (Brazil, India, etc.)
 - Need for (inter)national cooperation and coordination
- **New challenges arising**
 - a) “whole of government approach” needed: i.e., donors, ministries of finance, tax administrations in OECD Countries
 - b) International taxation requires new responses: e.g., transfer pricing, exchange of information, transparency

The Principles - Purpose

- The purpose of the principles is two-fold:
 - to offer guidance for international assistance providers on how to approach tax matters
 - to provide a tool for developing countries on how to engage with donors to maximize the effectiveness of aid for taxation issues
- Over time, could be used as a lens to examine changing behaviour of assistance providers, helping them reflect on, and improve, their collective efforts in developing countries.

The Principles

1. *Follow the leadership of government and agree on country level co-ordination mechanisms.*
2. *Do no harm.*
3. *Promote transparency in tax matters.*
4. *Balance revenue collection imperatives with governance and social objectives.*
5. *Encourage broad-based dialogue on tax matters that includes civil society, business, and other stakeholders.*

The Principles

6. *Strengthen revenue and expenditure linkages.*
7. *Take account of international aspects of taxation.*
8. *Consider a range of assistance modalities.*
9. *Take a 'whole of government' approach.*
10. *Measure progress and build the knowledge base on tax matters.*

Next Steps

- Would agreed principles for international support for developing countries in tax matters help?
- Piloting in developing countries in 2012
 - demand-led basis
 - which countries?
- Building an international consensus
(next: OECD Task Force Plenary Meeting, Cape Town, May 2012)