

TAX INSPECTORS WITHOUT BORDERS MEETING OF GOVERNING BOARD

16 April 2016, Washington D.C.

PROGRESS REPORT AND 2016 WORK PLAN FOR DISCUSSION AND APPROVAL

Executive Summary

1. Tax Inspectors Without Borders (TIWB) is a new joint initiative of the OECD and UNDP designed to support developing countries to build tax audit capacity. It complements the broader efforts of the international community to strengthen international cooperation on tax matters and aims to make a significant contribution to the domestic resource mobilisation efforts of developing countries. Launched at the Third International Conference on Financing for Development in Addis Ababa in July 2015, the initiative facilitates targeted tax audit assistance programmes in developing countries across the globe. The initiative is a strong response to the attention given to effective and efficient mobilisation of domestic resources in achieving the Sustainable Development Goals and the commitments made by the international community in Addis Ababa to strengthen international tax cooperation. The initiative has strong backing from the G8 and G20.
2. Under the TIWB programme, tax experts from both developed and developing countries are deployed to work side-by-side with local tax officials on tax audits.
3. Progress to date demonstrates the potential of the initiative. Over USD 185 million in additional revenue for developing countries has been one direct result to date. The programme is now expanding and the implementing organisations have set out an ambitious goal of supporting 100 deployments of tax experts between 2016 and 2019.
4. The TIWB structure will consist of a Paris-based Secretariat that will organise and assist in implementing the deployment of tax experts. The recently established Governance Board will support and promote the TIWB initiative internationally. New deployment programmes will be financed through specific cost-sharing agreements between donors and UNDP.
5. Voluntary contributions totalling approximately EUR 500 K from the UK, Norway, and France received to date will be insufficient to sustain the Project beyond 2016. Putting in place 100 full-time or periodic expert deployment programmes over a 4-year period (2016-2019) requires EUR 8,452,276 (USD 9,594,516). To meet the costs for the initial period 2016-2017, EUR 2,897,120 (USD 3,288,636) is sought.

Proposed Work Plan 2016

6. Governing Board members are invited to discuss progress to date and to approve a Work Plan for 2016. The key elements are outlined below.

- Delivery of a minimum of 15 audit deployments, either through the provision of serving officials through the twinning of tax administrations; through funding recently retired experts; or through the in-house OECD/UNDP team of seconded tax inspectors.
- Monitoring and assessment of results from the current pending and new initialized 2016 TIWB programmes.
- Extending and completing the network and roster of experts to be deployed under the TIWB Programme and establishing an accreditation and expert validation procedure where required.
- Exploring and expanding opportunities for South-South cooperation, working with Regional Tax Organisations as required.
- Creating a standalone website for TIWB, shared between OECD and UNDP.
- Organising a workshop for experts who have already undertaken TIWB audit work to share and feed lessons into the development of the Programme.
- Completing the recruitment of the joint Secretariat.
- Raising funds to cover the period 2016/17.
- Reporting progress on all these actions to the Board in early 2017.

Background

7. The importance of a fair, efficient and effective tax system is clear. Domestic tax revenues are the largest and most important source of financing for sustainable development. Tax revenues can reduce poverty, increase equity, provide essential public goods such as education and health, correct market failures, and generate economic growth and better opportunities for all.

8. Significant international attention is being paid to the issue of domestic resource mobilization. In the outcome document of the *Third International Conference on Financing for Development*, held in Addis Ababa in July 2015, governments made a strong commitment to “enhancing revenue administration through modernized, progressive tax systems, improved tax policy and more efficient tax collection” and agreed to “improve the fairness, transparency, efficiency and effectiveness of our tax systems”.¹ In addition, governments “will make sure that all companies, including multinationals, pay taxes to the Governments of countries where economic activity occurs and value is created, in accordance with national and international laws and policies”.² The governments also took note of the Tax Inspectors Without Borders (TIWB) initiative and recognised the need for technical assistance through multilateral, regional, bilateral and South-South cooperation, based on different needs of countries.³ This issue has also been recognised as important in other major international forums. For example, the G20 Finance Ministers and Central Bank Governors have welcomed “the efforts by the IMF, World

¹ Para 22 of the Addis Ababa Action Agenda (AAAA).

² Para 23 of the AAAA.

³ Para 28 of the AAAA.

Bank Group, UN and OECD to provide appropriate technical assistance to interested developing economies in tackling the domestic resource mobilization challenges they face, including from Base Erosion and Profit Shifting”.⁴

9. Globalisation poses new challenges and opportunities in international taxation, and the demand from developing countries for assistance is growing. Tax avoidance and evasion by individuals and multinational companies are major challenges for developing countries and reduce revenue that could otherwise support poverty reduction and development. Estimates vary and are contested but cross border tax evasion and avoidance impacting developing countries is likely to be very large. These challenges are greater where capacity is weak. Revenue administrations in developing countries are often under-resourced, resources are not focused on areas of greatest impact, and middle-level management is weak.⁵

10. The lack of tax audit expertise in developing countries’ tax administrations is often a contributing factor to the observed patterns of tax circumvention. Weak revenue administrations are often associated with low revenue collection. On average, low income countries collect only 15% of GDP in tax revenues, far below the levels in most developed countries. In the least developed countries, the ratio is even lower, often below 10%. There are no quick fixes to these challenges, but strengthening capacity and focusing attention on large taxpayers can bring countries a long way. According to the IMF, auditing the largest enterprises (usually a few hundred or thousand), can secure 60–80 percent of domestic taxes (IMF, 2011).

11. TIWB is designed to tackle the challenge of weak tax audit capacity head on. Under TIWB, experienced tax audit officials are deployed for a pre-agreed period of time to developing countries’ tax administrations. Deployed experts work alongside local administrators on specific tax audit issues, sharing knowledge and skills with the local office through a targeted, real time “learning by doing” approach. The programme complements the broader efforts of the international community to strengthen capacity building for domestic resource mobilization and international cooperation on tax matters and will make a significant contribution to the recently adopted Sustainable Development Goals.

Progress to date

Feasibility Study

12. A Feasibility Study on the TIWB project was conducted by the OECD Tax and Development Programme in 2012/2013.⁶ Key findings include:

- Practical, learning-by-doing assistance on real audit cases is an unmet area of tax-focused technical assistance.
- Several existing programmes demonstrate that it is feasible, once certain practical and legal challenges are overcome, such as issues of tax information confidentiality or potential conflicts of interest.

⁴ Communiqué G20 Finance Ministers and Central Bank Governors Meeting 4-5 September 2015, Ankara, Turkey.

⁵ European Report on Development, 2015.

⁶ The study resulted in the *Final Report on the Feasibility Study into the Tax Inspectors Without Borders Initiative* (OECD, 2013).

- Strong demand exists from developing country tax administrations for this type of practical hands-on assistance. Tax officials from developing countries emphasized that for an inexperienced individual official or audit unit, making the shift from theoretical knowledge (often obtained through workshops and seminars) to effective implementation can be daunting, and practical, learning-by-doing assistance on real audit cases is a niche area that is rarely addressed in current technical assistance programmes.⁷

13. The subsequent 18-months pilot phase of the TIWB programme carried out in 2013/14 revealed great potential for practical tax audit assistance in developing countries. Results to date show that TIWB-style audit assistance could result in improved quality and consistency of tax audits; sustained improvements in tax audit skills; higher levels of voluntary compliance by taxpayers and a potential increase in revenue collected. See Box 1 below.

Box 1: Revenue gains attributable to TIWB deployments to date

The TIWB Secretariat has provided assistance to developing countries in establishing TIWB expert deployments. Cumulative increases in tax collection as a result of TIWB programmes include:

Albania: An audit performed with TIWB assistance by Italy has resulted in a transfer pricing adjustment for 2014 equalling 7% of the EBIT (Earnings Before Interest and Taxes) of an Albanian resident subsidiary of a Multinational enterprise.

Colombia: Increase in tax revenue from USD 5.83 million in 2012 to USD 33 million in 2014 = USD 27.17 million;

Kenya: Increase in tax revenue from USD 52 million in 2012 to USD 107 million in 2014 = USD 55 million;

Senegal reports increased revenue from their TIWB project with France: audit adjustments to taxes owing have resulted in an additional USD 12.3 million of tax revenue in 2015;

Vietnam: Increase in tax revenue from USD 3.9 million in 2013 to USD 40 million in 2014 = USD 36.1 million;

Zambia: Increase in tax revenues from USD 3.22 million in 2012 to USD 7.91 million in 2013 = USD 4.69 million; and

Zimbabwe: Revenue from investigations work increased from USD 160 million in 2014 to USD 211 million in the first nine months of 2015.

In summary, expert deployments have assisted countries to increase their tax collected by over USD 185 million between 2012 and 2014 (and including some early reporting from 2015). See Annex 2 for country programme details.

14. In addition, a TIWB Toolkit has been developed and made available on the TIWB website⁸ to assist the host administration in developing and preparing for their audit assistance. The Toolkit covers issues that are relevant for all parties involved in a TIWB audit assistance programme including the scope of audit assistance, preliminary questions for parties to consider before engaging with TIWB, the roles and

⁷ See Page 8 and 10 respectively.

⁸ www.oecd.org/tax/tax-global/tax-inspectors-without-borders-toolkit.pdf

responsibilities of all parties, and solutions to practical, legal and technical issues that can arise, such as tax confidentiality issues, professional as well as health and safety liabilities and potential conflicts of interest.

OECD Review

15. A review of progress undertaken by the OECD Tax and Development Secretariat in early 2015 identified several challenges, including a lack of global reach and financing. The review noted that the initiative has generated much interest from both donor and recipient countries and that TIWB offers many possibilities for South-South cooperation which are yet to be fully explored.

The OECD-UNDP Partnership

16. In July 2015, OECD and UNDP joined forces to extend the global reach of TIWB and to scale-up operations. The partnership was launched at the third Financing for Development conference in Addis Ababa in July 2015. The aim is that with a Governance Board in place and a fully financed TIWB Secretariat, the initiative can be scaled-up.

17. The objectives for 2016-2019 are:

- **Impact:** Enhanced domestic resource mobilisation for developing countries and a more certain and predictable investment climate for taxpayers.
- **Outcome:** Developing countries have the capacity to audit taxpayers fairly and effectively
- **Outputs:**
 - TIWB facilitates the successful completion of 100 risk assessments/audits with developing countries in the period 2016-2019.
 - TIWB transfers skills and competences on audit risk assessment, audit case work and finalization of tax assessments to developing country tax officials.
 - TIWB prepares analytical work and develops knowledge to promote more effective international cooperation on audits.

18. A full objectives framework is included in Table 1 below.

Table 1: Objectives for Tax Inspectors Without Borders for the years 2016-2019

| Objectives | Draft Indicators | Inputs/Activities |
|---|---|---|
| <p>Impact:</p> <p>a) Enhanced domestic resource mobilisation for developing countries</p> <p>b) A more certain and predictable investment climate for taxpayers.</p> | <p>Post project surveys covering (on a case by case basis):</p> <p>a) e.g. proposed transfer pricing adjustments, imposed and agreed tax assessments</p> <p>b) reduction in back log of disputed tax assessments as well as positive business surveys</p> <p>c) revenues are increased.</p> | |
| <p>Outcome:</p> <p>Developing countries have the capacity to audit taxpayers fairly and effectively</p> | <p>Tax Administrations and Ministries of Finance report that capacity is strengthened (e.g. through various Tax administration Diagnostic Assessment Tool indicators⁹).</p> | |
| <p>Output 1:</p> <p>TIWB facilitates the successful completion of 100 risk assessments/audits with developing countries in the period 2016-2019.</p> | <p>Each programme will have dedicated indicators drawn from the list of short, medium and/or long-term indicators (see Annex 1).</p> | <ul style="list-style-type: none"> - Established a list of qualified tax audit experts available for TIWB deployments; - Created a list of interested host countries, based on UNDP's outreach to country offices; - Updated TIWB website, TIWB Toolkit and promotion materials available; - Sufficient resources are available to finance deployments as well as the Secretariat/Board and country office involvement - Full range assistance to realise: 15 deployments in 2016 20 deployments in 2017 30 deployments in 2018 35 deployments in 2019 |
| <p>Output 2:</p> <p>TIWB transfers skills and competencies on audit risk assessment, audit casework and finalization of tax assessments to developing country tax officials.</p> | <p>Audit completion reports from experts, OECD/UNDP and Tax Administrations.</p> <p>Host administrations report on concrete results of the deployments.</p> | <p>Expert deployments are realized that facilitate skills and competence transfer.</p> |
| <p>Output 3:</p> <p>TIWB prepares analytical work and develops knowledge to promote more effective international cooperation on audits.</p> | <p>Research and analytical papers on lessons learned from TIWB programmes and the wider implications of such initiatives for international policy discussions on tax cooperation.</p> | <p>TIWB programmes are well- documented and the results disseminated via reports and other mediums.</p> <p>Research and analytical work based on findings from deployment programmes are carried out and published.</p> |

⁹ See www.tadat.org

The deployment process

19. Deployments will generally follow a six-step process (see Figure 1 below), based on cooperation between the host administration, the TIWB Secretariat and the tax expert. Through its extensive network of country offices, UNDP will help to identify where there is a demand for tax audit assistance and support the generation of requests from a potential host country. The TIWB Secretariat has a “clearing house” role, matching the request from the host administration with potential experts.

Step 1 – Making a request

20. To make a request, the UNDP and TIWB Secretariat will assist the host country to define the scope of the assistance required. Programmes can include pre-audit risk assessment and case selection, investigatory techniques, audit cases involving transfer pricing issues, anti-avoidance rules, or sector-specific issues (e.g. natural resources, e-commerce, financial services or telecommunications). At this stage, the host country will also specify the results it wants to achieve, and start to consider possible indicators to measure effectiveness. This ensures all parties will have a common understanding of the aims and nature of the assistance (potential indicators are at Annex 1).

21. The duration and mode of expert audit assistance programmes will vary, depending on the specific audit-related needs of the host administration, the availability of experts and funding. Some issues require expert assistance on a specific technical issue, whereas in other cases, administrations may require assistance developing a general audit approach that would encompass number of topics such as risk review and case selection for audits. There is no minimum or maximum period for audit assistance programmes; normally each programme lasts for a minimum of one week. Audit assistance programmes designed on a periodic basis may involve several weeks of assistance over a period of 6 to 12 months.

Step 2 – Request is reviewed

22. Once received, the TIWB Secretariat will review the request and check for impediments that may hinder the overall chance of success for the deployment. This would include for example, checking for overlap with existing assistance providers; identifying legal or other practical considerations; and ensuring the request is clearly defined and achievable in the timeframe proposed. The TIWB Secretariat will work with the host country to refine the request as needed.

Step 3 – Matching the request to an available expert

23. Once a request is finalised, the TIWB Secretariat will search its existing network of potential experts. These may be serving tax officials, or recently retired experts with significant career experience in auditing and tax administration (all potential tax experts will have at least five years of experience in an audit or audit-related role in a national tax administration). The TIWB Secretariat will draw from its existing database of experts as well as liaising with partner administrations to identify serving officials as required. South-South co-operation will be encouraged wherever possible.

Step 4 – Providing information on possible experts to the host country

24. At this stage of the process, the TIWB Secretariat identifies relevant experts suitable for the request and contacts each to check availability. Once completed, the Secretariat provides their details to the host administration for review.

Step 5 – Selection and deployment

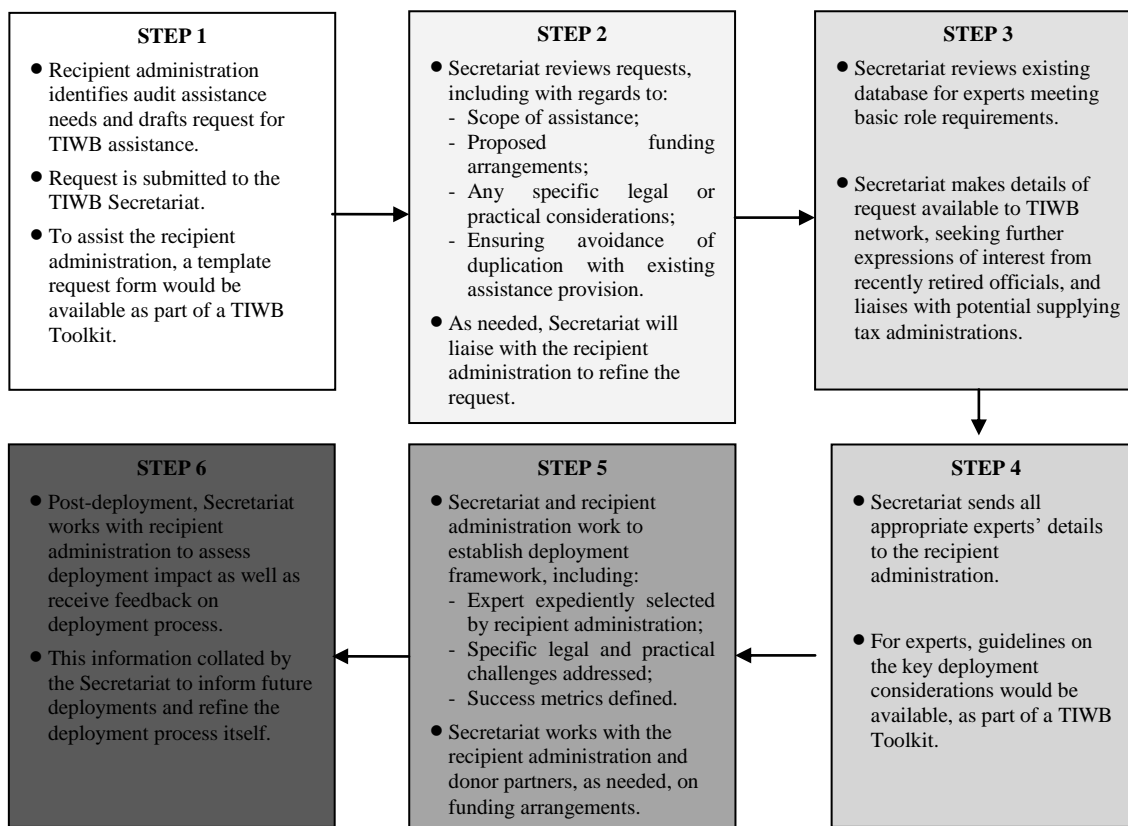
25. The ultimate selection of the expert is the responsibility of the host country, with support from the TIWB Secretariat as needed on the selection process. Once chosen, the TIWB Secretariat will assist the host country to notify other candidates. At this stage, the host country will finalise which success metrics/indicators it will use for the audit assistance programme, with support from the TIWB Secretariat and in consultation with the expert to ensure they are realistic and achievable. Using the TIWB Toolkit, the TIWB Secretariat will work with the expert and host country to clarify legal and organisational issues such as taxpayer confidentiality and accountabilities, to limit unforeseen issues later on. Contracting and financing of experts will be undertaken by UNDP as required.

26. The TIWB Secretariat will provide briefing to the deployed expert to clarify expectations of the role. For example, this briefing might note that the deployed expert will work at the local tax office alongside auditors of the host administration on actual audit cases, providing advice and transferring practical knowledge on audit skills, with the host administration managing their day-to-day role. Experts are not to take the place of local tax audit staff or carry out audit work that would not otherwise involve local audit personnel.

Step 6 – Post deployment

27. At the end of the cycle, the expert will submit a programme report to the head of the host administration and to the Secretariat. The report gives a complete overview of the programme, including aims and intentions, nature of assistance, and an evaluation of the programme's effectiveness. The report also presents recommendations for additional measures to improve tax audit capacity and any follow-up planned.

Figure 1: The TIWB Deployment Process



Monitoring and evaluation

28. TIWB programmes will be monitored and evaluated, on a short, medium and long-term basis. Crafting useful indicators and suitable ways of monitoring the programme is an important part of developing and initiating a TIWB programme. Indicators will differ depending on programme objectives and country situation. Potential short, medium and long-term impact indicators are outlined in Annex 1. The TIWB Secretariat will perform an annual evaluation of TIWB programmes for review by the Governance Board. Based on the findings and lessons learned, programme adjustments may be required.

29. As noted above, all parties to a TIWB programme must have a clear understanding in advance of the objectives of the programme, including tailoring indicators that consider these objectives over the short, medium and longer term. Occasionally it may be appropriate to establish post-programme objectives to ensure that measures implemented during the programme continue beyond the audit assistance programme.

Structuring TIWB

30. The management of TIWB comprises a Governance Board and a Paris-based Secretariat. Operational deployment funding will be managed and administered by UNDP under a donor cost-sharing arrangement.

Governance Board

31. The Governance Board will monitor the operations of the Paris based TIWB Secretariat and provide strategic guidance and international visibility for the programme.¹⁰ The TIWB Governance Board in the first instance will be co-chaired by Mr. Angel Gurría (Secretary-General of the OECD) and Ms. Helen Clark (Administrator of UNDP). Additional Board members are representatives of governments from donor and developing countries, tax administrations, governments, and civil society.

32. Key responsibilities of the Governance Board include: support and promote the TIWB initiative internationally, expand political support for the TIWB initiative, approve and monitor the implementation of an annual work plan, provide strategic guidance, encourage opportunities for South-South cooperation and review the activities of the TIWB Secretariat. The Board will meet once a year.

TIWB Secretariat

33. A dedicated central unit – the TIWB Secretariat – jointly managed by OECD and UNDP will operate as a clearing house to match the demand for auditing assistance with appropriate expertise. The TIWB Secretariat, supported by UNDP's network of country offices, will provide technical and legal assistance to developing countries in establishing TIWB expert deployments. TIWB programmes will be monitored, adjusted and evaluated to ensure lessons are learned for new deployments. The Secretariat will also support and report to the Governance Board. The TIWB Secretariat will consist of four full-time staff based in Paris.

¹⁰ The Technical Advisory Board (comprising donor representatives, supplying tax authorities, business and civil society that currently assists the TIWB Secretariat in the development of the initiative) will remain in place at least until end 2016.

34. The functions and role of the Secretariat will be:
- Interface with the TIWB Governance Board and Sponsors/Donors (incl. reporting, proposing enhancements and organising annual meetings);
 - Preparation of a TIWB work plan for approval by the Governance Board;
 - Interface with developing countries (through the UNDP network of country offices) to initiate and support TIWB projects;
 - Maintaining contact with regional organisations, business, foundations, civil society and press;
 - Organising (regional) informative and promotional events for TIWB deployments;
 - Managing fundraising activities;
 - Providing technical support for concluding deployment agreements to both the host and supply administrations;
 - Setting up and maintaining a network/database of tax audit experts and supplying administrations coordinators;
 - Keeping up to date with country level demand;
 - Setting up of a validation system for tax audit experts if needed;
 - Monitoring, measuring and evaluating TIWB projects;
 - Assisting in the conclusion of cost-sharing agreements between donor countries and UNDP for the financing of deployment programmes;
 - Contracting retired experts;
 - Carrying out representational duties in various international forums.

Funding the deployments

35. There are various options for the funding of expert deployments. The TIWB programme takes a flexible approach to funding deployments recognising that in some cases, recipient administrations can cover the cost of expert engagements themselves (or work with donors or foreign tax administrations to cover the deployment costs), but in others there will be more limited capacity to self-fund. Possible arrangements to engage experts include:

- *Host administration funding*: where all the costs of deployment are met by the host tax administration. A number of developing country tax administrations have indicated that rather than needing funding support, they would turn to TIWB primarily for its network of experts.
- *Sponsored secondments*: the costs of deployment are fully funded by the supplying tax administrations.
- *Donor top-up funding*: in this case, the host administration provides some of the funding for the deployment, for example an amount equivalent to the salary of a senior auditor in the tax administration. This base funding is complemented by additional “top-up” funding, which would be funded by donors (see further below). This top-up funding can be used to cover costs such as travel and relocation expenses, and increasing the base salary/fee to an internationally competitive level.
- *Donor funding*: the costs of deployment are fully funded by donors, including the costs of in-house Secretariat tax inspectors.

36. In cases where donor funding is necessary to carry out the deployment programmes, UNDP will be the responsible party for managing these resources. Payments from donors to UNDP will be managed through specific cost-sharing agreements between the donor country and UNDP. The agreement will specify what activities the donor will support, for how long, and in what countries or regions the activities will take place, as well as other relevant issues (in accordance with UNDP third party cost sharing agreements).

Risks and Risk Mitigation

37. As mentioned, several potential risks and challenges were identified during the pilot phase of the project and will be addressed as follows.

Funding Issues

38. A lack of funding for experts was identified as a constraint to the efficiency of operations of TIWB during the pilot phase. This risk has been mitigated in the design of the new partnership, with the introduction of cost-sharing agreements between the donor countries or donor parties and UNDP. Donor funding will be required to make the audit assistance deployments a reality; without donor funding the project will rely on the already stretched human and financial resources within tax administrations, mainly in OECD countries. The prospects for increased funding are generally good, given the high profile and support the project has gained from the international development community in 2015, including through the *Addis Tax Initiative* in which 18 developed countries committed to double their support for technical cooperation in the area of taxation and domestic revenue mobilization by 2020.

Insufficient tax experts

39. Locating sufficient individuals with the required tax audit expertise willing (and able) to engage in TIWB has been identified as a challenge. The risk has been partly mitigated by a stronger reliance on donor funding and the introduction of cost-sharing agreements mentioned above. Continuous engagement with the Forum on Tax Administration¹¹ will be needed to secure senior level buy-in to the project and as a venue to present evidence of the results from the project. In addition, a new drive will be made to create a bigger pool of retired experts, to build a roster sufficiently large and diverse to match different kind of needs from developing countries. Finally, South-South exchanges of expertise remain a largely unexplored mechanism which the project will explore and promote over time, building on positive evidence of considerable capacity available in Africa in particular.

Insufficient demand from developing countries

40. Low demand from developing countries will often be due to lack of information and outreach. To increase awareness, the Secretariat together with UNDP (and its regional bureaus and offices) will promote the project. UNDPs country-level presence and access to senior level officials and Ministers will address this risk. In addition, the addition of senior international figures joining the Governance Board will help build trust in developing countries and open doors to decision makers.

11 The Forum on Tax Administration (FTA) is a unique means of co-operation between tax administrations at Commissioner-level hosted by the OECD (see <http://www.oecd.org/site/ctpfta/abouttheforum.htm>). With participation from 52 countries, it brings together the leaders of advanced tax administrations from around the world. Working collectively and through the sub-groups and networks they have created, they are able to identify, discuss and influence relevant global trends and develop new ideas to enhance tax administration globally.

Technical and legal risks

41. There are a set of legal risks which have been identified in the feasibility study. The *TIWB Toolkit* has been developed to address issues in this regard, including roles and responsibilities of the parties, and solutions to practical, legal and technical issues that can arise, such as tax confidentiality issues, professional as well as health and safety liabilities and potential conflicts of interest. Ongoing monitoring and evaluation will provide feedback loops into the design of future deployments, allowing for adjustments to be made.

Financing TIWB

42. Dedicated financial resources are needed to facilitate the implementation of TIWB deployments as well as to operate the TIWB Secretariat (four individuals), and to finance UNDP country office support. Based on experience from the OECD pilot phase, TIWB programmes on average will last 35 days consisting of a several number of on-site missions as well as follow-up assistance work undertaken remotely.

43. Putting in place 100 full-time or periodic expert deployment programmes over a 4-year period (2016-2019) requires EUR 8,452,276 (*USD 9,594,516*). To meet the costs for the initial period 2016-2017, EUR 2,897,120 (*USD 3,288,636*) is needed (see Table 2).

Table 2: Estimated costs of operating TIWB, 2016-2019. EUR and USD

| | 2016 | 2017 | 2018 | 2019 | Total |
|---|-----------------|-------------------|-------------------|-------------------|-------------------|
| UNDP TIWB Deployments (programme costs) | €784,161 | €1,065,393 | €1,627,857 | €1,933,895 | €5,411,306 |
| | \$890,133 | \$1,209,370 | \$1,847,846 | \$2,195,242 | \$6,142,590 |
| UNDP (country office support) | €56,700 | €62,370 | €68,040 | €73,710 | €260,820 |
| | \$64,362 | \$70,799 | \$77,235 | \$83,671 | \$296,067 |
| UNDP Total | €840,861 | €1,127,763 | €1,695,897 | €2,007,605 | €5,672,126 |
| | \$954,495 | \$1,280,169 | \$1,925,081 | \$2,278,913 | \$6,438,657 |
| OECD (TIWB Secretariat) | €106,724 | €821,772 | €891,142 | €960,512 | €2,780,149 |
| | \$121,146 | \$932,826 | \$1,011,571 | \$1,090,316 | \$3,155,859 |
| Total | €947,585 | €1,949,535 | €2,587,039 | €2,968,118 | €8,452,276 |
| | \$1,075,641 | \$2,212,995 | \$2,936,651 | \$3,369,229 | \$9,594,516 |

Note: The 2016 costs for the joint UNDP-OECD TIWB Secretariat are low since officials are funded from existing OECD Tax and Development Programme resources until the end of 2016. UNDP is also providing resources for a dedicated staff member in New York plus other staff members' time for the year 2016, both in New York as well as in its regional centres in Addis Ababa, Panama and Bangkok.

Proposed Work Plan 2016

44. Governing Board members are invited to discuss progress to date and to approve a Work Plan for 2016:

- Deliver a minimum of 15 audit deployments, either through the provision of serving officials through the twinning of tax administrations; through funding recently retired experts of the in-house OECD/UNDP team of seconded tax inspectors. See Annex 2 for fact sheets on current and forthcoming deployments. [Fact Sheets will follow later this week]
- Monitoring and assessment of results from the current pending and new initialized 2016 TIWB programmes.
- Extend and complete the network and roster of experts to be deployed under the TIWB Programme and establish an accreditation and expert validation procedure.
- Explore and expand opportunities for South-South cooperation, working with regional tax organisations as required.
- Create a standalone website for TIWB, shared between OECD and UNDP.
- Organise a workshop for experts who have already undertaken TIWB audit work to share and feed lessons into the development of the Programme
- Complete the recruitment of the joint Secretariat.
- Raise funds to cover the period 2016/17.
- Report progress to the Board in early 2017.

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Annexes

1. Possible TIWB indicators
2. Current and potential TIWB deployments

ANNEX 1: POSSIBLE TIWB INDICATORS

Quantitative indicators of the impact of practical audit assistance need to be complemented by other less easily identifiable measures such as sustained knowledge transfer, improved consistency in audit outcomes and improvements in taxpayer voluntary compliance.

SHORT TERMS INDICATORS

1. Attention to understanding the concept, ideas and principles of Compliance Risk Management in practice (general principles, practical “tools” to be used in practice and how to select and use those “tools” and behavioural aspects)
2. Audit approach developed regarding the actions to be undertaken in the TIWB programme (strategic document)
3. Description of audit approach available (more general outline of goals to be reached and how to get there; practical document)
4. Description of audit techniques to be used during the audit assistance programme are available (specific description, also for practical use)
5. Charts of work flow procedures available (essential for developing IT support regarding the audit processes in the future)
6. Specific risk analysis and risk selection methods and criteria for the branches/industries to be audited are identified
7. Risk selection and risk analysis methodology developed and implemented (supported by IT)
8. Internal guidelines for selection of audit cases set up and available (based on principles of Compliance Risk Management and picking the right “tools”)
9. Information available on “understanding” of branch and businesses to be audited (branch information, “knowing the business”)
10. Audit planning mechanism in place (including monitoring aspects)
11. Specified, targeted and clearly stated standardised audit assignments available and used (necessary for consistent audit practice with clear objectives)
12. Standardised layout of audit reports available and used (necessary for consistent audit practice)
13. Training/education programme developed for involved employees regarding audit approach and audit techniques to be used (to be documented)
14. Internal manuals and guidelines regarding audit procedures and techniques for employees developed and in place (manuals should describe working procedures and containing relevant background information on the working processes)
15. Monitoring system in place regarding progress of audits to be performed, and containing elements of hours spent on audit as well as quality of audit measures performed (Could be divided by hours spent on preparing the audit, doing the audit, meetings/discussions with the taxpayer/company, completing reports, etc.)
16. Taxpayer Education Programme designed and undertaken (general or sector-specific) on tax obligations or specific risk areas.

MID-TERM INDICATORS

17. Information on audits conducted and finalised under TIWB programme:
 - a. number of audits;
 - b. improved consistency in audit outcomes*;
 - c. effects of capacity building*;

** specific criteria to be determined*
18. Tax revenues increased from the performed audits (divided into assessments, penalties, interest)
19. Staff knows how to apply the newly obtained knowledge and skills on audit approach and audit techniques in practice (e.g. effects to be measured by quality and content of audit files and audit reports)
20. Staff knows how to apply principles of Compliance Risk Management in practice (reflected in behaviour of staff, e.g. being accessible and available for companies, staff and approaches the companies on the basis of “trust”)
21. Audits have been performed and finalised within the timeframes, set out in internal procedures (monitoring system in place)
22. Quality and content of audit reports meet standards, set in internal manuals and regulations
23. Improved accessibility to taxpayers that were audited regarding tax matters (contacts with CEOs, CFOs, etc.; practical use and understanding of Compliance Risk Management principles)
24. Measures in place to monitor (increases in) level of compliance of taxpayers that were audited (e.g. filing obligations, giving easier access to company data and information, timely payments of taxes)
25. Further development (and implementation) of specific audit approach and client treatment for various types of companies
26. Increase in international requests for exchange of tax information to other tax administrations (quantitative and qualitative; information available as to tax administrations that are approached more frequently and on which topics)
27. Availability of and accessibility to foreign experts involved in TIWB programme (on site or through other channels, like e-mail, etc.)
28. Demonstrate added value from quality of work and efforts of foreign experts involved in TIWB programme
29. Increase in-depth audit activity, based on outcome of performed audits (third-party investigations, requests for exchange of information, etc.)
30. Synergy effects of TIWB programme and other international/ bilateral TA programmes
31. Mid-term evaluation of effects of TIWB programme (covering various and multiple aspects)

LONG TERM INDICATORS

Compliance effects

32. Changes in fulfilling tax obligations by companies that were audited, e.g. filing obligations, timely payments etc.; demonstrable effects of applying principles of Compliance Risk Management in practice
33. Improved access to the tax administration for CEOs, CFOs and other key taxpayer representatives
34. Increased willingness to provide data and information to tax administration (“voluntary disclosure of data and information”)
35. Company taxpayers behave as an “equal business partners” in relations with tax administration
36. Company taxpayers are open to discussions with tax administration regarding preliminary agreements
37. Staff of tax administration acts and works according to principles and ideas of Compliance Risk Management

- 38. Decrease in number of litigations, objections and appeals made by taxpayer companies
- 39. Increase in number of preliminary agreements on various tax matters made with taxpayer companies, along with improved quality of these agreements
- 40. Reduction in length of time for tax dispute resolution
- 41. Increase in service usage by taxpayer companies with tax administration
- 42. Taxpayer risks identified by sector and branch, and percentage of those risks quantified and modelled

Relations between revenue authority and private sector

- 43. Greater positive perception and acceptance by taxpayer companies of applied audit approach and revenue authority attitude
- 44. Increased acceptance of applied audit approach and attitude of tax administration by accountants and (external) tax consultants of the taxpayer companies
- 45. Increased mutual understanding and greater mutual confidence between tax administration and taxpayer companies

Effects on revenue

- 46. Increase in yield compared to previous periods, but to be considered cautiously as external (economic) factors may influence the yield
- 47. Decrease of number of penalties applied compared to previous periods
- 48. Decrease of number and amounts of arrears compared to previous periods

Investment climate

- 49. Contacts with tax administration regarding future investment decisions of companies and outcome of those contacts, such as preliminary agreements
- 50. Contacts between tax administration and (large) international companies willing or planning to invest in the country (tentative meetings, relevant for investment climate) International dialogue
- 51. Intensified international co-operation between tax administrations
- 52. Improved mutual understanding of interests and development of solutions at international level

Miscellaneous

- 53. Increase in ratio of revenue to GDP or revenue to an appropriate tax base, controlled for external factors
- 54. Improved mutual understanding of interests and foreseen solutions at international level
- 55. Reduction in taxpayer-instigated litigation and increase in cases resolved by alternative dispute resolution methods (e.g. negotiation, mediation)

ANNEX 2: CURRENT AND POTENTIAL TIWB PROGRAMMES

The table below includes TIWB programmes where serving officials from a variety of countries or retired tax officials are deployed, as well as TIWB audit assistance (working on anonymised company cases) provided by in-house OECD tax experts.

| Host country | Tax expert serving official(s) from OECD countries / retired tax official(s) / OECD in-house tax expert(s) | Status |
|--|---|---|
| Republic of Albania | Republic of Italy | first phase completed |
| Republic of Botswana | OECD in-house | first mission undertaken |
| Republic of Cameroon | OECD in-house | first mission undertaken |
| Republic of Colombia | OECD in-house | first phase completed |
| Republic of Costa Rica | OECD in-house | first mission undertaken |
| Federal Democratic Republic of Ethiopia | United Kingdom of Great Britain and Northern Ireland | first mission undertaken |
| Georgia | Kingdom of the Netherlands (tbc) | request filed (under review) |
| Republic of Ghana | Kingdom of the Netherlands | various missions undertaken - extension arrangement under discussion |
| Republic of Guatemala | OECD in-house | scoping mission planned |
| Jamaica | Retired official + OECD in-house | first mission undertaken |
| Republic of Kenya | OECD in-house | first phase completed |
| Kingdom of Lesotho | United Kingdom of Great Britain and Northern Ireland | first mission undertaken |
| Republic of Liberia | Retired official + OECD in-house | first mission undertaken |
| Republic of Malawi | OECD in-house | first mission planned |
| Kingdom of Morocco | OECD in-house | scoping mission planned |
| Federal Republic of Nigeria | OECD in-house | first mission undertaken (search for additional expert) |
| Republic of Rwanda | United Kingdom of Great Britain and Northern Ireland | first mission undertaken |
| Republic of Senegal | Republic of France | first phase completed - new programme under discussion |
| Democratic Socialist Republic of Sri Lanka | OECD in-house | first mission undertaken |
| Republic of Uganda | OECD in-house | first mission undertaken |
| Socialist Republic of Vietnam | OECD in-house | first phase completed - new mission undertaken |
| Republic of Zambia | OECD in-house | first phase completed -next mission planned |
| Republic of Zimbabwe | OECD in-house | first phase completed -next mission planned |

Further TIWB deployments are being explored as follows.

| | |
|--|--|
| Kingdom of Cambodia | Gabonese Republic |
| Democratic Republic of the Congo | Independent State of Papua New Guinea |
| Dominican Republic | Republic of Peru |
| Republic of Ecuador | |

