



Taxation and Development: The role of German Development Cooperation

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Outline

- I. Germany's role in the area of taxation and development
- II. Our partner countries
- III. Technical Cooperation and Technical Assistance
- IV. Coordination and Harmonization
- V. Effectiveness and impact of technical cooperation
- VI. Areas of work: Trends
- VII. Lessons Learned



I. Germany's role in the area of taxation

- Support to Multi-lateral efforts:
 - core funding of WB/IMF
 - funding of: IMF Topical Trust Fund Taxation (chair: Germany), IMF RTACs
 - support to transparency initiatives, in particular EITI where we see a link to the tax reform debate
 - active participation in int'l fora: OECD, ITD, G8/20
- Bilateral efforts:
 - Technical Cooperation: Deutsche Gesellschaft für Technische Zusammenarbeit (GIZ)
 - Financial Cooperation: Kreditanstalt fuer Wiederaufbau (KfW)
- Launch of International Tax Compact (ITC)



What is the ITC all about ?

- ITC is
 - an informal forum of bi- and multilateral development partners for dialogue and action
 - Objective: strengthen developing countries to be more effective in fighting tax evasion and inappropriate tax practice at the int'l and domestic level, tax systems that
- ITC will
 - work on a partnership basis
 - add value to existing int'l efforts without duplicating efforts of other ongoing initiatives



II. Our partner countries



Red: 7 current bilateral projects

Plus regional projects: ATAF, EAC, ECOWAS, CEPAL

Blue: past projects



II. Countries and Scope of Work

- Partners (selection):
 - Zambia (in prep.), Serbia, Ghana, Guatemala, Nepal
 - ATAF, CEPAL
- Scope of support:
 - Tax policy (e.g. setting-up tax policy units), review of tax legislation
 - Revenue administration:
 - Implementing SARAs: strategy, planning, organizational development, training
 - Reform of direct / indirect tax
 - IT for tax admin
 - SME Taxation
 - Fiscal decentralization



III. Technical Cooperation and Technical Assistance

- TA and TC often used synonymously
- Some features of TC
 - within the framework of demand-, process- and dialogue-oriented programmes
 - Alignment with the partner country's policies and structures
 - Long-term perspective
 - Joint implementation on the ground
 - Knowledge of partner structures and building of mutual trust



IV. Coordination and Harmonization (I)

- General awareness due to Paris agenda
- Development partner coordination => at country level as far as country assistance is concerned
- Here, coordination rests with the advisers who should be guided by partner country's reform agenda (leadership, alignment)
- But, also role for HQ:
 - there must be a culture of cooperation (incentives, leading by example)
 - Sector strategies in a sub-region should be designed by taking existing DP support into consideration



IV. Coordination and Harmonization (II)

- How well is technical assistance currently being organized and coordinated?
 - mixed findings for in-country coordination – with some very encouraging examples
 - Do we need more coordination at HQ level?
 - GIZ support programs' general policy: liaison and coordination with other DPs (incl. IMF RTACs)



IV. Coordination and Harmonization

- What measures should be implemented to improve technical assistance coordination and delivery?
 - Information: Enhance mutual understanding of different modes-of-delivery and comparative advantages of DPs with a view to identifying areas for increases cooperation
 - Formats: Develop formats (guidelines) and best practice approaches at international level that would help improve project design as well as delivery of TA/TC in the first place
 - Incentives: Incentivise cooperation and coordination within DP (job description, reporting, bonus schemes)
 - Training: Provide training to staff



V. Effectiveness and impact of technical cooperation

- int'l performance indicators (tax ratio, PEFA, etc): no systematic evaluation yet
 - Challenge to measure capacity development
 - countries we have worked with managed to meet own objectives
 - Some recent examples: Ghana, Tanzania
 - general approach of GIZ today: Learning & innovation
 - Provide space for feedback loops w/ counterpart
 - Work towards M&E system (w/ commonly agreed targets and performance indicators)
 - Knowledge management (utilize existing experiences from other GIZ projects, provide insights from own project for colleagues)
- => International learning and coordination (ITC, ITD etc)



VI. Areas of work: Trends

- Resource revenue taxation (+)
- In-country scaling up of tax admin reforms that are often limited to capital area (e.g. SME taxation)
- International taxation and regional tax issues
- Taxation in fragile states
- Going beyond: How to sustain achievements?
 - tax reform within a wider context of public finance reform (external control, tax judiciary, etc)
 - good financial governance: holistic approach



VII. Lessons Learned

- Challenge: how to operationalize good practice concepts? => identify tailor-made country solutions that work
- Do not forget „the non-technical part of tax reform“: setting up steering structure for reform, creating a spirit of change-management etc
- Potential for beneficial cooperation by far not exploited
- Going beyond: We need a better understanding of how to embed tax reform within a wider context of public finance reform (good financial governance) to sustain achievements made



Thank you