

# Tax Inspectors Without Borders

An OECD/UNDP Partnership to tackle domestic resource mobilisation with a practical hands-on approach

## The Challenge

Domestic resources are **the largest and most important source of financing for development**. They are country-owned and are more stable than external sources of finance. Domestic resources are the best way to support long-term economic growth and poverty reduction. Over recent years, many developing countries have managed to mobilise more domestic resources for development. But progress varies and low income countries collect on average only 15% of GDP in tax revenues.

A lack of capacity is one factor limiting the ability of governments to raise tax revenues. This means less money for education and health-care, and fewer resources for investment in essential infrastructure, such as energy and transport.

Tax administrations are on the frontline in the battle against tax avoidance. Estimates vary and are contested but cross border tax avoidance impacting developing countries is likely to exceed ODA by a considerable margin. Tackling complex international tax arrangements which divert profits otherwise liable for corporate tax, calls for skilled tax auditors. A well-trained tax team can identify high risk cases and uncover the arrangements that strip much-needed tax revenue from governments.

## A contribution to the DRM efforts of developing countries

**Tax Inspectors Without Borders (TIWB) is a 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 will make a significant contribution to the domestic resource mobilisation efforts of developing countries.

## Tax Inspectors Without Borders – How it works

**TIWB** facilitates well-targeted, specialised tax audit assistance in developing countries around the world.

Under TIWB, **tax audit experts work alongside local officials of developing country** tax administrations on **tax audit and tax audit related issues**. TIWB aims to **transfer technical know-how and skills** to developing countries' tax auditors, as well as **share general audit practices**. TIWB 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, relating for example to natural resources, e-commerce, financial services or telecommunications.

The **host administrations of developing countries are the lead partners** in TIWB programmes, clearly specifying their needs and scope of work. A dedicated **central unit (TIWB Secretariat)** jointly managed by OECD and UNDP operates as a clearing house to **match the demand for auditing assistance with appropriate expertise**. TIWB assistance is delivered by current or recently retired tax audit experts who **work** full-time or periodically with the host administration **under a programme agreement** which covers all legal and practical safeguards and provisions. The experts are not intended to substitute for local audit staff or to carry out audit work where no local audit personnel would otherwise exist. **TIWB is a capacity-building programme**.

**A TIWB Toolkit** serves as a guide for establishing a TIWB programme, addressing potential issues such as confidentiality and conflicts of interest.

# Tax Inspectors Without Borders

A call for funding to finance capacity building efforts  
with a learning by doing approach

## The Evidence: What can be achieved with TIWB?

Several TIWB programmes are underway in several countries (e.g. Albania, Ghana and Senegal) to support audit activities. Experience from a pilot phase proves that TIWB-style audit assistance can result in improved quality and consistency of tax audits; sustained improvements in tax audit skills; and higher levels of voluntary compliance by taxpayers. South-South deployments are also a growing element of TIWB programmes.

**Evidence of revenue** increases gathered in the pilot phase of the project includes a significant increase of profit tax revenue resulting from (anonymised) transfer pricing audits in Colombia (from USD 3.3 million in 2011 to USD 33.2 million in 2014).

## OECD/UNDP partnership on TIWB

OECD and UNDP have 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 on 13<sup>th</sup> of July 2015.

The OECD's technical competence in tax matters and its network of tax experts will be complemented by UNDP's country-level presence around the world, its access to policy makers at the highest level, and its policy and programme expertise in public financial management. The partnership comprises of the following features.

- A **joint OECD/UNDP Secretariat** based in Paris supported by UNDP's network of Country Offices in developing countries that will establish, coordinate and facilitate each TIWB expert deployment. UNDP's Country Offices will promote the initiative with senior officials and ministers in developing countries and assist host administrations to complete the request procedures, according to the guidance in the TIWB Toolkit. The Paris based joint OECD/UNDP Secretariat will perform the match-making function of experts, operate a data base of qualified experts, promote the initiative, monitor and evaluate deployments and produce tools to support the process. The Secretariat will also support and report to a Governance Board.
- Funds from governments and/or private foundations for the **financing of the TIWB deployments and involvement of the UNDP country offices** will be channelled to UNDP. Funds channelled to OECD will be used **to finance the joint TIWB Secretariat and the operations of the Governance Board**. Joint fund raising efforts with selected sponsors have started prior to and following the Addis conference, taking advantage of the funds that are made available from the donor led Addis Tax Initiative, also announced at Addis.
- A **multi-stakeholder Governance Board**, co-chaired by the OECD's Secretary General and UNDP's Administrator and including governments from donor and developing countries, regional organisations, civil society and business will monitor the operations of the TIWB Secretariat, provide guidance and international visibility for the initiative and make recommendations concerning the design of the initiative if required.

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