

Chapter 7

Observations and recommendations

Drawing on the findings of the report, this chapter summarises several key observations which preface the four recommendations that provide practical guidance as to how the FTA and its members can best organise themselves to contribute to capacity building efforts in a co-ordinated, cost-effective and sustainable way.

The results of the FTA Capacity Building Project mapping exercise and survey of member countries show that FTA members play a key role in supporting capacity building efforts. However, the capacity of tax administrations to support these efforts is not infinite and must be reconciled with competing demands. The increasing gap between demands and commitments highlights the need for a coherent and common approach that provides, at a minimum, some foundational parameters within which to consider issues and, over time, yield better investment decisions and more sustainable outcomes.

Observations

The results of the FTA Capacity Building Project have revealed several important observations:

- **International co-operation is vital and of strategic importance to tax administrations.** In an increasingly integrated international tax system, engagement with those beyond the FTA is mutually beneficial and core to the effectiveness of global tax administration. Looking towards the implementation of the G20 priorities, including the implementation of BEPS and AEOI in the next years, will require a co-operative and inclusive approach. In this regard, FTA member countries encourage and welcome the participation of developing country administrations in capacity building efforts, and further, see strategic value in extending the reach of the FTA.
- **FTA member countries play a key role in supporting capacity building efforts**, both through their engagement in the international and regional tax organisations and via the provision of bilateral support to developing country tax administrations. The challenge in developing more robust strategies for capacity building is paramount. To effectively deliver capacity building assistance, well-defined policies with regard to partnerships and long term commitments, selection of programmes, types of assistance, necessary skills and expertise and programme evaluation are needed.
- **How donor tax administrations organise for capacity building influences the achievement of meaningful outcomes and efficiencies.** The findings in this report suggest that tax administrations' efforts in capacity building are most impactful and efficient when:
 - Tax administrations consider capacity building to be a strategic issue. For donor tax administrations, capacity building strategies that prioritise this kind of support, in line with agreed timetables and commitments (e.g. such as to the agreed minimum standards) and with due regard for broader capacity building needs, can help focus attention where it is most needed.
 - Capacity building efforts are delivered taking a whole-of-government approach. Convinced of the merits of this approach, several jurisdictions are already exploring its practical application. The successful implementation of whole-of-government approaches is likely to elevate the standard of best practice for how countries organise themselves to achieve more effective and sustainable results.
 - Capacity building follows a programme-based approach. In this regard, the conceptual framework introduced in chapter 6 provides a common reference to help guide the delivery efforts of tax administrations.
 - Delivery aligns with recipient needs. The “right” mix of activities is informed by the parameters established in a capacity building strategy and is relevant to the specific circumstances of a particular programme.

- The availability of core or long-term funding enables tax administrations to organise their capacity building efforts on a more structured instead of on an ad hoc basis.
- Implementation is supported by sufficient tracking and evaluation of impacts and results. Tax administrations can benefit from the development and implementation of sound and consistent diagnostics as a basis to systematically plan and evaluate their capacity building activities.
- **The increasing demand for capacity building, and the extent to which it draws on scarce knowledge and skills, compel tax administrations to work smarter in delivering assistance.** Although there is considerable variety in how assistance efforts are organised and executed, budget and resourcing constraints are a common impediment to FTA members’ capacity to meet accelerating demand for tax administration support. There is broad support among FTA members for innovation in how capacity building is delivered, including through technology. Drawing more on e-learning type of solutions and advancing the options for knowledge sharing – such as the via the Knowledge Sharing Platform – can serve as complementary enabling environment and support tools, both generally and in relation to BEPS and AEOI implementation assistance.
- **The value and application of a common approach to capacity building assistance merits further exploration.** The FTA is well positioned to begin these deliberations, by drawing on the experiences of its member countries, along with their respective relationships with other developing country administrations and/or institutional stakeholders. In this regard, momentum will need to be built and sustained.

Recommendations

The role of the FTA in facilitating the exchange of best practices and sharing of experiences is core to its mandate and is a key strength. This certainly is relevant in the domain of tax administration capacity building, where FTA member countries’ efforts are key to achieve sustainable results in strengthening tax administration.

This report offers four key recommendations to guide the early efforts of the FTA and its member countries. Taken together, these recommendations provide guidance as to how the FTA and its member countries can best organise themselves to contribute to capacity building efforts in a co-ordinated, cost-effective and sustainable way.

While these recommendations will help tax administration meet demand, they also better position FTA member countries to support the implementation of the BEPS and AEOI, hallmarks of the G20 tax agenda that seek to strengthen the integrity of the global tax system. Going forward, the FTA will focus efforts on engaging member countries with a view to advancing these recommendations.

1. **That the FTA and its members adopt and advance a common Tax Administration Capacity Building Framework.**

This report suggests a common framework as the basis to inform both domestic and international dialogues and strategies of tax administrations. The framework introduced in Chapter 6, while conceptual, is consistent with long-standing international development approaches and is intended as an early iteration of such a practical guide to assist with both individual and collective identification, planning, sequencing and evaluation of initiatives.

For the FTA and its member countries, a common view of the capacity building landscape – guided by the conceptual framework – could help shed light of where the FTA’s collective efforts and investments can be brought to bear with most effect and bring about other practical benefits such as:

- clarity on what support is currently available;
- better identification of gaps and overlaps in assistance and support;
- determination of areas of complementarity between the work of tax administrations and others; and
- the identification of opportunities for new (or renewed) partnerships.

2. That the FTA and its members help strengthen domestic efforts in capacity building by seeking to apply a “whole-of-government” approach.

Recognising the merits of domestic co-operation, the OECD, through its Tax and Development Programme, has already established the application of whole-of-government approaches as one of ten key principles for effective delivery of support to developing countries in revenue matters. This principle was recently reaffirmed through the Addis Declaration where signatories committed to adhering to these principles. Countries that have shown leadership in this area have begun integrating tax administration activities to development programming and have recognised the benefits of doing so.

In a whole-of-government context, alongside development agencies and finance departments, tax administrations are uniquely positioned to provide expertise across the entire tax administration spectrum and they typically have an inherent understanding of the culture of tax administrations (United Kingdom House of Commons, 2012-2013: 27). Moreover, in working together with development agencies, tax administrations would stand to benefit from their well-established development experience and “on the ground” network given their membership in numerous communities that provide for sustained relationships beyond those typically associated with projects or initiatives. More generally, by sharing their respective expertise and resources, domestic partners engaged in whole-of-government approaches would shape more focused and sustainable capacity building efforts.

3. That the FTA and its members participate in the development of the Knowledge Sharing Platform.

Options that allow for cost-effective delivery and broadened reach are a necessary part of the way forward for tax administrations. Appetite is strong among FTA members for innovation in how knowledge is shared and used to support capacity building, with general consensus around the benefits of leveraging technology to foster closer co-operation with others and to create efficiencies in sharing expertise to support capacity development.

The Knowledge Sharing Platform prototype has been designed with these objectives in mind and is intended for use by all interested tax administrations, including developing country tax administrations, and international and regional tax organisations.

Further, it is also recommended that the FTA, as a key Knowledge Sharing Platform partner, would participate in the governance of the Knowledge Sharing Platform by joining its “Editorial Board” to help shape the Platform’s future development, including its co-ordinated management and curation of content.

4. That the FTA establishes a Capacity Building Network to connect to the work of others.

With greater co-ordination, the collective effort of tax administrations in delivering assistance that matches recipient needs can improve. This is crucial in view of the G20 agenda, which is shaped around BEPS and AEOI, and reflects the common concern and top priorities of the international community, with the robust implementation of both recognised as essential to the integrity of the international tax system and the sustainable mobilisation of domestic resource for donor and host countries. A number of initiatives are currently underway that have resulted in unprecedented co-operation among international and regional organisations. While some FTA members are part of these organisations and initiatives, more could be done to connect the FTA and its members to support and complement these efforts.

Accordingly, this report recommends that the FTA establish a Capacity Building Network that will be tasked with better connecting the efforts of the FTA and its member countries to the work of others to both mitigate the risks of gaps and overlaps and identify areas where a more co-ordinated approach could produce mutual and tangible benefits.

At the outset, under the leadership of the FTA sponsoring commissioners and the support of the FTA Secretariat, the Network will:

- Lead work to further refine the Capacity Building Framework, thereby advancing the first recommendation. This includes the further development of guidance and sharing of best practices that can support a programme-based approach as set out in this report.
- Establish and strengthen partnerships with other organisations and programmes by further developing the relationship between the FTA and key stakeholders including international organisations and regional organisations; this will entail developing mechanisms to draw on the expertise of other institutions, e.g. as related to diagnostics and measurement of results and developing arrangements or mechanisms to deploy experts as a means of practical support to TIWB; and
- Explore methods that could support better co-ordination with other organisations, including consideration of mechanisms for tracking or reporting on the respective capacity building activities undertaken by participating FTA member countries, and for the cataloguing of experts.

Bibliography

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