



Initiative to strengthen international cooperation with developing countries to fight tax evasion and avoidance

The International Tax Compact (ITC)

The International Tax Compact (ITC) is an initiative to strengthen international cooperation with developing and transition countries to fight tax evasion and avoidance. Launched by the German Federal Ministry for Economic Cooperation and Development (BMZ), the ITC aims at promoting tax systems that allow partner countries to be more effective in fighting tax evasion and inappropriate tax practices with the intention to achieve national and international development goals.

Background

One of the key conclusions in the 2002 Monterrey Consensus on Financing for Development has been the emphasis on domestic resource mobilization. Revenue raising capacities need to be strengthened in order to promote a sustainable development process and to ensure fiscal independency. This has been reaffirmed during the Follow-Up Conference on Financing for Development in Doha in 2008. Yet, a large number of countries still struggle with widespread tax evasion and inappropriate tax practices that undermine efforts for improved domestic resource mobilisation and drain scarce fiscal revenues.



Taxation is a key factor establishing mutual accountability between taxpayers and government. The experience of paying taxes induces an increased demand for sound and transparent economic policies on the side of the tax-payers. At the same time, the necessity to raise taxes forces governments to respond to the demand of their citizens. In contrast, aid-dependency, debt-financing and reliance on resource rents shift the accountability relation away from the citizens.

Drawing on the results of Doha, the BMZ has launched the ITC. In March 2009, a start-up workshop was held in Berlin/Germany where development partners and tax officials from twelve countries as well as from OECD, European Commission, United Nations and the World Bank met to discuss the objective, programme components and possible future activities of the initiative.

As an informal platform of bi- and multilateral development partners, the ITC aims at promoting tax systems that allow developing countries as well as transition economies to be more effective in fighting tax evasion and inappropriate tax practices.

The BMZ finances an interim secretariat to serve as platform for disseminating of good practices and sharing of experiences, to develop and implement a work programme and to reach out to more potential partners. The ITC secretariat started in August 2009; it is located in Bonn, Germany.

Taxation and Development

Starting Points

Objective

ITC Secretariat



Programme Components

The work of ITC focuses on the following four areas:

- **activities at country / regional level:**
The ITC will encourage increased development cooperation in tax matters; promote dissemination of good practices as well as exchange of reform experiences in policy formulation, legislation, and implementation, in addition to capacity development and institutional strengthening.
- **activities at the international level:**
The ITC will facilitate access to and exchange of information among policy makers, tax administrators, donors, civil society and private sector.
- **analytical work and studies:**
In close cooperation with international initiatives, the ITC will contribute to the international discussion on tax reform and best practice with analytical work on topics of specific relevance for development cooperation.
- **networking and dialogue:**
The ITC intends to foster networking and dialogue on taxation and development both between ITC members and vis-à-vis other initiatives.

ITC Secretariat
at GIZ offices
Godesberger Allee 119
D – 53175 Bonn
Email: secretariat@taxcompact.net
www.taxcompact.net



ITC workshop in Brussels, Jan 2010

At the invitation of the German BMZ, the Spanish Ministry of Foreign Affairs and Cooperation, and the European Commission, 90 representatives from 24 countries and 9 international organizations participated in the ITC workshop “Joining Forces to Mobilize Domestic Revenues for Development“ from 25-26 January 2010 in Brussels. After this governmental workshop, twenty delegates from civil society, scientific organizations and the private sector attended a one day meeting together with governmental participants on 27 January 2010.

Recent Developments

ITC Core Group Meeting in Brussels, April 2010

On 26 April 2010, a ITC Core Group Meeting was held in Brussels, attended by representatives of the African Tax Administration Forum (ATAF), the Inter-American Center of Tax Administrations (CIAT), France, Germany, the Netherlands, Norway, Spain, Switzerland, the European Commission (EC), the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) and the United Nations (UN). Partners discussed working areas for closer and further cooperation.

ITC Core Group Meeting in Brussels, February 2011

On 23 February 2011, the 2nd Core Group Meeting of the ITC was held in Brussels, attended by representatives of ATAF, CIAT, France, Germany, the Netherlands, Spain, Switzerland, the European Commission (EC), IMF, OECD and UN and – as observer – the International Development Law Organization (IDLO). Partners took note of the progress made in the ITC's work and discussed further joint work.