



Swiss Tax Programme for Development, STP4D

Effective domestic revenue mobilization (DRM) is a crucial building block for governments, providing the main source of finance for core state functions and quality public services, such as health and education, as well as for infrastructure investments.

Why Does Tax Matter for Development?

Domestic revenue mobilization is crucial for socio-economic development, yet tax revenues in most developing countries remain insufficient. While wealthier nations collect 20 to 30 percent of their GDP in taxes, developing countries typically generate only 10 to 14 percent.

Beyond revenue generation, taxation has broader economic and social impacts. Poorly designed tax systems can exacerbate poverty and inequality—persistent challenges in developing countries. Strengthening national budgets through taxation fosters government ownership, reduces aid dependency, and encourages citizens to demand better public services. Additionally, a well-structured tax system supports a favorable business environment, influencing investment decisions. From an international perspective, an effective and fair tax system is essential for creating a level playing field for businesses, including multinational companies such as Swiss firms.

What is the Challenge?

Increasing revenues is constrained by major deficiencies in both tax policy and tax administration, including a narrow tax base, a large informal sector, low tax administration capacity to collect and administer taxes and a combination of weak governance and low trust between citizens and the state.

Relatively low tax collection also reflects weaknesses in revenue management, including widespread tax exemptions, corruption and shortfalls in the capacity of tax and customs administrations, which increases tax avoidance and lowers compliance. Support to DRM reforms has increased but is only effective if it is underpinned by corresponding ownership by developing countries. Similarly, an important determinant of taxpayer compliance is trust, which is often low and difficult to build.

Country/region

Global with focus on SECO
Priority Countries

Executing agencies

International Monetary Fund (IMF)
The World Bank
Organization for Economic Cooperation and Development, OECD
African Tax Administration Forum, ATAF
Interamerican Center for Tax Administrators, CIAT

Duration

2023-2028

SECO contribution

CHF 28,500,000

Commodity producers face their own opportunities and challenges as they face high volatility of revenues and a higher risk for corruption. Commodity producers thus have an increased requirement on governance and sound accountability systems.

Switzerland's Approach

Most of Switzerland's current support to DRM is through the CHF 28.5 million Swiss Tax Programme for Development (STP4D). STP4D is continuing SECO's decade-long successful work on taxation in developing countries. Given the complexity of tax reforms, the large number of technical support providers involved, and the experience gained from previous tax programmes, STP4D bundles SECO's main activities in the tax field into a lighthouse project. Thus, the STP4D combines the major multilateral tax programmes of the International Monetary Fund, IMF, the World Bank and the Organization for Economic Cooperation and Development, OECD.

Through these programmes, SECO supports the international policy dialogue, international standard setting and the application of these standards in countries worldwide. SECO's engagement in these initiatives gives Switzerland a voice in the global discussions while also bringing in the views of our partner countries.

SECO's work in taxation relies on technical assistance and capacity building within tax administrations with the aim of assisting partner countries in setting up fair and efficient tax systems. Possible areas of intervention include both strengthening tax policy as well as increasing the capacity of the tax administration.

STP4D Components:

- **IMF:** The Global Public Finance Partnership (GFPF) is the IMF's primary initiative for delivering capacity development in public financial management.
- **World Bank:** The Global Tax Program (GTP) is the World Bank's primary initiative for delivering capacity development in the area of domestic revenue mobilization both for tax policy as well as tax administration.
- **OECD:** The Tax and Development Program focuses on enhancing the capacity of developing countries to build effective tax systems with a focus on international taxation.
- **Platform for Collaboration on Tax, PCT:** The PCT is a joint initiative by the IMF, OECD, UN, and World Bank Group, aimed at enhancing coordinated efforts in support of tax policy and administration.
- **Ukraine:** The STP4D is also specifically supporting Ukraine in strengthening its tax system, which has been severely affected by Russia's military aggression.

Other Collaborations:

- Projects outside of STP4D include collaboration with the African Tax Administration Forum (ATAF) and the Inter-American Center of Tax Administrations (CIAT), providing technical assistance to tax administrations in Africa and Latin America.
- Additionally, Switzerland supports the Extractive Industries Transparency Initiative (EITI), which implements the global standard for open and accountable management of oil, gas, and mineral resources.


Conclusion

Through the STP4D and its various collaborations, Switzerland is committed to enhancing domestic revenue mobilization in developing countries. Supporting fair and efficient tax systems fosters socio-economic development, strengthens governance, and reduces aid dependency. Switzerland's engagement in international policy dialogue and standard setting ensures that the perspectives of developing nations are represented, promoting a more equitable and effective global tax system. These efforts benefit partner countries and contribute to a conducive global business environment with greater transparency and a level playing field for the taxation of multinationals.

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Growth-promoting economic policy



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