



SECO's commitment

■ Tax policy and tax administration reforms have been at the centre of SECO's interventions in developing countries since the mid-1990s. These are the core areas of current activities in Public Financial Management, aimed at building sound and accountable public institutions.

■ To support its partner countries, SECO is involved in a number of global and regional initiatives, such as the Topical Trust Fund on Tax Policy and Administration managed by the International Monetary Fund (IMF), the African Tax Administration Forum, the Extractive Industries Transparency Initiative and the World Bank's Global Tax Simplification Programme.

The IMF's **Topical Trust Fund on Tax Policy and Administration** aims at improving revenue performance, policy design and quality of legislation in order to ensure that needed public spending is financed without jeopardizing fiscal stability. The implementation of cost-effective systems, taxpayer segmentation and function-based operations are examples of activities being carried out within this facility. Switzerland is among the largest donors to the trust fund. Twelve low-income countries are currently benefitting from the programme.

■ SECO also provides several partner countries with technical support, advisory services and training on a bilateral basis. Countries like Peru, Colombia, Ghana, Mozambique, Burkina Faso, Serbia, Kosovo, Bosnia, Macedonia and Vietnam benefit from SECO's support.

Tax reform in Ghana: SECO, in collaboration with Germany, assists the government of Ghana in implementing its revenue administration modernization strategy, in particular through the integration of the different national revenue agencies into a single revenue authority. The overall objective is to improve domestic revenue mobilization in the medium term by further strengthening the strategic tax policymaking function and improving the efficiency and effectiveness of tax collection and administration.

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TAX FOR DEVELOPMENT

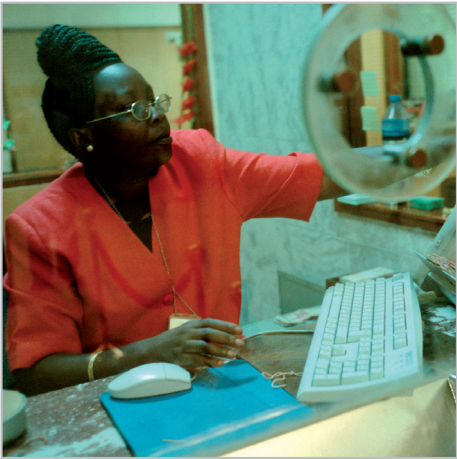


Switzerland's programme in
tax policy and revenue administration



■ The Economic Cooperation and Development Division at the State Secretariat for Economic Affairs (SECO) is responsible for Switzerland’s economic and trade policy measures in developing and transition countries with the objective of supporting their integration into the global economy and promoting sustainable growth.

■ Improving tax policies and strengthening revenue administration in developing countries has been a priority for SECO for two decades. Sound and effective taxation systems provide governments with the funds needed to invest in development, fight poverty and deliver public services required to enhance long-term growth.



Taxation not only mobilizes revenues and creates the fiscal space required to fund public policies but is also an integral building block for the establishment of good governance and democracy by promoting accountability and ownership.

Why tax matters

- Over the past few years, the mobilization of domestic resources has been recognized as a crucial building block to reduce poverty and foster economic growth.
- Helping countries to establish a fair and efficiently administered tax system is key to reducing aid dependency in the medium to long term and to placing public finances on a sustainable footing.
- An efficient tax system is an important element of a business-conducive environment. It is difficult for small and medium-sized businesses to expand or create jobs if there is a tax system that distorts investment and high compliance costs charged by public authorities.
- Tax administration is an area that suffers from major deficiencies in low-income countries and is crucial to building sound public institutions and fostering internal accountability between governments and their citizens.



Taxation and state-building

- Fostering national budgets through taxes rather than foreign aid and loans increases ownership of government decisions and decreases aid dependency. Moreover, encouraging citizens to pay their taxes translates into higher demand for public service delivery, creating a give-and-take relationship between the citizen and the state.
- Low and middle-income countries face a number of challenges to increase their tax revenues, such as a small tax base or a large informal sector in an environment of weak governance and low capacity. Close cooperation with the international community is crucial for exchanging experience, identifying good practice and providing recommendations on policy options and tax reform to partner countries.
- A strong tax administration is also a prerequisite for developing countries to be able to manage tax information. SECO believes that much more importance must be given to technical assistance and capacity building within tax administrations.

