

## RESPONSE

*We ask the OECD, IMF, UN, and World Bank Group to build on its current engagement with developing countries and develop a new structured dialogue process, with clear avenues for developing countries to work together and directly input in the G20/OECD Base Erosion and Profit Shifting project by the Leaders' Summit in November.*

### Context

This note sets out how the IMF, OECD, World Bank Group and United Nations (the IOs) plan to contribute to addressing the need for a more structured dialogue with and among developing countries in response to the G20 Finance Ministers' mandate. This would include the priority issues highlighted by the two-part Report to the Development Working Group on the Impact of BEPS in Low Income Countries, which stresses the need for developing countries to provide meaningful input into the development of BEPS measures. The proposed structured dialogue would cover BEPS issues most relevant to developing countries, in particular the BEPS Action Plan, tax incentives and comparables pricing.

The proposal builds on the differing comparative advantages that the IOs bring to the table: clear development mandates and global memberships, networks of trust built up over many years, real world experience in dealing with the full range of tax and related challenges in developing countries and recognized standard-setting roles in international taxation. It complements the enhanced engagement of developing countries in the OECD/G20 BEPS project, as described in the OECD's report to G20 Leaders,<sup>1</sup> which provides for developing countries to be directly involved in the BEPS standard setting process, and the establishment of regional networks to provide further avenues for input as well as for the development of toolkits to support practical implementation of the BEPS measures, in partnership with the other IOs and the regional tax organisations.

The IOs recognize that we can do more to provide a structured, robust and inclusive framework to link more effectively to international processes. We also recognize the need for strong coordination to avoid duplication of efforts but rather join forces in our different areas of expertise. To this end, and to respect the many pressures on developing country tax officials, the IOs will coordinate closely in all the various BEPS-related events for developing countries that they will take the lead in organizing.

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<sup>1</sup> OECD Secretary-General Report to the G20 Leaders, November 2014.

The aim is to ensure the wide and diverse sense of ownership that is essential to any truly global and truly globally effective and sustainable tax cooperation outcomes, and to give developing countries confidence that international agreements will both reinforce their efforts to build transparent and effective national systems and take due account of the specific challenges they face. The call by G20 Finance Ministers for IOs to build engagement with developing countries and develop a new structured dialogue process, with clear avenues for developing countries to work together and directly input in the OECD/G20 BEPS Project, is a critical step. The OECD's plan for direct developing country engagement in the BEPS project and regional networks of tax policy and administration officials, to develop input on BEPS as well as practical tools to support implementation of BEPS measures, in conjunction with this proposal, are essential elements to achieve that objective.

### **Proposals**

Actions proposed (all subject to resourcing and scheduling constraints, and avoiding duplication) are:

#### ***Leveraging the Spring/Annual meetings of the IMF and World Bank.***

These meetings provide a unique opportunity to assemble ministers of finance, and as appropriate, for a longer period—perhaps a full day—senior technical officials. This could serve to both raise awareness and explore technical matters on BEPS issues.

These meetings would be hosted by the World Bank and IMF in close coordination with the other IOs, but in substance would be country-led with the engagement of Regional Tax Organisations and participation of all IOs. This grouping would select the BEPS related topic and speakers, with the IOs providing support and helping to shape and inform the discussion as a response to developing country needs and priorities.

IOs would make sure that these meetings and those mentioned above complement and feed each other, facilitating the engagement of developing countries in the standard setting mechanism, to structure the dialogue with them on BEPS issues, and to support the G-20 mandated process by which the OECD, with the other IOs, will develop toolkits for effective implementation of the BEPS measures in developing countries.

#### ***Promoting dialogue by leveraging the IMF and World Bank's regional centers, OECD Regional consultations and the UN structure***

To facilitate the continuing dialogue with and between developing countries, the IOs have a substantial infrastructure to build on:

- The IMF has nine regional technical assistance centers (RTACs),<sup>2</sup> now covering close to 100 countries.
- The OECD, building on its engagement with developing countries in the first phase of the BEPS Project, is establishing regional networks of tax policy and administration officials in conjunction with the regional tax organisations such as ATAF and CIAT, which will be key avenues to develop broader input into the BEPS project and to support them in addressing their international tax priorities. These networks would substantially reinforce the ongoing global dialogue on these issue in the OECD's various global fora on tax treaties, transfer pricing and VAT, as well as the capacity building events held at the OECD's five multilateral tax centres.
- The World Bank Group has country offices in nearly all developing countries, as well as regional centers in Amman, Bangkok, Nairobi, Panama City and Vienna. These play a key role in the delivery of tax-related technical assistance, have well-established networks of tax officials and already routinely convene meetings and workshops on topics of interest.
- The UN now has an annual one-day meeting of the Economic and Social Council (ECOSOC) on tax matters, often linked to special high-level Meetings of ECOSOC with the BWIs, WTO and UNCTAD. This meeting of ECOSOC and the annual five day meeting of the UN Committee of Experts on International Cooperation in Tax Matters also could be leveraged more to engage with key developing country policy and administration experts.

The BEPS issues which developing countries identify as their priorities would be natural topics around which to organize discussion and formation of views, with the aim of feeding such views into the process as outlined in the OECD's report to G20 Leaders. We would see these too as routes by which the IOs could help to develop toolkits for the implementation of the BEPS measures, as requested by the G20 to the OECD with IO support.

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<sup>2</sup> Including five that together cover all of Sub-Saharan Africa; and one each in the Caribbean, Central America, the Pacific Islands, and the Middle East.