

43 NONCAPITAL PROJECT PAPER

Region Latin America Project No. 598-11-790-416
 Submission Date _____ Original _____ Revision No. _____

Project Title

Inter-American Center of Tax Administrators (CIAT)

U.S. Obligation Span: FY 1971 through FY 1975

Physical Implementation Span: FY 1971 through FY 1975

Gross life of project financial requirements

U.S. dollars -- AID Grant		\$298,000
Other U.S. Contributions		0
Cooperating Countries Contributions		
Cash	\$685,000	
In-Kind	<u>375,000</u>	\$1,060,000
Other Contributions		<u>91,000</u>
Total Requirements		\$1,459,000

The purpose of this PROP is to provide for the United States contribution to the Inter-American Center of Tax Administrators (CIAT) for five years, beginning with the current year, FY 1971, through FY 1975. With respect to the U.S. annual commitment generally, the formula in effect is one-third of CIAT's budget, limited to \$60,000.

Concerning the current year, FY 1971, AID has already agreed to a commitment of \$58,000^{*}, and this commitment has been made. Regarding the remaining four years, in view of the fact that CIAT's projected annual budget for each of those four years exceeds \$180,000, we have assumed a \$60,000 annual contribution. The total for the five years obligation span is \$298,000.

*Letter, dated April 17, 1970, to Commissioner of Internal Revenue, Randolph W. Thrower, from Herman Kleine, Acting Deputy U.S. Coordinator, Alliance for Progress.

SUMMARY

As part of the tax reform aspects of the Alliance for Progress, and to reinforce increasing national progress in tax administration modernization, a need developed for a regional self-help organization to foster meaningful improvement in tax administration. Broadly, the requirements were, and are, two fold: (1) to provide a means for the timely exchange of useful information on thinking and experiences in tax administration; and (2) to provide a vehicle for tax administration executives and managers to motivate each other in strengthening their tax administrations.

The Inter-American Center of Tax Administrators (CIAT) was created by 19 Inter-American countries as an independent regional organization to fill these needs. Membership is open to tax administration executives (i.e. Director-General level usually). Initial membership was 39 executives from the 19 countries. Present membership is 58 from 22 Western Hemisphere nations. CIAT's governing body is the General Assembly of the members, which meets once a year. Annually,

it elects a President and 5 members of the executive council to oversee operations. The day-to-day work of CIAT is carried out by a 12-man secretariat located in Panama City, Panama, and headed by the Executive Secretary, an appointee of the Executive Council.

Over CIAT's three year lifetime, taken as a whole, financing has been divided fairly evenly between the U.S. and the other countries: the U.S. has contributed \$140,000 and the other countries \$149,750. However, in a dynamic sense the balance is shifting strongly to the other countries. Last year, of the total of \$137,462 in cash contributions, the U.S. share was less than one-third \$40,000. All indications are that this trend will continue.

CIAT holds one General Assembly a year. Concerning management seminars, its target is to hold three a year. In 1969 and 1970, it sponsored one seminar annually. This

year it will sponsor two seminars. In 1974 it expects to reach its target of three per year.

Additionally, it plans to perfect its system for collection, retention and distribution of tax administration information by, initially, bringing its library up-to-date and by stimulating its communications with members and others for contributions, in terms of papers or other documents on current projects.

In the area of technical assistance, CIAT plans to develop initially as a clearing house, so that countries needing assistance can check with CIAT the available sources of the desired type of assistance. Ultimately, CIAT will run its own technical assistance operation. Also, in a related topic, CIAT will sponsor exchanges of tax administration specialists among member countries.

CIAT's publications program will be constructed around the monthly newsletter, publications of General Assemblies and management seminar proceedings, and publication of a quarterly journal of tax administration research and analysis. The newsletter is now published in Spanish and English and sent to 900 recipients. Future plans are to expand distribution of the newsletter and issuing the newsletter in other languages is under consideration.

Technical materials and discussions of the first General Assembly have been printed in Spanish and 600 volumes have been distributed. Publication of the Second Assembly proceedings have been distributed 700 in Spanish and 700 in English. The 1969 Audit Seminar proceedings in Spanish have been sent to 700 recipients. The English version of the seminar proceedings have just been published.

The proceedings of the Third and Fourth Assemblies and the 1970 Seminar in ADP are being published.

The Tax Journal will be initiated this year on a semi-annual basis, with conversion to quarterly publication next year. Distribution is expected to approximate that of the newsletter.

The study of tax systems is a continuing project, initiated at the first General Assembly. Its purpose is to make manifest the relationship between tax administration and tax systems generally, and to continually improve the analysis of the factors in that relationship. This theme is emphasized through all of CIAT's other activities.

The research activity is just getting underway. Plans are being readied for initiating a pilot taxpayer consciousness surveys in three countries.

A major result of these activities to date is that CIAT has generated more publically available literature in tax administration than any other organization. To date the four

CIAT General Assemblies have produced 22 major papers and 40 case studies and written analyses on various aspects of tax administration. These works have received worldwide distribution through CIAT and other channels.

Of very special interest and considerable importance, has been CIAT's ability to attract Canadian membership. Canada's participation is a full one, not only involving payment of a substantial annual contribution, but also technical and managerial inputs through numerous papers and in formal and informal discussion. As far as we know, Canada is more deeply involved in this organization than it is in any other aspect of the Inter-American system.

Table 1
Page 1 of 2
COUNTRY:

NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)

PROP DATE _____
Original _____
Rev. No. _____
Project No. _____

Project Title: _____

Fiscal Years	Ap	Total	Cont ^{1/}	Personnel Serv.			Participants		Commodities		Other Costs	
				WTD	PASA	CONT	U. S. Agencies	CONT	DIF U. S. Ag	CONT	DIF U. S. Ag	CONT
Open through Act. FY												
Op. FY 1971	58	58										
Op. FY 1972	60	60										
B*1 FY 1973	60	60										
B*2 FY 1974	60	60										
B*3 FY 1975	60	60										
All Subs.												
Total Life	298	298										

^{1/} Memorandum (nonadd) column

Note that format of this page is same as E-1a.

If a second page of table is used, space year-line entries on second page at same location as on first page.

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AID MANUAL CIRCULAR
 FORM NUMBER NO. 9-104
 EFFECTIVE DATE Nov 29, 1967
 PAGE NO. A-1
 CIRCULAR NO. 1968-1, ATT. A

Table 1
Page 2 of 2*

Exchg rate \$1= 2/

Project No. _____

Fiscal Years	AID-controlled Local Currency		Other Cash Contribution Cooperating Country 4/	In-Kind Contrib Other		Food for Freedom Commodities 6/		
	U. S.-owned	Country-owned 3/		Coop. Countries 5/	Other Cntrs 5/	Metric Tons (000)	CCG Value & Freight (\$000)	World Market Price (\$000)
Prior through Ant. FY _____								
1971			143	71	14			
1972			131	73	14			
1973			138	75	21			
1974			136	77	21			
1975			137	79	21			
All Subs.								
Total life			685	200	175			

* If only page 2 of table is applicable, state page 2 only and insert heading block from page 1 at top of page.

2/ As of preparation date

3/ E.g., counterpart, describe in footnote.

4/ Describe in-kind contributions in narrative.

5/ Footnote names, for food projects or food elements of project, include voluntary agencies here as appropriate.

6/ Identify commodities and approximate tonnages included in a footnote.

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-10-

ORDER NO.	PROJECT NO.	DATE	EXPIRATION DATE	TRANS. LETTER NO.
ART. A		Nov 29, 1967		9:104
AID MANUAL CIRCULAR				

NOTES

The principal elements of in-kind contributions from other countries are (1) Panama's providing 9 administrative - clerical personnel to staff the CIAT Executive Secretariat, and (2) the cost to various countries of hosting the Annual General Assemblies and Seminars.

STRATEGY

CIAT's objectives, referring to the Preamble to its Statutes, encompass relevant Alliance for Progress objectives for taxation, to wit: a more effective, rational and equitable mobilization and use of financial resources, (and hence, domestic public savings), and improved income distribution, by means of more efficient and equitable administration of tax laws. Achievement of these particular "tax" objectives are especially important for providing substance to the principal of self-help and maximizing the use of domestic resources. Within this context, CIAT is conceived of as serving in two important roles.

First, it gathers and exchanges tax administration thinking and experience. A country dealing with a particular problem can obtain from CIAT the experiences of other countries which have faced a similar problem.

Of equal importance is CIAT's role as a motivator of improved tax reform attitudes. It provides a mechanism for members to discuss their reform efforts and to help reinforce one another in their attempts to improve their tax administration institutions. Also, in a real sense, CIAT by its nature generates a wholesome sense of competition among its member countries.

In each of these roles, prior to CIAT, there was a vacuum that required filling if the Alliance tax goals were to be achieved. CIAT was created to satisfy these needs and, in fact, it is the only existing organization capable of filling them.

Finally, CIAT is the natural successor to the AID/IRS technical assistance program in tax administration. As CIAT increases its technical assistance and technical exchange functions, the need for bi-lateral AID/IRS assistance to Latin America will be reduced and terminated at an earlier time than otherwise expected. The United States would continue to participate as a CIAT member.

SETTING

Latin American regional identification of the needs for revenue system reform, including tax administration, was initiated ten years ago in the Act of Bogota. This identification was amplified a year later, both at Punta del Este in August 1961, and in Buenos Aires in October 1961, the site of the first Inter-American regional conference on tax administration. The tax system needs highlighted by these events were maximizing the developmental uses of domestic resources, and the more effective, rational and equitable mobilization and use of financial resources.

Subsequently, the Alliance for Progress developing countries undertook tax administration improvement efforts, and in the process, most of them requested technical assistance from the United States. On the part of the United States, this assistance was provided by the joint AID/IRS Foreign Tax Assistance Program, started in 1963.

At the outset of the technical assistance program, several determinations were made which have a direct bearing on the current proposal. First, it was felt that there would be marked similarities among the Latin American countries of problems as well as existing legal and administrative institutions and practices. Also, it was recognized that the development of leadership for improving tax administration in these countries would be a major problem, the solution to which would be an important factor in the ultimate success or failure of the overall reform effort. Subsequent experience confirmed both of these thoughts.

During the next few years a fund of experience was gained. Given the similarities among these countries, it was clear that adaptation of these experiences from country to country in Latin America could be made fairly readily. In fact, such transfers were being made, princi-

pally by the Foreign Tax Assistance Program and by other technical assistance agencies in taxation, and these transfers proved valuable. However, it was felt that value of such transfers in terms of practical effect would be increased if the experiences were shared on a direct country-to-country basis. As an additional consideration, technical assistance programs are finite and, if tax reform is to be internally self-generated in the long run, a permanent vehicle of the region's own creation would be needed. In view of this, the Foreign Tax Assistance Program began to look for an enduring solution.

At the same time, the problem of developing tax administration leadership was coming into sharper focus. A set of seminars were initiated for managerial and supervisory training, which were designed in part to motivate or stimulate the participants into taking action upon completion of the course. However, it was felt that, in terms of the self-

help principle, and in terms of permanence, something more was needed than U.S. sponsored training.

In the spring of 1966, AID and IRS sponsored a three-week seminar in the U.S. for Directors-General of Taxation from Latin America. Twenty-seven of the principle tax administrators from 17 countries participated (including Canada as an observer). This was the first opportunity that most of them had to meet and work together. The immediate objectives of this seminar were to obtain an insight into the U.S. tax administration system, and to initiate exchanges about their own experiences.

As a result, the participants in this seminar decided to explore a more permanent forum for exchanging ideas and experiences, at the Director-General level, in greater depth, on the entire range of tax administration topics. A planning committee, composed of the Directors-General from Chile, Mexico, Panama, the United States and Uruguay, was nominated to investigate the creation of a permanent asso-

ciation and to devise a proposal. The U.S. Commissioner of Internal Revenue was elected chairman and the Director of the Foreign Tax Assistance Staff acted as a temporary executive secretary.

Out of these arrangements came a draft of statutes for the association. The Inter-American Center of Tax Administrators (CIAT) came into being in May 1967 in Panama City, Panama, upon the approval by 39 tax administration executives of 19 hemispheric countries. At present, the Center has 58 members from 22 countries. The Statutes and the list of the members are appended.

PLANNED TARGETS

Broadly speaking, CIAT's purpose is to promote the improvement of tax administration by providing to Western Hemisphere countries the best and most comprehensive thinking and experience in tax administration.

It is CIAT's policy to enlist 100% membership from countries of the hemisphere. When CIAT was formed in 1967, it had 39 members from 19 hemispheric countries. At present it has 58 members from twenty-two countries. Additionally, consideration is now being given to providing for some means for formal participation of executives of semi-independent, internally self-governing entities in the hemisphere. However, due to political factors, no time frame has been established for these goals.

Similarly, CIAT intends to reach all national level tax administration executives of these countries. CIAT's Statutes, Article 3, provide that the Minister of Finance

of each country designates the requisite tax administration executive positions. However, CIAT does, and should, review periodically each country's organizational structure to see if the proper executive positions have been designated.

Combined with complete participation as a preliminary goal is complete financial support by member countries. On the whole, CIAT member country contributions are geared to finance 90% of the total budget. The remainder is made up of grants from other organizations, including the Inter-American Development Bank.

The member country contributions schedule is approved annually. With few exceptions, it has remained the same since 1967. The exceptions, are the entry of new members (Trinidad and Tobago, Canada and Jamaica) and Panama's additional contributions as permanent CIAT domicile. The Center's contribution schedule for the current year is attached. Member country contributions from 1967 to date are as follows:

CIAT
CONTRIBUTIONS IN CASH
FY 1967/68 to PRESENT

	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71 to date</u>
Argentina	(2)	6,750	6,750	6,750
Bolivia				
Brazil		6,750	6,750	
Canada	N/A	N/A	10,500 ⁽⁶⁾	14,600
Chile		4,500	4,500	
Colombia			(7)	
Costa Rica		(2)		
Dom. Rep.			4,500	
Ecuador		2,000		
El Salvador				
Guatemala				
Honduras		3,500		
Jamaica	N/A	N/A	3,500 ⁽⁶⁾	3,600
Mexico		6,750	6,750	6,750
Nicaragua		5,000	3,500	
Panama ⁽¹⁾		10,000	34,512 ⁽⁸⁾	12,500
Paraguay		3,600	3,600	
Peru			4,500	
Trinidad & Tobago	N/A	3,600 ⁽⁵⁾	3,600	3,600
United States	50,000	50,000	40,000	
Uruguay		4,500	4,500 ⁽⁹⁾	
Venezuela		4,500		
Total Cash				
Contributions	\$50,000	\$102,450	\$137,462	\$47,800

- (1) Hosted First Annual Assembly at a cost of \$15,000.
 (2) Hosted Annual Assembly at a cost of \$55,000.
 (3) Hosted Technical Seminar in Audit at a cost of \$3,849.
 (4) Hosted Annual General Assembly at a cost in excess of \$30,000.
 (5) Joined CIAT in FY 1968/69.
 (6) Joined CIAT in FY 1969/70.
 (7) Hosted Technical Seminar in ADP at a cost of \$7,000.
 (8) Plus \$27,817 in in-kind contributions, mostly providing CIAT's regular administrative -- clerical support.
 (9) Hosted Annual General Assembly at a cost in excess of \$25,000.

The planned target is complete, timely contribution from every member.

In terms of its above stated purpose and its statutorily allowable activities (Article 2), CIAT has planned to move boldly, but reasonably, over an eight year period, to a substantially complete operation in each activity. The nine activities as well as targets for complete operation are as follows:

Article 2 :

- (a) To hold meetings for the exchange of ideas and experiences.

Target: To hold one General Assembly
for members per year.

- "b) To organize seminars,"

Target: To sponsor three management
seminars per year.

"c) To collect and distribute information,"

Target: (1) To develop and maintain the broadest sources of tax administration and related thinking and experiences.

(2) To develop and maintain a specialized library for the storage of tax administration and related material, including films and tapes.

(3) To develop systems for the:

(a) regular distribution of this information and

(b) distribution of this information on a special request basis.

"d) To coordinate requests for technical assistance with the means for satisfying such requests,"

Target: To be capable of directing member countries seeking assistance to other members with experience in the subject, or to technical assistance organizations.

"e) To collaborate with other organizations in the field of taxation,"

Target: To maximize technical assistance resources available to the region by avoiding duplication in technical assistance.

"f) To issue publications,"

Target: To achieve the broadest dissemination of relevant tax administration information to member countries and institutions, organizations and individuals -- especially those working in this hemisphere.

"g) To promote the exchange of experts among the various countries,"

Target: To exploit the exchange mechanism as a vehicle for trading technical advisors at low cost.

"h) To study tax systems in relations to the administration of taxes,"

Target: To conduct research closely and continuously into the relationship between tax policy and tax administration, to detail the influence each has on the other, and the elements of the relationship; and to promote the consideration factors in the determination of tax policy and vice-versa.

"i) To promote any research that is deemed necessary,"

Target: To increase research resources in tax administration by member countries; where necessary to provide such research.

Course of Action

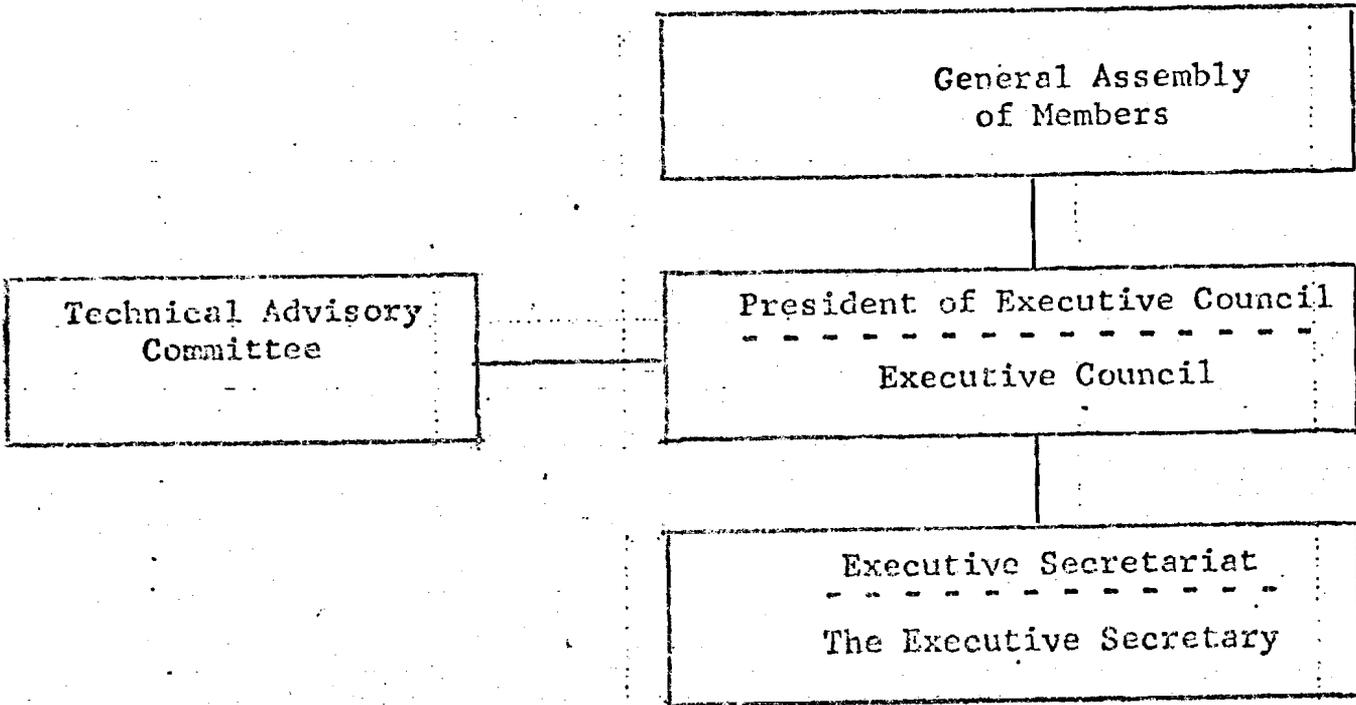
Internal Structure and Operation

Since CIAT is a going organization a brief description of its operation is in order.

INTER-AMERICAN CENTER OF TAX ADMINISTRATORS (CIAT)

ORGANIZATIONAL CHART

JULY 1970



CIAT's major decision-making body is the General Assembly of Members. It meets regularly to transact business once a year, but can also act through the mail or in extraordinary Assemblies. At that annual meeting it elects a President and four members of the Executive Council. The immediate past President serves as the fifth councillor. The Council meets several times a year and otherwise maintains continual contact with the Executive Secretariat on the general management of the Center.

The Technical Advisory Committee is composed of tax authorities appointed by the Executive Council to advise the Council and the Executive Secretariat. Currently, Dr. Carl S. Shoup, Dr. Oliver Oldman and Mr. Harold Moss are members of this Committee.

The daily operations of CIAT are handled by a 12-man Executive Secretariat. The chief official is the Executive Secretary who is appointed by the Executive Council. The Executive Secretary hires all other personnel.

Currently, and since CIAT's origin, the Executive Secretary has been J. Menalco Solis, of Panama. Dr. Solis received his bachelor's degree from Fordham University, his Juris Doctor from Tulane University Law School and his LLM from Harvard University. Prior to his current post, he served as Chief Counsel and then Director-General of the Internal Revenue Service of his country.

His staff is composed of two professionals and nine administrative and clerical personnel. Cr. Edison Gnazzo is the Secretariat's technical expert. Formerly, he was Director of the Income Tax Office in Uruguay and a Professor at the National University there. Licenciado Mixan Pacheco is the administrative officer. Previously, he was Chief of Organizations and Methods for the Direct Tax Office of Costa Rica.

CIAT PROGRAM

In the initial planning for CIAT in 1966 and 1967, it was tentatively assumed, given satisfactory financial contributions from members, that CIAT would be fully operational with respect to Article 2 activities ten years from its founding (in May 1967). At present, it appears that CIAT will be fully operational in FY 1975, eight years after its establishment. Following is a more detailed statement of CIAT's plans through 1975 with respect to each activity, plus a statement as to progress through FY 1970 toward the target.

Article 2 :

- a) To hold meetings for the exchange of ideas and experiences.

One General Assembly is to be held each year.

Themes and topics are selected for the Assemblies by an annual canvass of the membership as to current needs.

Speakers and country commentators are selected by the Executive Council which approves the agenda for the subsequent General Assembly at the Council's inter-annual meeting.

Assembly working time averages 6 days, five for technical topics and one day for CIAT business. Within this framework, succeeding Executive Councils have continued to make adjustments in format, mostly for the purpose of expanding discussion time. These experiments will probably continue for the next few years.

In addition to the assigned topics, commentaries or case studies, members and other participants are encouraged to submit papers on other topics which they believe to be of interest.

In May 1968, the Second General Assembly was held in Buenos Aires, Argentina, on the topic "Promoting Efficiency in Tax Administration". Guest speakers made presentations on five topics. In each case the presentation was followed by two or three prepared comments and round table discussion. This changed format provided more time for round table discussion. This second conference was attended by 48 delegates from 17 member countries, plus 10 participants from 6 other countries and 10 observers from international organizations.

Trinidad and Tobago joined CIAT at this meeting, bringing the total number of member countries to 20.

In May 1969, Mexico hosted the Third General Assembly on "Planning In Tax Administration". As in the prior year, major presentations were made on five topics, supplemented by 1 or 2 commentaries on each major presentation. Forty-nine delegates from 18 member countries attended. Additional representatives from 9 other countries, four international organizations, and 2 universities participated in the conference.

Canada joined CIAT at this meeting, becoming the 21st member country.

In May 1970, Uruguay was host for the Fourth Annual Assembly on the dual topic: "Sales Tax Administration and Taxpayer Relations". Four subjects

were covered with special presentations supplemented by prepared comments and case studies. Nineteen member countries were represented by 54 delegates, plus 8 representatives from 5 non-member countries, and 24 representatives from international organizations and universities.

Jamaica became the 22nd member country in March 1970.

Sites for the Fifth and Sixth Assemblies have been set, in Brazil and Paraguay, respectively. The Brazil Assembly will concern itself with the tax administrator's role in economic development in developing countries.

b) To Organize Seminars

Ultimately, 3 management seminars a year will be presented. These seminars are designed for managers of tax administration functional topics (e.g. audit, collection, ADP, taxpayer relations, etc.). Topics are to be repeated to allow for full development of the topics and analysis of progress from time to time.

Seminars last about 8 working days, all of which are devoted to technical papers and discussions.

The papers and proceedings are published in Spanish and English.

Developments to date

The management seminars were inaugurated in FY 1969 with the first seminar in

San Jose, Costa Rica, for Directors of Audit. Thirty-nine representatives from 18 CIAT countries and 3 non-member countries participated.

In FY 1970, the Second Management Seminar, in ADP, was held in Bogota. Forty ADP managers from 20 member countries, plus four participants from 3 other countries and 19 observers took part in the seminar.

The papers and proceedings for the First Seminar have been published in Spanish and English. Publication of the Second Seminar papers is now underway.

Future Plans

In FY 1971, CIAT will expand these seminars to two a year. The two topics selected for this year are Audit in Panama City in September 1970, and ADP in Lima in early 1971.

Additionally, discussions with the UN are underway for the joint sponsorship of a Real Property Tax Administration Seminar in FY 1972.

CIAT expects to expand to three seminars a year in FY 1972.

CIAT also has plans to extend the use of the materials developed at some seminars beyond the bounds of tax administration. Information developed on certain topics, such as ADP, training, and public relations, have an application much broader than tax administration and preliminary analysis indicates a potential usefulness in other areas of public administration. CIAT is exploring ways of making its information available to these areas.

c) To collect and distribute information

Information for CIAT's purpose is, primarily, tax administration information, although it does collect data on tax systems as a whole when possible. Information items include books, periodic journals, officials bulletins, tax and tax related legislation, research monographs, films and topics.

Collection and distribution of information, while directly involving the publications activity, has a vitality of its own. In other words, this activity is not viewed simply as a passive, residual effort. Rather, CIAT has developed an aggressive policy of continually encouraging its members to contribute all relevant items of information, including tax and tax related legislation, administrative references, reorganizations, and official tax periodic bulletins.

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Supplementing this, CIAT has begun identifying all other sources of tax information within the hemisphere and outside, including tax reform minded developing countries from other regions. Arrangements are then made for the free mutual exchange of publication and documents.

Developments to date

During the period of its creation -- prior to May 1967, CIAT's organizers and its Planning Committee kept in close contact with all principal international organizations interested in tax administration assistance. Among these were the OAS/IDB Joint Tax Program, the United Nations, the International Monetary Fund and the IRBD.

Soon after its organization, CIAT, using the above groups as a base, began to create a mailing list in Spanish and English for its publication. At present, that mailing list has about 900 names of CIAT members tax administration executives of other countries, the international public and private organizations, foundations, universities, private tax experts and businesses. Their list provides the basis both for collecting and distributing information.

In order to retain the information collected, CIAT has formed a library which classifies its information as books, specialized periodicals and legislation. At present, the library contains 200 books, receives periodicals and receives legislation from member countries, ten other countries, and several universities.

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Distribution of information is provided regularly, specially and on request. On a regular basis the distribution medium is the monthly newsletter which among other things, digests important articles and cites all publications received during the month. As noted above, this newsletter has a current circulation of 900 names.

Special distributions concern items of unusual interest not distributed by other groups. As with the newsletter, this distribution goes to the entire mailing list. In FY 1969 there were nine such distributions in FY 1970, there were eight. In terms of special requests, CIAT had three in FY 1969 and five in 1970.

Significantly, CIAT publications go to university libraries throughout the Hemisphere and elsewhere, including Europe, where they provide the basis for research in tax administration.

Future Plans

In the next several years, CIAT expects to expand this activity considerably. With respect to the library, a project to identify an exhaustive inventory of the best publications is underway. This will serve as the basis for an acquisitions program.

CIAT also has in operation a project to review the contents and format of the newsletter. Responses to the inquiries are being received at present.

Finally, CIAT is investigating the possibility of having a regular CIAT correspondent designated in each member country. The correspondent would be responsible for sending regularly items of general tax administrator's interest to CIAT.

No special effort is contemplated for expanding the mailing list, although some natural expansion is expected. CIAT feels that the current list (900 addressees about evenly divided between Spanish and English) provides reasonably good coverage of existing tax administration interest in the Western Hemisphere. As can be detected from the prior paragraphs, CIAT's current and future emphasis will be on quality of information and completeness of sources.

Article 2 :

- d) To coordinate requests for technical assistance with the means for satisfying such requests.

This is essentially a passive function as CIAT does not have its own funds for financing technical assistance. CIAT's main target here is the development and maintenance of a file system on each country to indicate tax administration functions and types of taxes in which the country has made reform efforts. CIAT's file will also contain information on the various technical assistance agencies, including their special areas of concern. Equally, those organizations providing training relevant to tax administration will be included, as well as the subjects

offered. Upon request, CIAT can resort to those files to determine where assistance can be obtained. Further, CIAT can facilitate arrangements for the assistance.

Developments to date

Although not originally scheduled for implementation until 1972, a start was made in this activity in FY 1970 because of member country demand. Panama asked CIAT to identify Latin American tax administration experts to advise in several areas. In response, CIAT has already identified specialists for Panama from Chile, Mexico, and Uruguay. CIAT assisted Mexico in having several of its system's analysts visit the U.S. Internal Revenue Service for several

weeks. Finally, recently Bolivia requested CIAT's assistance in obtaining technical advisors for its regional offices.

- e) To collaborate with other organizations in the field of taxation.

Principally, this activity provides authority for cooperative efforts with other technical assistance organizations, as well as for CIAT's participation in meetings, etc. sponsored by other groups. Other than a general policy of maximum cooperation with other organizations activities within the hemisphere, there are no specific targets in this activity.

Developments to date

Since its inception CIAT has maintained regular and frequent contacts with all other technical assistance agencies operating in Latin America.

Specifically, it has already begun cooperative arrangements with the UN for a jointly sponsored Real Property Tax Administration Seminar, to take place in early FY 1972.

Additionally, CIAT is actively considering various ways of improving its relations with the emerging economic communities within this Hemisphere.

f) To issue publications

CIAT's plans for implementing this activity was based on three communications vehicles, each receiving the broadest distribution.

- 1) A Newsletter, published monthly in Spanish and English.

2) Papers and proceedings of the General Assemblies and Technical Seminars, published in Spanish, English and Portuguese

3) A Tax Journal, published in Spanish and English on a quarterly basis.

Developments to Date

The CIAT Monthly Newsletter, the Informativo, was initiated in Spanish and English in September 1968. From an initial monthly distribution of 300, the mailing list has grown significantly.

The Informativo is now sent to

over 900 persons monthly. In Latin America, and other areas as well it is the only regular source of tax administration information.

The Newsletter is divided into four parts -- CIAT Activities, Legislation, Bibliography, and General News. The first section covers not only activities of CIAT, but also the special news on activities of CIAT's present and former members. The Legislation part of the Newsletter summarizes both major new tax legislation of members and interesting existing tax laws, with special emphasis on the administrative aspects of the laws.

The Bibliography summarizes major books and articles on taxation, received by CIAT over the past months. This section also lists all other publications received during the prior month.

General Information covers all other items of relevance to members, including news on economic and social development in the hemisphere, tax developments in other areas of the world, and news of general public administration interest.

Publication of Papers and Proceedings of the General Assemblies and the Technical Seminars is being provided by CIAT in both Spanish and English. Brazil translates these volumes into

Portuguese for its own uses. Publication of the first two conferences (Panama and Buenos Aires) have been completed, the Mexico City proceedings are going published, and the Montevideo papers and proceedings are being edited for publication. Distribution of the first Assembly is about 600 volumes. About 1,400 volumes of the Buenos Aires proceedings have been distributed.

The Papers and Proceedings of the Audit Seminar have been published. The ADP Seminar proceedings are being edited for publication.

The Tax Journal is in a late planning stage.

Future Plans

The Newsletter is reasonably well established. The chief remaining concern is to receive more, and more timely, information from members, and to improve the format. The Secretariat has been moving to encourage these. A project is now underway to seek suggestions on the format.

With respect to the mailing list, CIAT is reasonably satisfied that within the hemisphere most public organizations are already receiving the Newsletter, as are many private organizations and persons with a special tax interest. Some expansion can be expected in the future. Similarly, while about one hundred copies go to non-hemispheric organi-

zations and experts, CIAT's Executive Secretariat feels that there is room for improvement here. The Executive Secretary is planning a trip to Europe and, perhaps, the Far East, either this year or next year. His major purpose will be to enlist interest and support from tax organizations and experts in other regions. A result should be an expanded mailing list.

Concerning the Papers and Proceedings of the General Assemblies, a problem is developing with respect to the rapidity of publication. The membership has become more familiar with the organization and each other, over the

past four years. Also, the format of the meetings has been altered to provide for more discussion time and fewer assigned presentations.

The result of these factors has been an increasingly honest dialogue as to the state of tax administrations -- especially in communicating on difficulties being encountered. Consequently, there has been an increasing volume of discussion and these increases, in turn, require more, and more careful, editing prior to publication. CIAT is now in the process of searching for a means of improving the timing of these publications.

Current plans are to indicate the Tax Journal this year. It will contain practical articles and case studies on

tax administration topics, as well as in-depth analyses of topics of interest to member countries.

For this year, semi-annual publication is planned. Thereafter the Journal will be published on a quarterly basis.

CIAT is also considering the possibility of charging for a joint and subscription to the newsletter and the journal. The cost, as yet undetermined, would be low, geared to cover handling and postage.

While this project is in the approved Work Plan for 1970/71, the financing of the Journal is extra-budgetary. CIAT is now discussing with the Ford Foundation, the possibilities of Ford's financial sponsoring of the project.

- g) To promote the exchange of experts among various countries

CIAT plans to move into this activity this year. - No exchanges have taken place previously under CIAT auspices. The first year's activities will concentrate on short-term visits.

- h) To study tax systems in selection to the administration of taxes

Essentially, this is a research topic and could have been grouped with i) below. However, tax administration's basic objective is to implement and operate the tax system so that the policies and programs of Government are adequately funded.

It was felt that special note should be taken of this basic purpose, so research in this area was separately identified in the CIAT Statutes.

Developments to Date

In the first CIAT General Assembly in 1967, one session was devoted to the relationship between tax policy and tax administration. The major conceptual presentation was made by Professor Carl S. Shoup. Case studies were presented by Stanley S. Surrey (U.S.) and Roberto Hoyo (Mexico).

Since then, the subject has appeared frequently as parts of other topics in other Assemblies.

Future Plans

CIAT plans to continue this same indirect coverage of the relationship for the next few years, unless severe problems arise requiring more direct impact.

- i) To promote any research that is deemed necessary

Developments to date

Little has been planned and accomplished to date. This activity was considered second order priority. This includes a limited number of research projects, the results of which have been published in the Newsletter. Also, several staff studies have been prepared in connection with General Assemblies and Management Seminar topics.

Among the original possibilities in this area were that CIAT could do its own research, could ask a member country to undertake a relevant project, to assist a country's research effort, or to "farm out" research projects to a university or similar institution. Also, this activity could encompass assisting the member countries in establishing their own research capabilities.

Future Plans

One research project under present consideration is tax consciousness survey's to be conducted in 3 Latin American countries. These surveys, modeled after the successful Filipino study, will attempt to measure

taxpayer understanding of the countries' tax laws and how the tax laws are administered, as well as information on compliance patterns and tax avoidance and evasion. CIAT is prepared to provide an advisor in testing taxpayer attitudes. Additionally, CIAT plans to coordinate the test surveys to provide some degree of comparability.

If these test surveys prove satisfactory, CIAT will offer to implement their use throughout the region.

In identifying and measuring "benefits", CIAT suffers from the same problem that a technical assistance agency does. It can make information and advice available in a broad variety of ways, but whether or not it is taken, and

if so, how much it contributes to increased resource mobilization or to a more equitable tax system does not lend itself to precise measurement. CIAT has been aware of this problem and, now that its operation is a bit more settled, it plans to develop some regular system of inquiry of its members as to specific instances in which CIAT - sponsored ideas were put into effect, plus some estimate of this value.

There will never be a device for measuring the very direct impact which CIAT has had, and will continue to have, in stimulating public discussion, including controversy, on tax administration, regionally and nationally. However, before CIAT (or more properly, before the joint AID-IRS tax project) there was very little thought or discussion in Latin America about tax administration -- e.g. equity, computers, criminal sanctions, drives on non-filers, training, taxpayer education and assistance, appeals, and the whole range of vital aspects of the subject. Tax administration was characterized by drift and stagnation. Today, in country after country, tax administration is at least a subject of

increasing public interest and discussion. Governments now seek, with varying degrees of zeal and success, better ways of doing things. These stirrings will not end if CIAT expires, but the clear indications are that a viable CIAT is bound to accelerate the whole process.

CONSTITUTIONAL ASSEMBLY
INTER-AMERICAN CENTER OF TAX ADMINISTRATORS

S T A T U T E S

PANAMA
REPUBLIC OF PANAMA

1967

62'

PREAMBLE

In the city of Panama, on the sixth day of the month of May in the year nineteen-hundred sixty-seven, the following individuals:

RAUL CUELLO, Director General, General Directorate of Taxation and PEDRO F. J. PAVESI, Director of Coordination, Organization and Methods of said Directorate, Government of ARGENTINA;

GUIDO OCAMPO CASTRILLO, Director General, General Directorate of Internal Revenue, Government of BOLIVIA;

ELEAZAR PATRICIO DA SILVA, Director of the Department of Internal Revenue; ORLANDO TRAVANCAS, Director of the Department of Income Taxes; CHIANTI TEIXEIRA NUNES, Advisor to the Director of Income Taxes; and ARTHUR S. XAVIER FERREIRA, Executive Secretary of the Planning Council of the Ministry of Finance, Government of BRAZIL;

RAFAEL ISAZA G., Director, Division of National Taxes; MIGUEL BERMUDEZ, Economic Advisor in the Ministry of Finance and Public Credit, Government of COLOMBIA;

FRANCISCO CONTRERAS MONDRAGON, Chief, Department of Income Taxes, General Directorate of Direct Taxation, Government of COSTA RICA;

TOMAS AGUAYO MACKERS, Treasurer General of the Republic, Treasury Department; JAIME ROSS BRAVO, National Director, Internal Revenue Service; JOSE MANUEL SOTO CERDA, Chief, Department of Organization and Methods; and MILKA CASANEGRA PRNJAT, Deputy Director of Tax Studies, Ministry of Finance, Government of CHILE;

ARTURO CABRERA, Director, General Directorate of Revenue, Ministry of Finance, Government of ECUADOR;

JOSE VIDES SIGUI, Director General, General Directorate of Indirect Taxes, Government of EL SALVADOR;

ANIBAL DE LEON MALDONADO, Director, Directorate of Income Taxes; and DONALDO ESTRADA CASTILLO, Director, General Directorate of Revenue, Government of GUATEMALA;

J. EFRAIN SUAZO C., Director General, General Directorate of Direct Taxation and EDMUNDO SANCHEZ GUEVARA, Director General, General Directorate of Internal Revenue, Government of HONDURAS;

ROBERTO HOYO, General Administrator, General Administration of Taxes; ALFREDO GUTIERREZ KIRCHNER, Deputy Director, Directorate of Income Taxes; GUSTAVO MATUS PACHECO, Chief, Department of Case Reviews, Directorate of Income Taxes; and LUISA MARIA LEAL DUK, Technical Advisor to the General Administrator of Taxes, Government of MEXICO;

OFILIO LACAYO, Director General, General Directorate of Revenue, and Chairman of the Central Commission of Customs; VIRGILIO PEREZ BALLADARES, Legal Counsel, General Directorate of Revenue; and NOEL RAMIREZ PEREZ, Office of the Comptroller General of Income Administration, General Directorate of Revenue, Government of NICARAGUA;

J. MENALCO SOLIS R., Director General, General Directorate of Revenue; LUIS M. ADAMES P., Director of Income Taxes; TARGILLO BERNAL, Legal Counsel; and OCTAVIO DOMINGUEZ B., Director of the Department of Automatic Data Processing, General Directorate of Revenue, Ministry of Finance and the Treasury, Government of PANAMA;

JUAN DEL ROSARIO MARTINEZ, Director General of Internal Taxation; Government of PARAGUAY

AUGUSTO ROMAN RIVAROLA, Director General, General Directorate of Tax Legislation, Ministry of Finance and Commerce, Government of PERU;

JULIO E. DE LA ROCHA BAEZ, Director General, General Directorate of Income Taxes, Government of the DOMINICAN REPUBLIC;

SHELDON S. COHEN, Commissioner of Internal Revenue and HAROLD MOSS, Director, Foreign Tax Assistance Staff, Internal Revenue Service, Government of the UNITED STATES OF AMERICA;

HUGO A. DE MARCO, Director General, General Directorate of Taxation, Government of URUGUAY;

FRANCISCO GARCIA HERCULES, General Administrator, General Administration of Income Taxes; and DIONISIO A. ESCOBAR CALZADILLA, Supervisor of Planning, General Administration of Income Taxes, Ministry of Finance, Government of VENEZUELA.

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CONSIDERING

1. That in the Declaration of the Peoples of the Americas the representatives of the American Republics agreed to associate in a common effort to accelerate the economic and social development of the participating countries of Latin America in the Alliance for Progress.
2. That the reform of the structure of tax systems and the strict application of measures for the improvement of tax administration constitute, according to the agreement made on the same occasion, one of the useful instruments for the accomplishment of those objectives.
3. That the improvement of tax administration constitutes a process of programming and execution, of a continuous character, the successful culmination of which will assure the efficiency of the tax systems and equity in the distribution of the tax burden.
4. That inspired by such concepts, the Tax Administrators of the countries of the Americas met in the city of Washington, D.C. from April 18 through May 6, 1966, in order to attend a seminar on which, considering the benefits of that meeting, the participating officials of the countries of the Alliance for Progress and of Canada expressed their intention to continue a permanent dialogue and designated a Planning Committee, composed of the Administrators of Chile, United States, Mexico, Panama, and Uruguay, with the responsibility for planning the organization necessary for the maintenance of a close intercommunication.
5. That, complementing other existing national and regional efforts, and with the high purpose of contributing to the accelerated achievement of the objectives noted above, the Tax Administrators of the Americas mentioned in the introduction to this document, duly convinced of the benefits of cooperation and mutual assistance,

AGREED

To create an institution that shall be governed by the following

STATUTES

Article 1. NAME: An institution is created, the name of which is "Inter-American Center of Tax Administrators."

Article 2. PURPOSE: The purpose of the Center will be to promote the improvement of tax administration. To this end, the Center will be able to undertake, among others, the following activities:

- a) To hold meetings for the exchange of ideas and experiences,
- b) To organize seminars,
- c) To collect and distribute information,
- d) To coordinate requests for technical assistance with the means for satisfying such requests,
- e) To collaborate with other organizations in the field of taxation,
- f) To issue publications,
- g) To promote the exchange of experts among the various countries,
- h) To study tax systems in relation to the administration of taxes,
- i) To promote any research that is deemed necessary.

The Institution may not make pronouncements, recommendations, or adopt resolutions concerning the tax system of any country.

Article 3. MEMBERSHIP: Those persons eligible for membership in the Center are the executive officials of the tax administration, at the national level, of those countries participating in the program of the Alliance for Progress, and of those other countries of the Americas which request membership in the Center and are accepted by the Assembly, or which are invited. The Minister of Finance of each country will designate the executive positions in the Tax Administration, the incumbents of which shall be members of the Center. This designation may be modified, when convenient, by the respective Minister of Finance. Membership will be lost when the incumbent leaves the designated position.

Article 4. STRUCTURE: The following will be agencies of the Center:

- a) The General Assembly of Members,
- b) The Executive Council,
- c) The Executive Secretariat.

Article 5. THE GENERAL ASSEMBLY: The members of the Center will meet in one annual General Assembly, as well as Extraordinary Assemblies when convoked by a majority of the members or by the Executive Council. The dates and place for holding each Assembly may be established by the Executive Council.

The President of the Executive Council will preside over the Assemblies, or, in his absence, by whomsoever substitutes him in accordance with Article 7.

A quorum of the Assembly will exist when there are members present from at least one-half of the countries, the officials of which are members.

All members will have the right to speak.

All the members of a given country will have the joint right to one vote. If there should be no agreement among themselves as to the vote, that vote will not be counted.

The resolutions of the Assembly will be adopted by a simple majority of the votes present, except with respect to modification of these Statutes, in which case a vote of two-thirds of the countries, the officials of which are members of the Center, will be required.

The Assembly is the supreme authority of the Center and it has the following responsibilities:

- a) To elect the President and the other members of the Executive Council,
- b) To review the Financial Report for the year,
- c) To approve the budget for the following year,
- d) To approve the Report of Activities Undertaken,
- e) To approve the Work Program for the following year.

Article 6. THE EXECUTIVE COUNCIL: The Executive Council will be composed of a President and four Councilors, who will hold office until the subsequent Ordinary Assembly is held, and who may not be re-elected for the same position for the immediately subsequent period.

The rights and responsibilities of the Executive Council are:

- a) To appoint the Executive Secretary, to fix the terms of his employment, and the place where he will discharge his duties.
- b) In the absence of a decision by the Assembly, to convoke the Ordinary and Extraordinary Assemblies and to establish their duties, meeting places and agenda.
- c) To accept or reject gifts and contributions referred to in Article 12 of these Statutes.
- d) To make necessary and convenient arrangements for the financing of the organization and the functioning of the Center, and to present the Financial Report for the past years for the consideration of the Assembly,
- e) To present a report on activities undertaken in the previous year to the General Assembly.
- f) To present the budget and the Work Program for the following year to the annual Assembly.
- g) To invite persons to participate in the activities of the Center.

In case of a tie vote in the Executive Council, the President will vote again to resolve the controversy.

The Executive Council will establish a Technical Advisory Committee to advise and assist the Council and the Executive Secretary in achieving the objectives of the Center. The Committee may be composed of representatives of international, regional and other organizations and individuals having a direct interest in the improvement of tax administration.

Article 7. THE PRESIDENT: The responsibilities of the President are:

- a) To represent the Center,
- b) To preside over the Assemblies,
- c) To preside over the Executive Council,
- d) To undertake the activities delegated to him by the Assembly or the Executive Council.

In the absence or disability of the President, his functions will be assumed by the Councilors in the order in which they were elected by the Assembly.

Article 8. THE EXECUTIVE SECRETARY: The Executive Secretary will be appointed by the Executive Council and cannot be a member of the Center.

The responsibilities of the Executive Secretary are:

- a) To undertake the technical and administrative functions of the Center, as well as those delegated to him by the Assembly, the Executive Council and the President,
- b) To present the Budget for the fiscal year to the Executive Council,
- c) To administer the Budget,
- d) To present the Financial Report to the Executive Council,
- e) To present the Report of Activities Undertaken to the Executive Council,
- f) To present to the Executive Council the Work Program for the next year.

- Article 9. LANGUAGES: The official languages of the Center will be Spanish, English and Portuguese.
- Article 10. LEGAL DOMICILE: The Center will have its legal domicile in the place determined by the Assembly.
- Article 11. DURATION AND DISSOLUTION: The Center will be of indefinite duration but may be dissolved by resolution adopted in the Assembly by a two-thirds vote of the countries, officials of which are members, and its dissolution will take effect according to the dispositions made at that time. In the case of dissolution all property will be transferred to some other international organization, the efforts of which are directed to the promotion of the objectives of this organization, or some other organization with similar economic and social development objectives.
- Article 12. FINANCING: The funds for the financing of the organization and functioning of the Center may come from any source, including gifts and contributions from other countries, international and other organizations, private foundations and individuals.

CIAT
Country Cash Contributions Schedule
FY 1971

United States	\$58,000
Canada	15,000
Argentina	6,750
Brazil	6,750
Colombia	6,750
Mexico	6,750
Venezuela	6,750
Chile	4,500
Dominican Republic	4,500
Ecuador	4,500
Guatemala	4,500
Peru	4,500
Uruguay	4,500
Bolivia	3,500
Costa Rica	3,500
El Salvador	3,500
Honduras	3,500
Jamaica	3,500
Nicaragua	3,500
Paraguay	3,500
Trinidad & Tobago	3,500
Panama	<u>25,000</u>
Total Cash Contributions	\$186,750

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