

# BULLETIN No. 3

## PUBLIC FINANCE

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OCTOBER 2015

  
**EUROSOCIAL**  
PROGRAMME FOR SOCIAL COHESION IN LATIN AMERICA



our world  
our dignity  
our future

2015 European Year for Development



**PROMOTING INCLUSIVE AND SUSTAINABLE FISCAL SYSTEMS**

**FISCALITY • EQUITY • SOCIAL COHESION**

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## CREDITS

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**Editorial committee:** FIIAPP-  
EUROsociAL II Public Finance and  
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**Editorial staff:** FIIAPP (Spain),  
with the collaboration of the Public  
Finance coordinating partners:  
AEAT (Spain), CIAT (International  
public organization), IEF (Spain) and  
the Ministry of Finance of El Salvador.

**Correction and style:** Cyan,  
Proyectos Editoriales, S.A.

**Printing:** Cyan, Proyectos  
Editoriales, S.A.

**Publisher:** © FIIAPP  
Beatriz de Bobadilla, 18 - 28040  
Madrid.

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*Madrid, October 2015*

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# INTRODUCTION



## Committed to modernising fiscal systems



**JOLITA BUTKEVICIENE**

*Director for Latin America and the Caribbean, Directorate-General of Development and Cooperation, EuropeAid European Commission*

Despite significant advances during the past 15 years, Latin America continues to be one of the regions with the highest levels of inequality in the world. Major differences in income constitute an obstacle to development and pose a threat to peace and social cohesion. In conjunction with this, a more informed and em-powered citizenry is demanding efficient and quality public services. If states are to respond to these demands, they must equip themselves with a greater capacity to collect taxes and redistribute re-sources. This means having inclusive and sustainable fiscal systems, and prioritising support for reforms aimed at increasing the tax burden, either through new taxes or through increasing collection efficiency combined with a more decisive fight against tax fraud and evasion. But it is not just a question of tax collection. Efficient tax systems generate citizen trust in institutions, and they provide a sense of inclusion and belonging to a common development project. In both senses, public finance is a central element of social cohesion policies.

Since the Third European Union-Latin America and the Caribbean Summit, held in Guadalajara, Mexico, 2004, where the 'importance of allocating an adequate level of public spending to social sectors... and better access to social services...', to avoid excessive dependence on outside

financing for these policies,' was already clear, and up to the more recent EU-CELAC Summit in June 2015 in Brussels, countries in both regions have been committed to 'promoting economic policies that encourage investment and a better distribution of income to reduce the inequality gaps and inequity that exist so that economic gains benefit population groups living in a situation of inequality, poverty and exclusion'.

It is within this framework that a programme such as EUROsociAL, focused on regional cooperation between the EU and Latin America for social cohesion, can contribute to promoting the development of fiscal policies that enable a better distribution of wealth and guarantee adequate levels of social spending.

Accordingly, from the beginning, EUROsociAL has been working on an action called 'Inclusive and sustainable fiscal systems' which is aimed at supporting Latin American governments with increasing tax collection and the equity of their public revenue systems, improving the quality and productivity of public spending, and promoting the sustainability of fiscal accounts. The working lines of this strategy have been: (1) The promotion of voluntary compliance with tax obligations and the fight against tax evasion; (2)

Improved links between National Development Plans and budgets; (3) Integration of evaluation in the budget cycle; (4) Support for the reform of fiscal systems; and (5) Strengthening of taxpayer education programmes. In addition to coordinated work at a regional level for supporting actions of the Ibero-American Network of Authorities and Experts on Fiscal Policy, and the Tax Education Network.

took the opportunity to announce a new contribution for a next phase of the EUROsociAL programme over the next four years. During this time support for inclusive and sustainable fiscal systems will once again be a cornerstone of European cooperation with Latin America.

In the Directorate-General for Latin America and the Caribbean of EuropeAid, we feel especially satisfied about having accompanied Latin American ministries of finance and tax administrations in their reform and modernisation processes. We would like to take this opportunity to congratulate the institutions and their employees on their progress and successes, as well as to acknowledge how beneficial the cooperation from within EUROsocial has been. The European Commission maintains its commitment to continuing to collaborate and work with Latin America in this effort in favour of more inclusive and sustainable fiscal systems.





## FIIAPP: sharing public knowledge

**PEDRO FLORES**

*Director of the FIIAPP*

The International and Ibero-American Foundation for Administration and Public Policies (FIIAPP) is the Spanish government agency that carries out international cooperation activities. These activities focus on modernising institutions and improving the functioning of public systems, reforming public administrations, and strengthening democratic governance.

FIIAPP leads the consortium of organisations that manage the EUROsociAL II regional cooperation programme. It is financed by the European Union, and is also the institution in charge of coordinating the public finance area. The objective of EUROsociAL II is to contribute to the modernisation of public policies that improve social cohesion through the exchange of experiences and good practices between the public institutions of Latin America and Europe, thereby favouring 'peer-to-peer learning'. It acts on a wide range of public policies that include social policy areas such as education, health, social protection and employment, and others that support the state in satisfying these needs equitably (fiscal policy) or by providing the state with institutional structures and legitimacy to achieve this, such as justice, security, transparency, and territorial organisation, among others (governance).

The improvement of public finance is a central objective of any development

strategy. This was made perfectly clear in the international cooperation agenda at the Conference on Financing for Development in Monterrey in 2002. At this conference it was indicated that the mobilisation of domestic resources for development and the effective use of all resources, by improving the quality of public spending, are fundamental elements for advancing in a sustainable development and, in particular, for achieving internationally agreed upon development objectives.

One of the strategic areas of EUROsociAL II is public finance, and this work has been ongoing since 2011 with the objective of promoting the development of equitable, inclusive, and sustainable fiscal systems. To achieve this EUROsociAL II works in different areas, such as the design of tax policies, the improvement of the relationship with taxpayers, taxpayer education, prevention of tax fraud and evasion, and an improvement in the structure of the public budget and the inclusion of evaluation in the cycle of public policies.

In this latter area, the FIIAPP has aimed at reinforcing the work and giving greater importance to evaluation by accompanying Latin American countries on their path to the institutionalisation of evaluation systems and by supporting the creation of a regional institutional working group for public policy evaluation.

**“The improvement of public finance is a central objective of any development strategy”**

Now, five years since the beginning of the second phase of the programme, we feel especially satisfied with its achievements and results, which are mainly the result of the work and involvement of the Latin American administrations which are in charge of managing public revenue and spending in their respective countries. They are at the same time, the result of peer-to-peer learning with their European counterparts. The figures from the finance area illustrate the intense exchange of experiences between the two regions, with a total of 30 countries, 173 institutions, and over 1,800 participants from Latin America and the European Union.

Finally, I'd like to take this opportunity to express my gratitude for the efforts and the high-level technical work of the operational partners, prestigious Latin American and European public institutions, and to thank the European Commission for having entrusted one of its flagship projects in Latin America to FIIAPP.

# ASSESSMENT OF ACTIONS ↗↖

## Public finance in EUROsociAL II

The second phase of EUROsociAL is coming to a close. After five years of intense work, now it is the time to be accountable, to explain to citizens on both sides of the Atlantic, and their legitimate representatives, the results achieved. Looking to the future, we present some of the lessons we have learnt.

### IGNACIO SOLETO

*Coordinator of the Public Finance and Democratic Governance  
Technical Unit of EUROsociAL II*

In this *Public Finance Bulletin*, you will not find a detailed description of the couple of hundred actions carried out with the coordination of the EUROsociAL Public Finance Area. Anybody who is interested in this can find an in-depth account of what has been done by consulting (<http://www.sia.eurosoci-al-ii.eu/>), the programme has provided a complete Information System with an orderly presentation of the number and modality of the activities; the countries, institutions and individuals who have participated; the objectives pursued; and the results obtained (see the attached summary table).

Similarly, the Information System and the programme website (<http://www.eurosoci-al-ii.eu/es>) offer hundreds of documents and videos in what is probably one of the most complete libraries on the recent agenda

of specific public finance reforms in Latin America and the European experiences that may have inspired some of them.

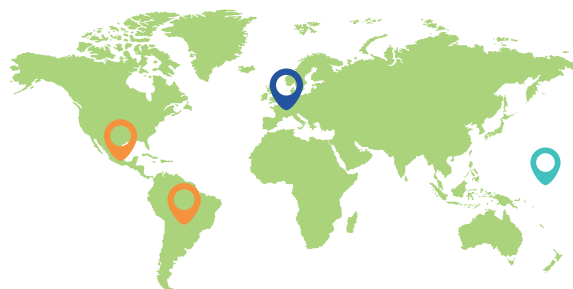
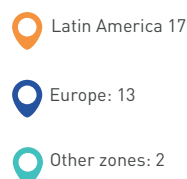
Through the opinions and assessments of some of the key players in the programme (i.e. the Latin American administrations, operational partners, experts, etc.), this bulletin provides an inexhaustive review of the advances and pending challenges affecting the region in the effort to achieve 'inclusive and sustainable fiscal systems', which is the objective supported in this phase of EUROsociAL.

Given its hallmarks, i.e. flexibility, demand-driven and results-oriented nature, etc., the way the EUROsociAL II programme has worked in the area of public finance has evolved over the years. While initially, for operational reasons, the work was organised around four more or less

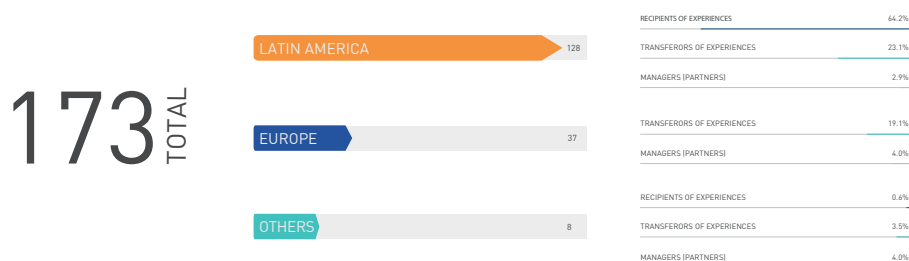
independent 'actions' or lines of action, i.e. revenue, spending, reforms and taxpaying morality, the dynamics unleashed have led to a redefinition aimed at guaranteeing the internal coherence of the Public Finance Area, thereby restructuring the four actions that had existed previously into a single 'action' aimed at supporting the strengthening of fiscal systems with redistributive capacity.

This change was aimed, on the one hand, at bolstering the 'country focus' and avoiding dispersion dynamics, consequently reinforcing the unit of action before the beneficiary administrations. On the other hand, the rationale behind this reorientation was the conviction that it was necessary to have a comprehensive vision for formulating and executing fiscal policies in countries with low tax revenues and high levels of inequality.

## PARTICIPATING COUNTRIES



## PARTICIPATING INSTITUTIONS



## PARTICIPATING PERSONS



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It couldn't be any other way, given that in Latin America's current development phase, there is a general consensus that giving the state a greater capacity to redistribute resources and play a more active role in promoting equality and fighting poverty, cannot be postponed any longer.

Despite the existence of these consensus, whether explicit or implied, the current tax burden is insufficient in the majority of countries in the region, and the tax structure clearly has room for improvement, in terms of meeting their goal of greater social cohesion. In light of this situation, EUROsociAL understood that the priority was to redouble its support for reforms driven by the authorities, and adapted to the reality of each country. Such reforms would increase the tax burden either through

new taxes or a greater collection efficiency and a more decisive fight against tax evasion and avoidance, in addition to accompanying initiatives aimed at increasing taxpayer honesty from an early age.

At the same time, a commitment was made to increase support for reforms aimed at generating greater quality of spending, both in terms of allocation and effectiveness. The manner in which a government spends public resources largely determines its degree of legitimacy and its capacity to demand more revenue from taxpayers. Citizens only understand that they must pay taxes if these are linked to the delivery of quality public goods and services by the state.

To improve the delivery of these public services, EUROsociAL's actions have

focused on: (1) promoting greater coordination of national development plans with results oriented public budgets; (2) on improving the definition of the goods and services produced through the budget system; (3) on promoting increased use of multi-annual national budgets; and (4) on institutionalising evaluation as a mechanism for learning and facilitating evidence-based decision-making processes.

The reform of public finance is, and will continue to be for a long time, at the centre of the Latin American development agenda. EUROsociAL has attempted to complement national efforts by responding to the needs expressly stated by countries. We are confident that we have not fallen short of their expectations.

# Assessment of actions in public finance

**MARÍA LUISA DOMÍNGUEZ SUÁREZ**

*Senior Expert in the Public Finance and Democratic Governance  
Technical Unit. EUROsociAL II Programme*

The European Union's cooperation has made a commitment to setting up sustainable fiscal systems in developing countries which reinforce integration and social cohesion. The initial premise is that 'External aid alone cannot lead any country to build a prosperous society; and partner countries' own resources are essential for their development because they enhance state legitimacy, consolidate ownership of development policies, and represent a stable source of funds for delivering public goods and meeting the MDGs'. Therefore different actions are proposed: '(1) Strengthen developing countries' capacities for domestic revenue mobilisation through reforms of tax administrations...; (2) to promote good governance in fiscal matters and support the fight against tax evasion through international standards and cooperation to facilitate the signing and implementation of agreements such as fiscal information exchange agreements and, where appropriate, conventions on double taxation; (3) the adoption and application of OECD guidelines on transfer pricing in developing countries; and ongoing

research on country-by-country reporting standards for multinational corporations.<sup>12</sup>

This is the direction that the EUROsociAL programme identified as a priority area at the beginning of its work: support for the design, reform, and implementation of fiscal policies that contribute to improving social cohesion in Latin America and help eradicate inequality and exclusion. With this objective, an action was started under the name 'Inclusive and sustainable fiscal systems' aimed at supporting Latin American governments by increasing tax collection and the equity of their public revenue systems, improving the quality and productivity of public spending, and promoting the sustainability of fiscal accounts.

EUROsociAL has collaborated with Latin American governments in accordance with this objective through the finance and planning ministries and tax administrations in their modernisation and reform processes through four priority lines of work.

## First of all, promoting voluntary compliance with tax obligations and the fight against tax fraud

With the boom of the middle class in Latin America, Latin American citizens, with higher levels of education and information, are increasingly aware of their rights and demand quality public services. However, for a state to respond to this growing demand, it must improve its capacity to collect funds and distribute them. This means not only increasing the tax burden through new taxes, but also improving the collection efficiency and promoting the fight against tax fraud and evasion. While the growth in tax collection in the region over the last two decades has been the fastest in the world, there is still a long way to go<sup>3</sup>. Collection levels are still insufficient to address social demands, and in most countries, tax pressure is below what would correspond to their level of development<sup>4</sup>.

In this context, the EUROsociAL programme has on the one hand,

1. COM (2010) 163 final, Communication from the Commission to the European Parliament, the Council, and the European Economic and Social Committee - Tax and Development. Cooperating with Developing Countries on Promoting Good Governance in Tax Matters; COM (2012) 351 final, Communication from the Commission to the European Parliament and the Council on concrete ways to reinforce the fight against tax fraud and tax evasion including in relation to third countries.

2. COM (2010) 159 final, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions. A twelve-point EU action plan in support of the Millennium Development Goals.

3. Tax collection isn't enough. Taxes as a development instrument. Inter-American Development Bank, 2012.



supported positive incentive programmes, such as the improvement of taxpayer assistance and relations, improvements in the management of tax administrations, and information exchange.

Prominent examples include support for the creation of new taxpayer assistance offices and protocols (Costa Rica and Uruguay); FAQ programmes (Bolivia, Costa Rica and Peru); appointment-scheduling systems (Brazil and Guatemala); mobile taxpayer assistance devices (Brazil); improvements in taxpayer registers and records (Argentina, Brazil and Uruguay); electronic mailboxes (Argentina, Mexico, Ecuador

## ‘HIGHLIGHTED EXPERIENCE’

## Improving taxpayer information and assistance services in Uruguay

## Uruguay's Directorate-General of Taxes (DGI) adopts a new model of taxpayer information and assistance

In 2007, Uruguay initiated an ambitious tax reform with the entry into force that year of the Personal Income Tax. Within this context, Uruguay's Directorate-General of Taxes (DGI) has improved the process of taxpayer information and assistance services in order to 'settle and collect taxes [...] **by facilitating compliance with tax obligations by taxpayers and responsible parties**', thereby making information services and quality assistance available to them. Notable among these services are the in-person assistance and telephone information service, which make it possible to respond to the high number of information requests during the income tax season or as tax deadlines approach.

Since 2013, EUROsocial has accompanied Uruguay's DGI in defining a tool for improving taxpayer assistance, offering an assistance service whereby users receive the information they request promptly, completely, correctly and appropriately. The programme incorporated the experiences from both Europe and Latin America.

Therefore, Uruguay, together with other countries in the region: Bolivia, Brazil, Chile, Costa Rica, El Salvador, Guatemala, Mexico, Paraguay and Peru, learned about the taxpayer information and assistance services provided by Spain, France, the Netherlands and Argentina. The DGI also received support with the preparation of a **Protocol of in-person and telephone assistance for taxpayers**, which was approved in April 2015. Application of the protocol began in June 2015 during the income tax campaign through a Call Centre and an income tax assistance office of Montevideo. The estimated number of beneficiaries has already reached 129,193, a notable increase of 5.05% compared to 2014 in terms of the number of people assisted in person. The DGI has also developed a tutorial video covering the steps for submission of the draft sworn personal income tax return. The taxpayer assistance protocol and the tutorial represent important tools for ensuring uniform action and quality taxpayer assistance. In addition, the creation of these services has reduced waiting times and avoided unnecessary trips by expanding its hours and improving the assignment of human resources in the offices. Resulting in key improvements for promoting a more approachable tax administration for taxpayers.

4. In 2013, it averaged 21.3% of GDP, 13 percentage points below the OECD average. Source: ECLAC statistics.

and Uruguay); compliance costs (Chile); and plans for changing the taxpaying culture (Colombia).

On the other hand, through negative incentives such as the fight against fraud and reinforcement of control and inspection capacities, has enabled an increase in collection. Notable elements include massive control tools (Argentina, Colombia and Paraguay); an improvement in audit mechanisms (Chile, Ecuador and El Salvador); transfer pricing (Costa Rica, Ecuador, El Salvador, Guatemala, Paraguay and Peru); an exchange of information between administrations (Bolivia, Brazil, Costa Rica, El Salvador and Mexico); electronic invoices (Chile and Guatemala); electronic billing devices (Colombia); cooperative relations (Costa Rica); fiscal/tax intelligence (El Salvador and Guatemala).

### Secondly, by improving the quality of public spending by linking development plans with public budgets and the inclusion of evaluation in the cycle of public policies

One of the main challenges facing Latin American public administrations is an improvement in the quality of public spending and orienting management towards results that satisfy the needs of their citizens. This is the direction in which the programme has supported the governments of Latin America through their finance and planning ministries by means of various mechanisms to improve the quality of spending. These include linking national development plans to budgets (Peru, Paraguay, Ecuador, El Salvador and Guatemala); defining results-oriented budgets (Ecuador, Colombia, Costa Rica, El Salvador, Nicaragua, Panama, Paraguay and Peru); defining medium-term fiscal frameworks/multi-annual budgets (Paraguay, Ecuador, Bolivia, Brazil, El Salvador, Guatemala, Honduras, Peru



and Uruguay); and institutionalising evaluation systems so that governments can evaluate whether the policies they develop are meeting objectives and providing the expected results (Costa Rica, Ecuador, Peru, Paraguay and Uruguay). At the regional level, support has been provided to create the institutional working group on public policy evaluation, including guides, methodologies, and a collaborative work tool.

### Third, supporting redistributive reforms of fiscal systems

EUROsociAL has supported the efforts of countries to prepare and implement reforms that have an impact on the tax structure and improve the efficiency and equity of their tax systems. This will help to increase revenues and construct strategies that create consensus, generate trust in the state institutions that manage the reforms, and favour social acceptance of these reforms. Consequently, support has been provided to Argentina for the development of tax microsimulation tools to measure the effects of tax reform. Paraguay has been supported in the creation of a fiscal barometer for surveying taxpayer opinions on key aspects of its fiscal policy, such as use of and satisfaction with public services, or the social perception of tax fraud. Colombia has received support for improving the process of regulatory planning regarding taxation. Uruguay has

received support for defining a Public Policy Simulation Model (SMPP) with respect to the incorporation of a personal income tax simulation model, Category I (Capital Yield), with special attention to taxing high incomes and addressing them in the income distribution. Finally, Ecuador has received support for the Reform of the Organic Law on Production Incentives and Tax Fraud Prevention, as well as in the preparation of the White Paper on Tax reform, and in the modification of the Systematisation and Rationalisation of Tax Incentives.

Regionally, the Ibero-American Network of Authorities and Experts on Fiscal Policy, which originated from the 21st Ibero-American Summit of Heads of State, held in October 2011 in Asunción, has received support as a platform for policy dialogue at the regional level. Its main purpose is to promote an exchange of experiences about fiscal matters and formulate solutions to problems common to the region's tax systems, as well as to share statistics, reforms, and good practices in this area.

One of the other central axes of the programme has been the strengthening of taxpayer education programmes, with the objective of fostering a greater taxpaying culture among the Latin American population, a subject that is covered by another article in this bulletin.

### In conclusion

Some of the strengths of the programme in the inclusive and sustainable fiscal systems should be mentioned. One of the first of these was that the actions were aligned with the national development strategies of the partner countries, this arose out of the demand of the countries themselves, which has contributed to a sense of ownership of them. In this regard, there has been a high level of interest in the programme by the governments of Latin America, as evidenced by the nearly two hundred activities carried out.

## **‘HIGHLIGHTED EXPERIENCE’**

### **Tax reform in ECUADOR: improving collection and procedures, two objectives supported by EUROsociAL**

Since 2013, the EUROsociAL II programme has been supporting Ecuador's Internal Revenue Service (SRI) and Centre for Tax Studies (CEF) on a tax reform that would both improve tax collections and improve tax procedures. Specifically, it deals with ensuring the principle of tax progressivity to make the tax system an effective financing tool of public policy and of equitable redistribution of the resources in the country. With input from the Internal Revenue Service of Chile, and Ecuador in December 2014, who approved the Organic Law on Production Incentives and Tax Fraud Prevention and the corresponding implementation of regulations. This law, designed to collect 200 million dollars in revenue annually, repeals ten previous laws and aims to incentivise greater domestic production.

The reform affects special taxes on the consumption of cigarettes and alcoholic beverages, including beer; it includes tax incentives to change the country's energy matrix and to decrease the consumption of imported fuels; it incorporates incentives for sectors of small and medium enterprises and companies in the social and solidarity economy; and it includes mechanisms for preventing tax evasion and reinforcing the tax system.

#### **Rationalisation of tax incentives**

EUROsociAL has also supported the SRI in evaluating the impact of rationalising the entire system of tax incentives and benefits. Tax incentives and benefits were analysed and the 'Impact Assessment' technique was presented (European Commission) for ascertaining the impact of eliminating and/or modifying tax incentives. Moreover, the basis for establishing a monitoring committee was created. The second step will consist of applying this methodology holistically to the tax incentives agreed upon with the CEF and SRI, in accordance with the National Well-Being Plan and the Ecuadorian constitution.

#### **White Paper for reform of the Tax Code**

EUROsociAL also supported the preparation of a White Paper as a milestone prior to the reform of Ecuador's Tax Code. This reform will have considerable impact by providing the administration with better tools for auditing and collecting taxes, without undermining the legal security and rights of taxpayers.

A further strength is the programme's flexibility and its results orientation, which has made it possible to adapt it to the needs and changing context of the countries, and reorient the actions when necessary in order to achieve tangible results.

Thirdly, the instrument of 'peer-to-peer learning' or inter-agency cooperation has been highly valued by the countries, and 17 countries in Latin America and 13 countries in the European Union have participated in this line of action. While in the beginning there was limited European participation, mainly in the Mediterranean countries, Spain, Italy and France, this has

progressively expanded to include Germany, Denmark, the Netherlands, Portugal, Sweden and the United Kingdom. South-South cooperation has also been important. This has expanded progressively during the programme and overall in 31.3 % of the activities, the transferring countries were Latin American.

Finally, we hope that the EUROsociAL public finance area has contributed, through its work, and the collaboration of the programme's operational partners, to strengthening Latin American tax administrations and ministries of finance and planning their modernisation processes.

# Building a new tax culture

One of EUROsociAL's tasks is to strengthen the public policies for taxpayer education in Latin America in all spheres, from primary education to university.

**BORJA DÍAZ RIVILLAS**

*Senior Expert in the Public Finance and Democratic Governance Technical Unit. EUROsociAL II Programme*



## Building citizenry: the role of taxpayer education

Taxpayer education aims to develop attitudes of commitment to the common good, and to the regulations that ensure democratic coexistence from an early age. This will be achieved by emphasising the importance of the social rationale for taxation and its link to public spending, and the harm tax fraud and corruption can cause.

Through taxpayer education, bridges can be built between the state and citizens, which is especially important in Latin America, where paying taxes is often considered an obligation to be avoided rather than a civic duty from which everybody benefits. The challenge is to abandon the one-dimensional coercive approach and build a relationship between the state and its citizens based on collaboration and reciprocity.

Within the public finance area, the

The challenge is to abandon the purely coercive approach and build a relationship between the state and its citizens based on collaboration and reciprocity

EUROsociAL programme has provided support for strengthening the public policies of taxpayer education in Bolivia, Brazil, Chile, Costa Rica, Colombia, Ecuador, El Salvador, Guatemala, Paraguay, Peru, Honduras, Colombia and Uruguay.

To consolidate taxpayer education programmes, it is necessary to institutionalise them within the tax administrations and to forge partnerships with education ministries and universities. Taxpayer education must be designed as a state policy.

Using the best practices of the region as a

reference, Brazil's Strategic Plan on Taxpayer Education, and Paraguay's operating plan have been supported, in the latter country by creating a department of taxpayer culture and education.

## Civic awareness from an early age

Partnering the educational system is indispensable if the programmes are to have the desired impact and sustainability. It is impossible to include materials about taxpayer education in the curriculum if the education sector does not accept and appreciate the content. For this reason, EUROsociAL supports agreements with educational authorities to jointly discuss the approaches, content and working lines.

In El Salvador an inter-agency agreement between the Ministries of Finance and Education was signed in 2014 to consolidate taxpayer education as a public policy. In Costa Rica, the inclusion of taxpayer

education in the curricula of different grades of the Social and Civic Studies Programmes in primary and secondary education of the Ministry of Public Education has been supported, and guides for teachers have been prepared. As a result of this, in 2015 over 100,000 students will have been taught taxpayer education.

## The university is building bridges between tax administrations and citizens

The promotion of greater tax awareness in the area of higher education is fundamental because it involves students who are about to enter the job market. In addition, the students who are studying business and economics are the future business people and tax advisors who will enter a market where tax avoidance and evasion strategies are occasionally rewarded.

Universities will benefit because students will acquire current and practical technical knowledge, at the same time as an ethical education with great social utility. At the same time, the topic is attractive in terms of pursuing greater interaction between the university and society from a critical, creative and socially responsible perspective.

EUROSociAL has promoted the launch of the Brazilian initiative 'Accounting and Fiscal Support Centres' (NAFs), a free service for low-income natural and legal persons at the universities in Costa Rica (the Universidad de Costa Rica and the National Technical University), Mexico (79 university centres in 30 federal states), in Bolivia (Universidad Pública de El Alto and UNIFRANZ), Ecuador (Pontificia Universidad Católica), Brazil (Universidade Estadual de Maringá and Universidade de Fortaleza), Chile (Instituto

Profesional AIEP), Guatemala (Universidad Panamericana), and Honduras (Universidad Nacional Autónoma and Universidad Tecnológica).

As another way of promoting teaching the subject of taxpayer education in universities, the programme has supported the Chilean Internal Revenue Service (SII) with the preparation of the *Taxpayer Education Guide: Taxation, State and Citizenry*; and in Brazil, the materials for the course, 'Taxation and Social Cohesion', at the Escola de Administração Fazendária (ESAF) have been completed.

## Learning about taxes can be fun

Talking about taxes to young people is a major challenge. Which is why, within the framework of taxpayer education programmes, the finance ministries of Latin America are using fun and innovative teaching tools using new technologies, thereby also reducing the digital gap.



Using these teaching materials students learn values and basic aspects about the tax resources of the state and their relationship to public needs, the functions and financing of health centres, a respect for what is public, and the importance of accountability and social control of spending.

EUROSociAL has supported the regional adaptation process for two taxpayer education video games, 'Memotest de bienes públicos y privados' (Memory test of public and private assets) and 'Somos Equipo' (We are a Team), adapted to the reality of Mexico, Brazil, Costa Rica, Guatemala, Bolivia, Uruguay and Honduras.

A multi-media programme on taxpayer education for Uruguay's Ceibal Plan is in the final phase of preparation, which is being carried out in collaboration with the Directorate-General of Taxes. The Ceibal Plan is framed within the international project, 'One laptop per child', which seeks to promote digital inclusion in order to enable greater access to education and culture. The video game, designed by students themselves in a national contest, will be used by 154,000 high school students each year. There will also be a regional version which will be used by 12 countries in Latin America.

For its part, Chile's Internal Revenue Service has granted the right to use its television series 'El debut de la Banda' (Debut of the Rock Band) for young people, which has been adapted to the reality of El Salvador, Costa Rica, Peru, Bolivia, Uruguay, Brazil, Honduras, Guatemala and Mexico. The series is an educational tool that creates an atmosphere for talking and reflecting on the subject of taxes from a recreational, young, and citizen's perspective.

Bolivia's National Tax Service has built a recreational-educational space for taxpayer education at its own facilities, for which it has used El Salvador's 'RecreHacienda' space as a reference. Through games, students between



Space for taxpayer education games of Bolivia's National Tax Service, supported by EUROsociAL

the ages of 6 and 12 years learn about taxes and public spending while building their ideal city following the path of public money.

## I pay my taxes but I demand transparency

Raising people's awareness of the importance of paying taxes must be accompanied by citizen empowerment to demand transparency in the use of public funds. Accordingly, El Salvador has promoted the implementation of an associate degree in 'Taxpayer Education, Transparency and Access to Information' for teachers of technical baccalaureates through a partnership between the Ministries of Finance and Education and the Secretary of Transparency of the Presidency of the Republic. In 2015, the increased inclusion of this subject in education curricula is being supported, in addition to the preparation of teaching guides for primary and secondary school teachers. The Institute for Access to

Public Information has also joined in with these efforts.

In Chile, within the framework of the new civic education course introduced by the President of the Republic, work is being carried out by the Council for Transparency and the Ministry of Education into the process of defining the educational curriculum and preparing support guides for secondary school teachers.

## A compass for the journey

To guarantee the efficiency of taxpayer education programmes, work is being carried out into reinforcing the evaluation and monitoring methodologies of the Accounting and Tax Support Centres in Mexico and Brazil, and of the formal and informal education strategies of El Salvador, Mexico, Costa Rica and Bolivia.

## Dissemination and management of knowledge

Similarly the first global publication on taxpayer education has been prepared jointly with the Tax and Development Programme of the OECD and the Institute for Development Studies called *Building Tax Culture, Compliance and Citizenship. A Global Source Book on Taxpayer Education*.

Regarding the dissemination of knowledge, the European-Latin American Tax Education Network has been formalised with a governance model and an Internet portal ([educacionfiscal.org](http://educacionfiscal.org)). EUROsociAL is confident that the network will become a channel for specialised learning between the tax and education institutions of the European Union and Latin America. This network will strengthen public policies on taxpayer education in order to bring about more prosperous and cohesive societies.

# OPINION



## The formulation of possible lines of work in the tax area for countries of Latin America<sup>1</sup>



**JUAN C. GÓMEZ SABAÍN**

*Tax policy expert. Professor at the Universidad Nacional de Buenos Aires. Former Secretary of Tax Policy of Argentina*

According to the latest economic data for the region, the forecasts for economic growth in the countries of Latin America are the most modest of the last five years. This results from a series of unfavourable external factors, such as lower prices for raw materials due to the economic deceleration in China, an increase in external financing, and more limited prospects of capital input. The reduction in the positive balances in public accounts, worsened by the dependence of some countries on tax funds from the exploitation of non-renewable natural resources, has

once again placed the problem of state financial sustainability in the spotlight. This has led to a reassessment of the role of fiscal policy in view of changes in the economic cycle.

On the other hand, the improvement in real wages and the growth of the middle classes have resulted in growing citizen demands regarding public spending, especially in the areas of social protection, health and education, which require sufficient tax revenue to guarantee financing. Therefore, it is essential to insist

on a consolidation of the current tax systems, and to give priority to reforms that are aimed at reducing the level of non-compliance, improving the distributive effect of taxes, and generating conditions that favour sustainable growth of the region's economies.

The main tax aspects that should be strengthened in each of the countries of Latin America will be highlighted below, with the qualification that they vary according to the characteristics and circumstances of each country:

<sup>1</sup>. We would like to express our appreciation for the collaboration of Dalmiro Morán in the preparation of this article, which represents a synthesis of the document drafted at the request of the Technical Cooperation Office in Uruguay on behalf of the Spanish Agency for International Development Cooperation (AECID). Its updated version was presented at the 'Regional workshop of Latin America: public finance and mobilising domestic resources for development: the role of international cooperation', organised by EUROsocial II in July 2014 in Antigua (Guatemala).

- The modest redistributive effect is one of the main shortcomings of current taxation in the countries of the region. To turn this situation around, it is imperative that the relative weight of direct taxation be increased within the tax structure<sup>2</sup>. In particular, this requires progress in including all income within the taxable base of the personal income tax, regardless of the source or generating activity, and in the choice of the structure and level of personal deductions, and the rates to be applied in each case, in addition to complementing these tax treatments with the taxation of sporadic capital gains.
- In developed countries, the debate about the taxation of high-income individuals has once again emerged. While some work on the subject has recently been carried out, it would appear that there is still more room to advance our knowledge of these aspects. This is especially true for determining the magnitude, economic importance, and composition of this select group, and in reformulating highly progressive direct taxes such as those that encumber the possession and transfer (donations/inheritances) of assets.
- Taxation levels are limited due to the existence of restricted tax bases, which are the product of the presence of tax incentives and benefits. In this regard, there is considerable ground to be covered with respect to the quantitative evaluation of the efficiency and efficacy of the wide range of tax incentives that are granted, and tax expenditure for sector-related purposes and/or economic

promotion, as well as the overall benefits contained in the tax legislation of each country.

- The OECD was a pioneer in facing a series of actions to control the erosion of tax bases and the transfer of profits through legal strategies adopted by multinational companies, known collectively as the 'BEPS project'. Subsequently, it was accepted that these problems affect not only developed countries but also developing countries and



regions to an equal or greater extent, and therefore require the cooperation of all nations affected by these practices<sup>3</sup>. Given that these practices appear mainly through the abusive manipulation of transfer pricing between affiliated companies, it is appropriate to move forward with the inclusion of legal and administrative tools to discourage these types of operations and thus protect the potential flow of tax resources in the countries of the region.

- The Value Added Tax constitutes the main instrument for generating tax resources, and it has become more

consolidated over the years in all countries. However, it is possible to consider the possibility of introducing alternatives to restrain the regressive impact of the tax, and obtain advances in distributive equity, given that this effect constitutes the main weakness of the tax.

- In view of the high levels of informality recorded, the possibility of using tax instruments not so much to increase collections, but to facilitate the process of formalising small-scale economic agents, should be considered in order to effectively record their activities and make it feasible to include them in social protection schemes. While simplified tax systems have been implemented in almost all the countries in Latin America, only in some, such as Argentina, Brazil and Uruguay, is the provision of basic pension coverage and health insurance contemplated through those systems. Whether this should be as an option or on a mandatory basis merits evaluation as a viable alternative for other countries in the region<sup>4</sup>.
- The fiscal relations between the different levels of government represent a complex and unresolved chapter that requires in-depth analysis. Given the vertical asymmetry observed in the allocation of spending and revenue between government levels, it is essential to advance in the search for instruments that assure an adequate degree of financial autonomy, proper financing of decentralised public spending responsibilities, and better administration of the funds available in each jurisdiction.
- In OECD countries, there have been specific efforts to strengthen the link

2. ECLAC and IEF (2014), 'The effects of tax policy on redistribution in Latin America and the European Union', EUROsociAL II Programme, Madrid.

3. OECD (2014), 'Part I of a Report to G20 Development Working Group on the Impact of BEPS in Low Income Countries', OECD Publishing.

4. Cetrángolo, O., A. Goldschmit, J. C. Gómez Sabaini y D. Morán (2013), 'Regímenes tributarios simplificados e informalidad en América Latina, con especial referencia a los casos de Argentina, Brasil y Uruguay' [*Simplified tax systems and informality in Latin America, with special reference to the cases of Argentina, Brazil and Uruguay*], FORLAC programme, ILO, Lima.

between vehicle taxation and environmental policies by adapting traditional taxes according to the fuel efficiency of the engines, the emission of polluting gases, urban planning, and transport policies. Motor vehicle taxes, represent a central element in Latin America, due both to their variety and the possibility of contributing additional tax revenue, or to offset reductions in distortionary taxes that have still not been taken advantage of.

- It is essential to increase the level of compliance regarding the main taxes through a substantial improvement in the tax administration and a strengthening of the tax culture of taxpayers. Exchanges and collaboration between the tax collection agencies of the region's countries could be a decisive step in this area. Similarly, it should be noted that it is necessary to use public bodies or private-sector entities to systematise and ideally, institutionalise, the periodic estimates regarding tax evasion with respect to all taxes, and publicly disseminate this information.

establishing a dual taxation system on income (Uruguay, Peru and several countries in Central America), and many more have managed to reduce the long list of tax benefits that have expanded the base of the ISR<sup>5</sup>. The introduction of new taxes on financial transactions and minimum taxes that have helped to increase funds and raised the level of compliance was also generalised. The recent tax reform approved in Chile represents a successful example of current trends in the subject at a regional level.

It is essential  
to increase the  
level of compliance  
regarding the main taxes  
through a substantial  
improvement in the tax  
administration

However, over the last two decades, there have also been numerous examples of tax reform proposals that despite having a solid technical basis, have encountered major difficulties in materialising, either because they were not approved, or because after having been approved, they failed in their objectives either as a result of poor implementation, or by legal challenges.

This multiplicity of circumstances necessitates an examination of the factors that condition and clearly determine the success of a specific tax reform, and also of public policies in general. This expansion of the approach by incorporating multidisciplinary elements that extend beyond the purely tax perspective would allow a greater understanding of the particular characteristics of taxation in Latin America. It is therefore believed that studying and deepening our knowledge of the aspects of the political economy of tax reforms would contribute to an improvement in public management and above all, an avoidance of unnecessary trauma.

In recent years, the countries of Latin America have been introducing a series of reforms designed to modernise and consolidate their tax systems. While these modifications are part of an ongoing process, a renewed emphasis in distributive matters related to taxation is notable. This is in clear contrast to the spirit of the tax reforms of the past, which prioritised efficiency objectives and horizontal equity.

With a highly favourable international context, various countries in the region have achieved a notable increase in their tax revenue, together with greater participation in direct taxes. In several countries, there has been progress in



5. Gómez Sabañi, J. C. and D. Morán (2014), 'Tax Policy in Latin America: Diagnosis and guidelines for a second generation of reforms', *Macroeconomics of Development Series*, No 133, Santiago, Chile: ECLAC United Nations.

# Fiscal agenda for the future of Latin America

ÓSCAR CETRÁNGOLO

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It seems clear that on average, and as a result of major changes to public policies and financing, the region has managed to make considerable progress in its social indicators. It is also obvious that the differences with respect to the interior of the region are huge. However, there is still a long way to go.

It is not just a matter of objective indicators. More importantly during the past decade, there has been a growing certainty that in order to improve income distribution, and the situation of those farthest from effectively exercising their economic, social and cultural rights, stronger and more efficient state action is necessary.

The work of EUROsociAL programmes I and II has coincided and contributed decisively to this change of vision. Having had the privilege of participating in numerous debates and actions under this umbrella, I will highlight some of the lessons concerning the virtues, limits and alternatives of public policies in order to indicate the main challenges that lie ahead. The future agenda of reforms in the region cannot ignore these lessons. In addition the reforms and debates following the recent European crisis cannot be overlooked.

There have been some tax reforms for improving the distributive impact, and improvements in the tax administrations, which made it possible to reduce evasion

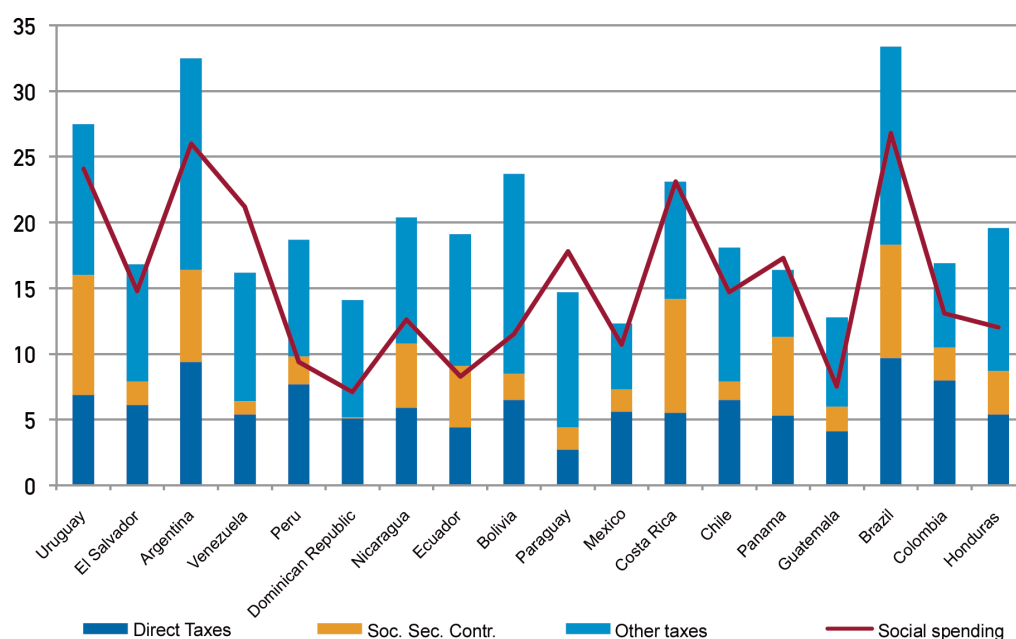
While there are differences between countries, there have been considerable advances in the levels of the tax burden and social spending led by pensions and transfer programmes to the neediest households. In addition, better macro-tax management is perceived, something which has become evident by the greater care taken of the impact of the fiscal policy on the economic cycle. There have been some tax reforms to improve the distributive impact, and improvements in the tax administrations which have reduced the possibility of tax evasion. Finally, some improvements in the statistics and the performance of impact measurements will be reflected in the design of future policies.

Unfortunately, the solution to the problems of social cohesion in the region is not as simple as merely increasing the state's presence. Inappropriate use of public funds can generate undesired effects and eventually discredit policies that are necessary if properly executed. On the other hand, it would be naïve to think that government action alone could explain the differences between countries. The historical-institutional diversity between them, their ethnic characteristics, the size of the territories and other geographic factors, together with the presence and strength of civil society organisations, and numerous other factors, can supply complementary explanations. The following graph illustrates the differences in inequality between households which cannot solely be explained by the state's presence.

Considerable challenges remain, and the experience of those cases that took the lead in the necessary reforms will be very valuable for those which remain. Bearing in mind the diversity of situations and the multiplicity of aspects which need to be confronted, the challenges consist of developing new reforms, introducing new programmes, or expanding and adapting existing initiatives to those countries which lag behind. The challenges in six areas that we believe must be tackled in the following countries are presented below.

**Social management and tax burden (level and structure) of countries of Latin America, ordered by the Gini index (from low to high), as a % of GDP**

Source: prepared based on data from CEPALSTAT and the World Bank.



## 1. The need to ensure macro-economic equilibriums

Unlike previous experiences, the need to face reforms that involve strengthening the state's presence, both quantitatively and qualitatively, has been accepted in the region, whilst taking into consideration the medium-term fiscal sustainability. This has reduced the risk of crises, which in many countries, combined with greater control over inflationary processes, has reduced the negative effects of macro-economic volatility on the least favoured sectors.

The absence or scant significance of automatic stabilisers so common and effective in Europe (especially unemployment insurance or income tax) requires a rethinking of counter-cyclical policies. It must not be forgotten that introducing these strategies in 'boom' periods is extremely difficult when the shortcomings are so evident. Who is willing to put a brake on demand when there are funds available for increasing spending?

## 2. Increasing the level and changing the structure of taxation

The achievements regarding taxes, while considerable, are not sufficient. Improvements have not been generalised, and even in those cases in which acceptable levels of tax burden have been achieved, these must be consolidated, and the collection structure requires improvement. In general, collection must be increased in almost all countries, while maintaining and consolidating indirect taxation, and strengthening direct taxation. In order to reverse the modest redistributive effect of

current taxation in the region, the relative weight of direct taxation must be increased. The following are among the reforms most needed in the various countries: (1) Improving the tax administration to reduce tax evasion; (2) Increasing the impact of taxation on high-income individuals; (3) Adjusting taxation on the profits of companies through expansion of tax bases; (4) Revising tax expenditure; (5) Resolving the shortcomings that have prevented improvements in wealth taxes (especially important for sub-national financing); (6) Compliance with international tax standards; and (7) Reaching tax convergence and coordination agreements, both regionally and internationally. In addition, the growing concern about the effect of environmental pollution must be accompanied by tax reforms that have climate change mitigation or adaptation effects. Finally, with regard to the levels of informality registered, it is necessary to consider using tax instruments not only to increase collection but to facilitate the process of formalising small-scale economic agents (whether micro enterprises or independent workers) in order to effectively record their activities and thus make it viable to include them in social protection schemes.

**In general terms, collection must be increased in almost all countries, while maintaining and consolidating indirect taxation and strengthening direct taxation**

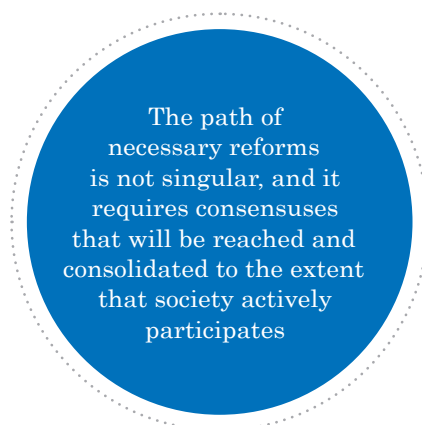
### 3. Expanding the scope and improving the impact of social protection

It is becoming increasingly urgent to define schemes with benefits that do not require a history of formal work to access social housing. Unfortunately, the existence of broad sectors of the population who are engaged in informal work and do not make social security contributions through wages and who consequently are not covered by the traditional social security systems is a characteristic of the economies of the region. Without overlooking the need to improve the level of formality of the economies, risk coverage must be given to informal workers and their families. As a consequence it is necessary to reduce, and eliminate as much as possible, the fragmentation of systems and to ensure social housing, which can be increased as the tax space increases.

### 4. Correcting the potential negative effects of decentralisation of social policies

If we want to achieve more equitable societies, attention must be paid to the differences in the internal development in each case. The countries in the region are highly unequal territorially. Over the past 30 years, there have been important processes in decentralising powers and functions towards sub-national governments. These processes, which covered almost all Latin American countries, have highly diverse characteristics and scope. Beyond the explicitly stated objectives in each reform process they have all had significant effects on social cohesion and public accounts. It will be necessary to determine the responsibilities of each level of

government in providing and financing each component of social protection. By avoiding overlaps that might generate inefficiency in the use of public funds and ensuring that the central governments have the powers and capacities to compensate differences throughout the territories of each country.



### 5. Rethinking and strengthening public education systems

The region needs to make substantial improvements in the functioning of its education system if it wants to resolve inequality and achieve more cohesive societies whilst simultaneously improving the growth and competitiveness of its economies. As proposed in the preceding section, in decentralised provision schemes, the compensatory action of central governments has a predominant role. In addition to this recommendation, in-depth debate is necessary to provide guidelines that can generate improvements in the systems that can be adapted to each particular case and are capable of meeting the new demands of the education systems. This will involve complex reforms that cannot be determined centrally by modifications in financing, but the impact on governance of the system cannot be overlooked.

### 6. Improving budget processes and the quality of spending

The variety of public policies required and the pressure that the various sectors apply in favour of the demand that basic consensus be reached on the priorities in each particular case. This must be part of an unavoidable, strategic and medium-term vision that was partially abandoned by the countries. The pacts (explicit or implicit) regarding these priorities and their financing include, in the interest of efficiency, the coordination of initiatives between areas and levels of government. Likewise, it is becoming increasingly obvious that the different policies require careful monitoring, evaluation and accountability, which is necessary in the never-ending reformulation of state action to address true 'moving targets' such as the needs of our societies. Without a doubt this requires a modern civil service with a hierarchy, and a sophisticated and adequate statistical system, such as has been shown by the European Union experience.

To conclude these reflections, it must be stressed that the path of essential reforms is not singular, and requires a consensus that will be reached and consolidated to the extent that society actively participates. Furthermore, that the least favoured sectors understand that taxes serve to build a more just society in which greater development opportunities exist. When building these consensus, international cooperation must play an important role and find fertile ground to make its contributions.

# Gender focus in public budgets



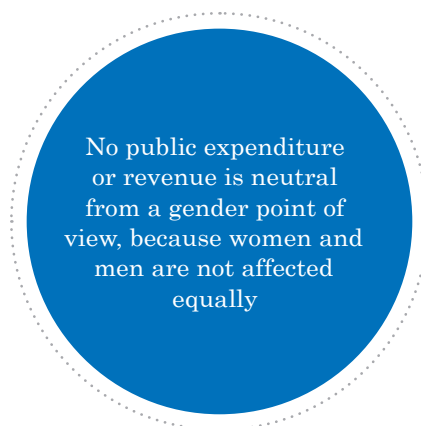
Budgeting with a gender perspective means that inequality must be assumed from the start and that all policies must be focused on reducing or eliminating it.

**ALAIN CUENCA**

*PhD in Economics. Professor of Applied Economics at the Universidad de Zaragoza*

Since the United Nations Fourth World Conference on Women held in 1995, the need to incorporate the gender perspective into the processes of drafting the budgets of public administrations has been promoted. This incorporation does not solely consist of allocating specific budget items to equality policies, but rather, Gender Responsive Budgeting (GRB) goes much further. This means that budget techniques take into account the impact of public revenue and spending on women and girls, on the one hand, and on men and boys, on the other. For example, when allocating public funds for rail transportation, it should be noted that high-speed lines are used more by men and suburban trains are used more by women. In other words, there must be an awareness that no public expenditure or revenue is gender neutral, because women and men are not affected equally. Given that there is gender inequality in modern societies, policies that do not contribute to reducing or eliminating it must be understood as favouring the status quo and, therefore, inequality.

GRBs are applied at various levels of government: central, regional or local,



depending on a country's administrative structure. For example, when a local government builds a public park or a school it must consider the different use made of the space by boys and girls in order to favour the latter.

A distinction is also made according to the strategy adopted with respect to intervention in the public budget. This can mean an external evaluation by an official institution or women's NGO which influences and provides feedback to the budgeting process. Or more precisely, GRB

is applied endogenously, thereby establishing the gender perspective in each of the public budget phases: planning, preparation, execution, and evaluation of public revenue and spending.

In any event, it is necessary to have a statistical basis with a solid gender perspective in order to start with an accurate diagnosis of the situation of inequality. This will allow an ex-ante evaluation of the consequences on inequality by the different spending and revenue alternatives in order to choose the ones that best serve gender mainstreaming and the specific objectives of each policy.

The gender impact is manifested differently depending on whether we refer to public revenue or to spending. Regarding revenue, tax laws are what tend to introduce discrimination. To cite just one example in this regard, the favourable tax treatment of a married couple with one wage-earner is an illustration of the legal consolidation of role inequality. The gender impact of taxes, duties and social contributions depends on legislative design, wherefore it is already a



given when the budgeting process begins. Therefore, GRB has, to a greater extent, been concerned with expense.

There have been numerous European and Latin American experiences with applying GRBs. Considering the scope of the central government in 2012, according to the European Institute for Gender Equality<sup>1</sup>, only eight Member States of the European Union had established legal regulations for integrating the gender perspective when drafting their budgets. Of those countries, only in Austria, Spain and France applied this legislation across the board in all ministries. In turn, R. Coello conducted an inventory of Latin American experiences<sup>2</sup> and verified that in the first decade of the 21st century, 17 out of the 18 countries

While gender inequality persists, it will be necessary to deepen in the incorporation of the gender perspective in all public policies

in Latin America (all except Argentina) had implemented GRB experiences in their state budgets. Given that there had only been one

experience in 2001, the considerable effort since then can be appreciated.

As long as gender inequality persists in Europe and Latin America, it will be necessary to deepen the inclusion the gender perspective in all public policies. Even though there has been considerable progress in introducing the idea, it still hasn't been possible to internalise gender inequality when making public decisions in most countries. Budgeting with a gender perspective means that inequality must be assumed from the start and that all policies must be focused on reducing or eliminating it. There is a lot of work still to be done.

1. <http://eige.europa.eu/>

2. <http://econpapers.repec.org/scripts/redir.pf?u=http%3A%2F%2Fhalshs.archives-ouvertes.fr%2Fdocs%2F00%2F87%2F69%2F00%2FPDF%2FXVEncuentro-pl351.pdf&h=repechaljournl%3Ahalshs-00876900>

# INTERVIEW



## Rodolfo Acuña Namihas

Director General of the Public Budget, Ministry of Economy and Finance of Peru

*What advantages do multi-annual budget programmes and budgets contribute to improving the quality of public spending?*

Budget programmes place the citizen at the centre and contribute to appropriately and efficiently delivering a set of products, goods and services, through the development of comprehensive and coordinated activities that attack the main causes of a specific problem affecting the target population. In addition to all of this, multi-annual budgets estimate, with medium-term programming (three tax years), the impact of these programmes and multi-annual public investment, thereby achieving a notable improvement in the quality of the execution of public spending, while they both simultaneously allow coordination of the national

government with regional and local governments.

*What are the main challenges for the coming years for establishing multi-annual budget programmes and budgets in the Latin American region in general, and in Peru in particular?*

I think that in Latin America, the main challenge continues to be institutionalisation. This means that the majority of countries must change from the allocation of funds by inputs to an allocation of funds that takes into account management results when drafting their budget. Similarly, it is necessary to go deeper into the efficient use of Results Based Budgeting (RBB) instruments, because, while some countries have constructed systems of indicators to

monitor the budget, these systems are not designed to evaluate the results of governmental actions but are limited to indicating the evolution of the indicators.

In Peru's case, the main challenge is to develop the territorial structure of budget programmes with efficient participation by local governments in the programming and formulation phases of multi-annual budgets. This allows municipalities to correctly record budgetary information, both financial and physical, and to acquire appropriate knowledge of the performance indicators for the budget programmes.

We also have the challenge of generating the use of performance information when drafting the budget. Therefore, certain

achievements in the budget programmes must be reached.

These include developing the capacities to design, implement and execute results-based budgets at public entities; developing or adapting processes, systems and tools that accomplish them, support and facilitate results-based budget management; and defining targets linked to national policies.

*To what extent can a programme like EUROsocial, which promotes peer-to-peer learning, contribute to establishing multi-annual budget programmes and budgets in Latin America? What do you think has been the main contribution of the programme to the Directorate-General of Public Budget?*

I believe that sharing experiences enables us to reflect on how much we have advanced and how much still remains to be done by comparing ourselves to leading countries or institutions, with instruments that have worked and have had successful experiences. To promote peer-to-peer learning in order to contribute to implementing budget programmes, we could include the presentation of international experiences on the territorial integration of budget programmes at a subnational level. In addition, the presentation of mechanisms that enable the development of institutional capacities at a subnational level, and the presentation of a single platform that allows efficient communication between different levels of government, for the purpose of improving the territorial integration of budget programmes.

*Promoting the evaluation of the efficacy and efficiency of spending and the institutionalisation of evaluation systems has been one of the action lines of the programme in the finance area. To what extent has Peru advanced in integrating evaluation in the budget cycle? How does this affect the citizen?*

“Budget programmes place the citizen at the centre and contribute to appropriately and efficiently delivering a set of products (goods and services)”

The evaluation instrument is very important, because it makes possible the deepening of the analysis and the identification of bottlenecks. Progress is being made on this integration through evaluations of processes and impacts. The former have made it possible to obtain additional information that can be used for the budget discussion. This has led to improvements in processes, which has led to benefits for the target population of a public intervention. In the latter case, impact evaluations make it possible to verify whether positive changes are attributable to a public intervention. They also make it possible to ascertain which intervention should have priority according to the results of the evaluations. This happened with the evaluation of Teaching Accompaniment, which served to focus on multi-teacher schools, where there was more impact than in multi-grade schools

*Is the territorial integration of budget programmes turning out to be complex, considering that the decentralisation process in Peru doesn't seem to be moving forward? What are the most immediate challenges?*

The challenges are diverse. A mechanism

that enables communication between the various levels of government (national, regional and local) is needed so that there can be efficient coordination of budget programmes within the framework of budget by results. In turn, the technical capacities of subnational public entities are low, and are hindered by high staff turnover in the different areas of the local and regional governments. On the other hand, the increase in the number of local governments means that progress in gradually implementing results-based budgeting through the territorial integration of them, is slow. The heterogeneity of the municipalities in relation to the level of economic development, degree of accessibility, and level of training means that implementation of the territorial integration of budget programmes is difficult and slow. In the context of decentralisation, the subnational governments have gained autonomy and powers, but the link with sectoral policies has been weakened. In the case of budget programmes, this has been evidenced by the fact that the processes for delivering products are not uniform and therefore don't guarantee the coverage and quality of the products.

*Peru has submitted, with the support of EUROsocial, to a peer review on precisely this subject. The 'peer review' is a methodology used extensively by the EU which consists of an assessment or evaluation of the policy of a country (the examined country) by other countries (they tend to be policy makers or civil servants from counterpart institutions) in order to improve the design and/or effectiveness of that policy. What would you highlight in this methodology?*

This methodology contributes to the extent that it includes experiences from other peer countries and to the extent that countries have a similar social and economic context.

# NETWORKS



## The Ibero-American Network of Authorities and Experts on Fiscal Policy

The alignment of economic policies, particularly fiscal policy, is essential to sustaining action by the state that endeavours to be universal, progressive, and environmentally sustainable.

**SALVADOR ARRIOLA**

*Secretary of Ibero-American Cooperation (SEGIB)*



The challenge is to increase the fiscal space for financing the development agenda in a way that is sustainable over time. Fiscal policy faces many challenges in its functions of stabilisation, allocation of public funds, and income redistribution.

In countries with high levels of inequality and citizen insecurity, it is necessary to deepen the redistributive function of fiscal policy, given that it can no longer remain neutral. In OECD countries, tax action is capable of significantly reducing income inequality, as measured by the Gini index, due both to the importance of transfers to lower-income sectors and to the effect of progressive tax systems. Fiscal policy in Latin America must not only concern itself with this function of redistributing national income, but also close gaps in territorial, gender, inter-generational, and inter-cultural equality. In the area of public spending, conditional income-transfer programmes for lower-

“The Ibero-American Fiscal Policy Network addresses the need to establish a space for policy dialogue and sharing of experiences on the definition, execution, and reform, of fiscal policies for development, including the corresponding political economy considerations”

income citizens, the pillars of solidarity in social protection systems, must be strengthened. Moreover, stable policies in the development of infrastructures, innovation and education must be implemented.

The fiscal financing gap is still significant. While great heterogeneity exists between countries, mainly between those of the Southern Cone, with tax collection similar to the average for OECD countries, and others of Mesoamerica with lower rates. Overall the tax burden is low, and the structure is skewed towards non-progressive taxes, and non-compliance levels are significant.

In Ibero-America there is a broad and diverse set of good practices with respect to the important role played by fiscal policy in state reforms. These are experiences that we must share and evaluate and, above all, learn from.



## ‘The added value of the Network has to lie in defining and implementing cooperation and technical assistance actions, rather than in being an additional forum for dialogue’

The Ibero-American Fiscal Policy Network addresses the need to establish a space for policy dialogue and sharing of experiences

on the definition, execution, and reform of fiscal policies for development, including the corresponding political economy considerations.

Underscoring the importance of continuing along this path, within the framework of the 21st Ibero-American Summit in Asunción, Paraguay, the Ibero-American Heads of State and Government “urged the SEGIB and the ECLAC to support the establishment of the Ibero-American Network of Authorities and Experts on Fiscal Policy, which, within the framework of Transformation of the State and Development, will meet periodically to share statistics, reforms and good practices on this subject”.

In 2012, it was decided that the OECD Development Centre would join the coordination activities of the network. Likewise, we welcomed the incorporation the Programme for Social Cohesion in Latin America, EUROsociAL, into our task.

The Ibero-American Fiscal Policy Network must distinguish itself not only for not

duplicating the tasks of other forums and bodies in Latin America, but also for contributing, through specific added value, to improving the tax systems in Ibero-America.

The added value of the Network must lie in defining and implementing cooperation and technical assistance actions, rather than being an additional forum for dialogue.

That is the main purpose. In other words: contributing to the design and implementation of an Ibero-American cooperation and technical assistance project that identifies offers and demands that can be supported by the different institutions involved.

As indicated in the document, *Fiscal Panorama of Latin America and the Caribbean 2014. Towards Greater Quality in Public Finance* of the ECLAC: “The task of fiscal policy doesn’t end with monitoring fiscal solvency but rather must also address the medium-term objectives of distributing available income, growth, and sustainable development”.

# The European-Latin American Tax Education Network: united for a new tax culture

EUROsociAL has promoted the creation of a Tax Education Network made up of European Union and Latin American tax and education administrations. The network has a governance model and an Internet portal: [educacionfisca.org](http://educacionfisca.org).



Values and building citizenship  
Tax awareness  
Accountability



Latin American and European Union tax administrations are increasingly aware that, in addition to transmitting the risk of penalty to the taxpayer, there are also other actions directed at achieving better tax compliance with tax obligations. These include an improved service to citizens, and taxpayer education strategies designed to get citizens to internalize voluntary tax payment as a personal conviction.

Progressively, taxpayer education linked to democratic values and the exercise of citizenship has been included as a strategic line by numerous Latin American tax

administrations as well as in several EU countries, with the support of education ministries and universities, amongst others.

Taxpayer education professionals are aware that they face common problems and obstacles, but they have found that sharing experiences among peers strengthens them in terms of optimising their situations, reducing costs and effort, and raising the awareness of the authorities of finance and education ministries.

This is why, taking into consideration the demands of the countries and within the

framework of EUROsociAL II, the formal creation of a Tax Education Network (REF) has been promoted. This is conceived as an area of specialised, flexible and participatory learning among EU and Latin American tax and education institutions that seek to strengthen public policies on taxpayer education.

The initiative means giving continuity to and consolidating the efforts made during the first phase of EUROsociAL (2005-2010), when an information network was created which was coordinated by the programme. Now an important step is being taken to



Representatives of the institutions comprising the network at its first assembly held in La Paz in July 2015

guarantee sustainability beyond EUROsocial, thanks to its own governance model and a new Internet portal.

To prepare the network's by-laws, a working group consisting of the tax administrations of Brazil, Mexico, Bulgaria, Honduras and Chile was organised, with Spain's FIAPP acting as the temporary secretary of the network until its governing bodies are elected.

The government of the REF is comprised of its assembly, its permanent secretariat, and the executive committee. Each institution has a focal point. There are four modes of membership in the REF: full members (tax administrations of Latin America and the Caribbean), associated institutions (tax administrations of the EU and educational institutions of the EU and LAC), collaborating institutions (tax institutions of territorial governments and legal persons under international law that contribute by their technical or financial assistance to the

## According to its by-laws, the REF sets forth the following main objectives:

- To emphasise the importance of taxpayer education as a public policy to achieve more prosperous and cohesive societies.
- To foster an exchange of experiences to strengthen taxpayer education initiatives through peer-to-peer learning.
- To raise awareness in public, private and civil society institutions and in the general population regarding the importance of taxpayer education as a vehicle for generating greater reciprocity between the state and its citizens.
- To establish channels and tools for dialogue and cooperation that enable systematisation and dissemination of knowledge by taking advantage of new technologies and 2.0 communities and by generating continuous feedback.

## ‘The Network is conceived as a specialized, flexible and participatory learning space for tax and educational institutions of the European Union and of Latin America’

development of the network), and observers (any entity with objectives compatible with those of the REF).

The joint work of exchanging the experiences of this community has enabled the ‘regionalisation’ of best practices in

formal and non-formal educational contexts: curricular insertion strategies, teaching methodologies, university extension and social responsibility initiatives, and multimedia and recreational spaces, among others.

## The Tax Education Network portal, a virtual meeting point

Within the framework of EUROsociAL II, a portal for supporting the work of the network has been created at <http://www.educacionfiscal.org>, in addition to a specific sub-portal at <http://rednaf.educacionfiscal.org> for work related to the Accounting and Tax Support Centres (NAF Network).

The portal offers various services for exchanging experiences, as well as for systematising and disseminating available knowledge on the subject via channels including a blog section, a virtual library, innovative experiences, news, a YouTube channel and a Twitter account (@culturafiscal).

An area of the network exists for coordinating its various working groups: formal education, informal education, higher education, Accounting and Tax Support Centres (NAF), communication strategies, and taxpayer education measurement strategies.

To date, the tax administrations of Austria, Bulgaria, Costa Rica, Finland, Spain, Italy, Brazil, Bolivia, Mexico, Ecuador, El Salvador, Honduras, Guatemala and Uruguay have formally joined the network. Regarding the associated educational institutions, the following are part of the REF: the Universidad Nacional Autónoma de Honduras, the Pontificia Universidad Católica de Ecuador, the AIEP Professional Institute (Chile), the Universidad Estadual de Paraíba and the Universidad de São Paulo (Brazil) and the Universidad Nacional Autónoma de México-UNAM. Collaborating local and state government institutions include the Secretaría de Finanzas de Fortaleza (Brazil), the Federação Brasileira de Associações de Fiscais de Tributos Estaduais (Brazil) and the Ministry of Education of El Salvador.

The first meeting of the network was held on 27th and 28th July in La Paz (Bolivia), in the presence of 27 experts from 14 Latin American and European Union countries. After the first assembly, the Presidency of the Network was assumed by Brazil's Receita Federal, and the Permanent Secretariat by Mexico's Tax Administration Service.



# OPERATING



## The AEAT: an operational partner of the EUROsociAL programme

### IGNACIO DEL RÍO ANGULO

*Head of the International Relations Coordination Unit Office of the Directorate-General of the AEAT*

### PALOMA PÉREZ DELFA

*Advising inspector and coordinator of the International Relations Coordination Unit Office of the Directorate-General of the AEAT*



The EUROsociAL II programme represents for Spain's State Tax Administration Agency (AEAT), as an operational partner; one of the most important ways of cooperating with Latin American countries and provides expert advice included in the agency's two lines of action: information and assistance for promoting voluntary compliance, and the detection and control of fraud.

Through technical assistance events, the AEAT's experts have delved into the reality of the tax administrations of Mexico, Colombia, Costa Rica, Brazil, Ecuador, Bolivia and Argentina, among others. They have all shared a common vision, the need for results-orientation, and the events have represented an extremely useful experience, in which knowledge has both been transmitted and received.

The search for tangible results has always been the vector that has guided the activities coordinated by the AEAT, without prejudice to the difficulties that arise between tax administrations as a consequence of their different administrative procedures, and their internal organisation, etc. We could

highlight, among other examples, the technical assistance given to Ecuador in August 2014 regarding mandatory electronic notification. As a result of supporting the preparation of a methodology for implementing mandatory electronic notification, a 60 % increase in the percentage of electronically notified documents was achieved by the end of 2014.

Another example is that of El Salvador, which requested technical assistance to join the Global Forum. An initial visit in November 2014 contributed to them passing Phase I of the Peer Review. In 2015, the collaboration with El Salvador continued, allowing it to move on to Phase 2, and in July El Salvador's representatives visited the offices of the Central Information Team.

While AEAT is the body that has carried out almost all of the actions assigned to it as the operational partner, it hasn't always worked alone. In some cases, the Latin American administrations identified experiences of interest in European

countries. AEAT transferred the requests for assistance to its contact points in these countries. Despite the increased effort these activities represent in terms of trying to explain the programme to other tax administrations, the experience has been positive. For example, the Netherlands' co-participation in the 'Technical Assistance for Costa Rica for creating the Forum for Large Companies' is notable; as well as Portugal's co-participation in the 'Technical Assistance for Colombia on fiscal control of invoicing devices, POSs and cash registers'; Chile's visit to Denmark regarding compliance scoring; and the participation by France's DGFIP, together with AEAT, in assisting Chile in the control and detection of elusive formulas.

This has been AEAT's line of work as an institution, for which collaboration in the EUROsociAL programme represents a commitment to cooperation. This represents a strengthening of collaborative bonds between the tax administrations of Spain and countries of Latin America, thereby creating contact points for future collaboration, both within and outside the EUROsociAL programme.

# IEF

## Institute of Fiscal Studies

**ÁLVARO DEL BLANCO GARCÍA**

*Deputy Sub-Director General*

**JESÚS RODRIGUEZ MÁRQUEZ**

*Director of Studies*

**NURIA BADENES PLÁ**

*Representative of Economy*

**CÉSAR PÉREZ LÓPEZ**

*Representative of Statistics*

**PILAR GALINDO LÓPEZ**

*Secretary of Study Management*

**EMMA SALAS MOLAS**

*Support Personnel*

**SONSOLES CID ASTRUGA**

*Administrative Staff*



Through the EUROsociAL II programme, the Institute of Fiscal Studies in Spain (IEF), together with the Office of Planning and Budgeting of the Presidency of Uruguay (OPP) and the International Association of Public Budgeting (ASIP), have carried out numerous technical advisory activities in the area of financial administration. Under the plan-budget link and public policy evaluation line of action, Latin American countries have been supported in their efforts to improve coordination between planning and public finance departments so that budgets are drafted more in accordance with the needs of each country. In turn, workshops have been conducted to improve the design of budget programmes to ensure that budgets are drafted with a focus on results. Finally, they have been advised to include the multi-annual component in the budget, and the evaluation teams of the departments of

public finance and planning have been reinforced.

The results have been very satisfactory and several Latin American countries have notably improved their financial administration. There are two fundamental reasons for this: firstly, due to the involvement of their public managers and teams, and secondly as a result of the support provided through the best experiences that exist in Latin America and Europe, which have enabled an exchange of successful experiences. The result has been the implementation of these experiences in other countries of Latin America, adapted to their specific realities.

For example, Paraguay and Honduras have created Mixed Finance-Planning Commissions to favour coordination

between the two departments, based on Costa Rica's experience. In Ecuador, this coordination has improved notably, but in accordance with the regulations, without creating a commission. Ecuador, Paraguay, Peru and Costa Rica have also significantly progressed by improving the design of their budget programmes. In this respect the methodology agreed upon in Ecuador for the gradual implementation of a results-oriented budget should be noted, as well as Peru's support, as one of the best experiences in Latin America in the design of their budget programmes.

Finally, an evaluation of the public policies has been a fundamental component of the advice. Achievements include the strengthening of the evaluation teams in Peru, Paraguay, Uruguay and Ecuador using a methodology based on initial training and



the preparation, by the Latin American institutions themselves, of evaluations of the main public policies of their countries. This has been carried out with the support and ongoing advice of European experts. The next step in this area was the institutionalisation of evaluation. To date, there have been major advances in Peru and Paraguay, which lends a sense of optimism about its definitive implementation. Moreover, a Handbook on Good Practices in the Institutionalisation of Evaluation was drafted, in which Ecuador, Peru, Paraguay, Costa Rica and Uruguay participated.

On the other hand, the IEF, in collaboration with the Spanish Tax Agency (AEAT) and the Inter-American Centre of Tax Administrations (CIAT), provided support on tax reforms for some Latin American countries during 2015. Despite the short time frame, there have been major achievements in this area. These include the drafting of the White Paper in Ecuador, which will serve as the basis for a reform of the country's tax code; or the implementation of a fiscal barometer in Paraguay as an instrument for surveying citizen opinion regarding the taxes they pay and their relation with the range of

.....

**‘This circumstance has favoured fluid dialogue among the requesting countries and the public experts who have a perfect understanding of the problems and difficulties they face’**

.....

available public services and the corporate image of the Ministry of Finance, among other taxation issues.

Since the creation of the IEF in 1960, international cooperation has been one of its main functions, especially with countries of Latin America. The EUROsociAL programme has made it possible to increase the IEF's presence in advising and collaborating with the public

institutions of Latin America. From this perspective, the EUROsociAL programme is an instrument of special interest for the support that the IEF offers to Latin American countries.

Finally, some of the advantages of the design of the EUROsociAL II programme should be highlighted. Firstly, the programme is focused on an exchange of experiences between public administrations. This has favoured fluid dialogue between the requesting countries and the public experts who have a perfect understanding of the problems and difficulties they face. Secondly, the fact that the action plan has been prepared based on the demands of the countries of Latin America is vitally important, and this has clearly been shown in our case, so that the activities implemented have culminated in regulatory, organic and operational changes. Finally, the programme's results-orientation, together with its flexibility, has made it possible to give the action plans an interesting degree of internal coherence.

# The Inter-American Center of Tax Administrations (CIAT)

## Levelling the knowledge of tax administrations to promote voluntary compliance

**MÁRCIO F. VERDI**

*Executive Secretary*

**ISAAC GONZALO ARIAS ESTEBAN**

*Director of Cooperation and International Taxation*

**MÓNICA ALONSO**

*Manager of International Cooperation*

**MARÍA SOFÍA LÓPEZ**

*Technical Assistant of Cooperation and International Taxation*



The, 'voluntary compliance with tax obligations' action of the EUROsociAL II programme has been an important pillar in supporting far-reaching decisions by the tax administrations of Latin America regarding both regulatory aspects and administrative processes. All of which have led to achieving greater efficiency and efficacy in the formulation and application of domestic tax law.

Within the framework of this action and with the support of the operational partners, IEF<sup>1</sup>, AEAT<sup>2</sup> and CIAT, it has

been possible to coordinate efforts with various participants. The support provided by the most developed tax administrations in Latin America was essential for reaching the levels achieved in South-South cooperation, especially in areas such as billing systems, control of transfer pricing, international information exchange, taxpayer services and massive controls.

While North-South activities represent the greatest proportion, the level of South-South activities has grown in relation to similar projects carried out in

previous years (see Graph 1). South-South activities focused on the affairs shown in Graph 2.

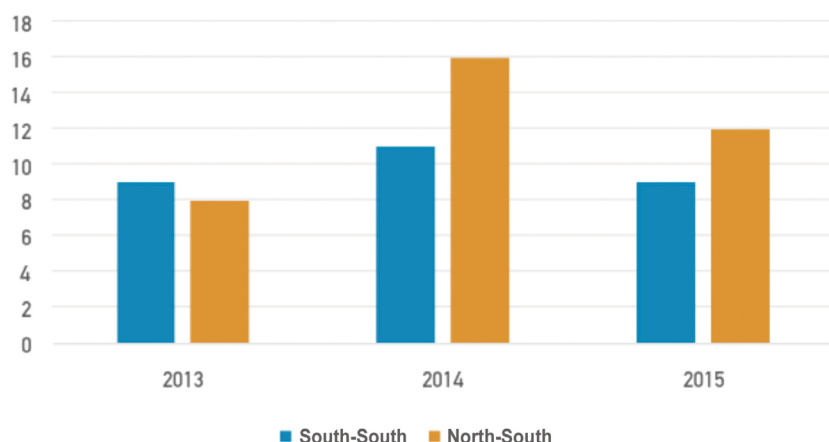
The demand-orientation was exactly right to achieve maximum commitment from the beneficiaries and optimum results. The flexibility of the programme made it possible to provide the necessary support in a highly volatile context, characterised by changes in government authorities and by changes in the definition of priorities.

The optimisation of various processes is

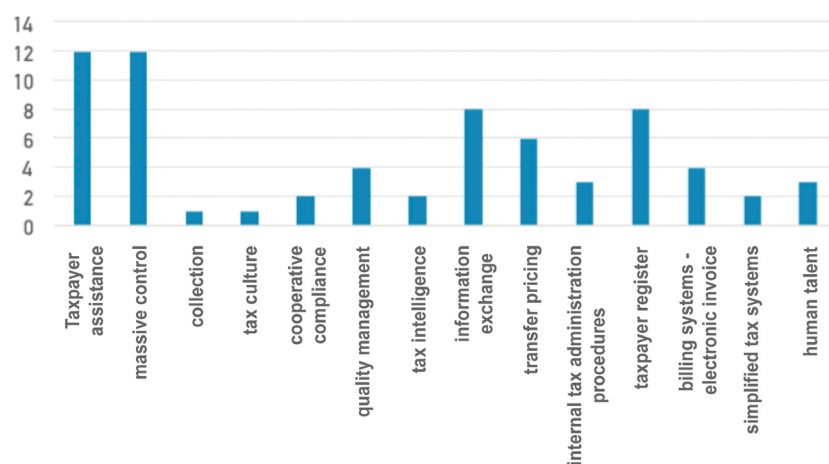
1. Institute of Fiscal Studies of Spain.

2. Spanish State Tax Administration Agency.

Graph 1. South-South and North-South activities



Graph 2. Thematic areas



“The demand-orientation was exactly right to achieve maximum commitment from the beneficiaries and optimum result”

notable among the results achieved with the accompaniment of EUROsocial II. These processes include the taxpayer assistance process, which is based on better information mechanisms and the use of technology; the increase in quality levels in the main processes of tax administrations; and the reinforcement of the control capacity of the administrations, regarding both massive and selective controls.

Some of the most notable experiences include the following cases:

- Paraguay has applied new control mechanisms for large taxpayers, which had been previously implemented

successfully in both countries of Latin America and the European Union. Establishing these controls, formalised through a Decree, resulted in an increase in tax collection of approximately 44.5 % on corporate profits in the Commercial, Industrial and Service-Related Activities Income Tax.

- Uruguay, as a result of its participation in exchange visits between Latin American and European Union countries, requested support in the preparation of a handbook of in-person and telephone assistance for taxpayers. This was developed with the assistance of Chile. It was approved in April 2015 and was implemented in June of that year for the 2014 IRPF/IASS income tax period carried out in 2015. Since that date, the DGI has noted a considerable improvement in the quality of taxpayer assistance. The development of this handbook constitutes a tool for assuring uniform action by those who provide in-person and telephone assistance.
- The exchange of experiences was decisive for Bolivia with respect to the effective international exchange of information. Based on the technical assistance provided, and coordinated with other efforts deployed by the IMF on this subject, protocols for reaching agreements on the exchange of information, for regulatory adjustments and for implementing cooperation methods, have been created.
- The programme allowed CIAT, (whose role is to accompany the development of the tax administrations of its member countries by supporting reforms and promoting an area for regional exchange) to maximise its action capacity and make efficient use of resources by combining them with the support of the tax administrations themselves and other strategic partners in the region.

# Ministry of Finance of El Salvador

ROBERTO DE JESÚS SOLÓRZANO CASTRO

*Deputy Minister of Finance*



Over the last ten years, programmes such as EUROsociAL have been an expression of the combined effort made by Europe and Latin America to succeed in generating changes in public policies. Changes that will improve social cohesion and raise the well-being of a society based on equal opportunities, a sense of belonging, and solidarity.

El Salvador has been the beneficiary of this programme in its two phases. This has represented an essential cornerstone for promoting various public policies directed at the continuous improvement of the services provided by government institutions, including the tax administration, to achieve efficient and transparent public spending through effective and appropriate tax collection. This has resulted in the achievement of greater social cohesion among the entire Salvadoran population, which has demanded it. Moreover, international commitments of major importance have been assumed and materialised based on the exchange of experiences and best practices as a tool for institutional cooperation, in which taxpayer education is a specific example.

Seven years have passed since that famous date in March 2008 when the first meeting of the Central American and Caribbean Tax

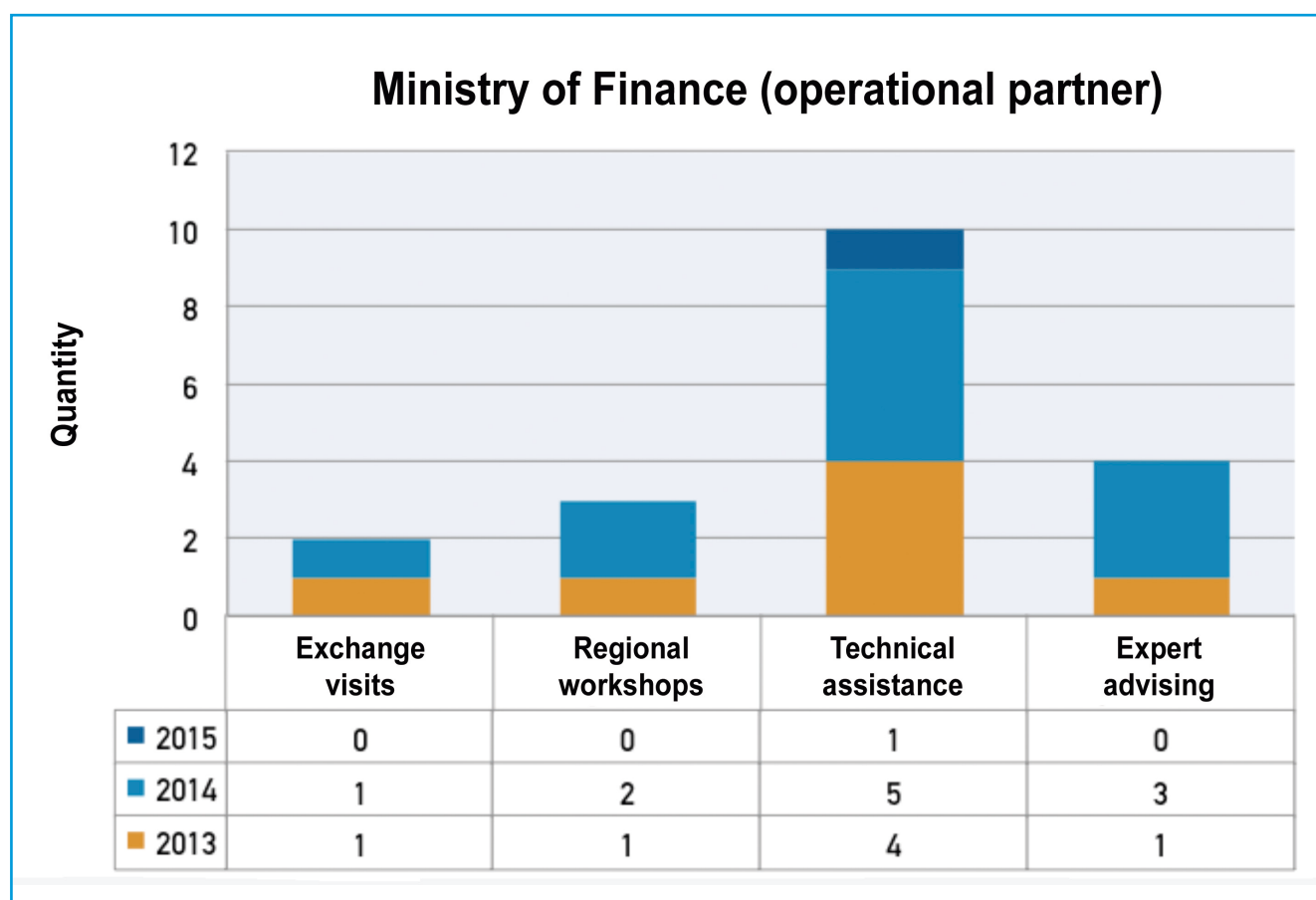
“International commitments of major importance have been assumed and have materialised based on the exchange of experiences and best practices as a tool for institutional cooperation”

Education Network took place in the city of Antigua, Guatemala, organised by the Institute of Fiscal Studies of Spain and the EUROsociAL Coordination Office. Its objective was to share knowledge and transfer national strengths to the regions in order to take better advantage of

resources within the framework of a joint strategy on taxpayer education. The participants were representatives of the tax administrations and the education ministries of Central America and the Dominican Republic, as well as employees of AEAT and AFIP, who presented the Spanish and Argentinian programmes, respectively.

The second phase of the programme continues to promote social cohesion, seeking to ensure that the exchanges do not stop merely at mutual knowledge of the countries and their administrations, but that they become lessons, which translate into actions. These will be oriented towards changing public policies and will eventually contribute to improving this cohesion. Within this framework our country, represented by the Ministry of Finance, was designated by EUROsociAL as one of its operational partners for the financial year 2013-2014. This is a great honour, and huge challenge and an unimaginable experience. It is certainly gratifying to receive recognition for the work done by this tax administration. However, the satisfaction from the attainment of these objectives is even greater.

Thus, funds from the EUROsociAL programme, totalling 291,779.00 euros,



have been used to support taxpayer education programmes, both internally and in collaboration with the tax administrations of Mexico, Guatemala, Honduras, Costa Rica, Peru, Chile, Ecuador, Brazil, Paraguay, Uruguay and Bolivia. This work was carried out through regional events, visits for exchanging experiences, technical assistance and the hiring of consultancy firms, among other initiatives. Moreover, notable results in this area have been achieved in the countries of the region. This is the case of the Tax Education Network, which gives life and formality to sustaining the work which has been under way for several years and which is related to the country objectives within the tax administration.

Graph 1 details the various activities carried out as an operational partner between 2013 and 2015.

For our institution, being an operational partner has meant teamwork, which has

involved different areas of work that have acted effectively and in coordination with the commitments established in the Cooperation Agreement signed on the 12th October 2012 with the International and Ibero-American Foundation for Administration and Public Policies (FIIAPP).

Within the work our institution is doing in the area of taxpayer education, it is important to highlight the agreement signed with the Ministry of Education and the joint work to combine objectives, both institutional and country objectives. It should also be mentioned that since the end of 2014, we have been working with universities in the higher education sector; to engage them in the fundamental role of taxes and the role that we have as citizens.

The work continues with Tax Education Diplomas, directed at teachers and students, as well as Diplomas on Tax Education and Transparency, directed at

teachers. This work is being done jointly with the Ministry of Education and the Institute for Access to Public Information, and there have been visits to our recreational spaces, 'RecreHacienda' and 'Exprésate', among other activities.

Finally, we would like to express our satisfaction at being a participant in all the advances and achievements that we have attained as a region. We would also like to express our infinite gratitude to EUROsocial for having placed its trust in this institution, and in addition we give our best wishes for the success of future phases, in which we are certain we will continue to play a leading role.

# PUBLICATIONS



## Public Finance Bulletin I



### EUROsociAL, FIIAPP

Language: Spanish

Year: 2014

Thematic areas: Visibility (cross-cutting), Public Finance

Collection and Series: Sharing EUROsociAL, 1 / Encounters

Related link:

<http://www.sia.EUROsociAL-ii.eu/documento.php?id=1658>

## Public Finance Bulletin II



### EUROsociAL, FIIAPP

Language: Spanish

Year: 2015

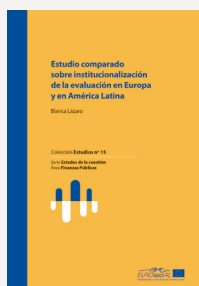
Thematic areas: Visibility (cross-cutting), Public Finance

Collection and Series: Sharing EUROsociAL, 2 / Encounters

Related link:

<http://www.sia.EUROsociAL-ii.eu/documento.php?id=3867>

## Comparative study on institutionalisation of evaluation in Europe and Latin America



### Lázaro, Blanca

Language: Spanish

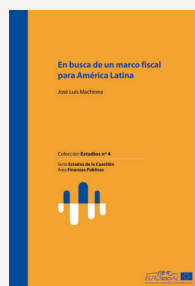
Year: 2015

Thematic areas: Public Finance  
Collection and Series: Studies, 15 / Analysis

Countries: supranational

Related link: <http://www.sia.EUROsociAL-ii.eu/documento.php?id=4543>

## In search of a tax framework for Latin America



### Machinea, José Luis

Language: Spanish

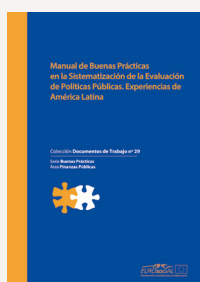
Year: 2014

Thematic areas: Public Finance  
Collection and Series: Studies, 4 / Analysis

Countries: Supranational

Related link:

<http://www.sia.EUROsociAL-ii.eu/documento.php?id=824>



## Handbook on Good Practices in the Systematisation of Public Policy Evaluation. Latin American Experiences

Related link: <http://www.sia.EUROsociAL-ii.eu/documento.php?id=3924>

Language: Spanish

Year: 2015

Thematic areas: Public Finance  
Collection and Series: Working Documents, 29 / Good Practices  
Countries: multi-country



## Building Tax Culture, Compliance and Citizenship



**Organisation for Economic Co-operation and Development (OECD); International and Ibero-American Foundation for Administration and Public Policies (FIIAPP)**

*Language: Spanish*

*Year: 2015*

*Thematic areas: Public Finance*

*Collection and Series: Other collections*

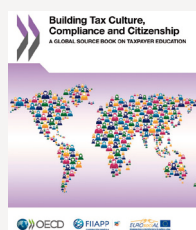
*/ Guides and Manuals*

*Countries: supranational*

Related link:

[http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/fomentando-la-cultura-tributaria-el-cumplimiento-fiscal-y-la-ciudadania\\_9789264222786-es#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/fomentando-la-cultura-tributaria-el-cumplimiento-fiscal-y-la-ciudadania_9789264222786-es#page1)

## Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education



**Organisation for Economic Co-operation and Development (OECD); International and Ibero-American Foundation for Administration and Public Policies (FIIAPP)**

*Language: English*

*Year: 2014*

*Thematic areas: Public Finance*

*Collection and Series: Other collections*

*/ Guides and Manuals*

*Countries: supranational*

Related link:

<http://www.sia.EUROsociAL-ii.eu/documento.php?id=3285>

## Building Tax Culture, Compliance and Citizenship



**Organisation for Economic Co-operation and Development (OECD); International and Ibero-American Foundation for Administration and Public Policies (FIIAPP)**

*Language: French*

*Year: 2015*

*Thematic areas: Public Finance*

*Collection and Series: Other collections*

*/ Guides and Manuals*

*Countries: supranational*

Related link:

<http://www.sia.EUROsociAL-ii.eu/documento.php?id=3991>

## Programme-based budgeting within a results framework with a planning focus



**Rodríguez, Jesús; Del Blanco, Álvaro; De Angelis, Armando; Torrejón, Lucía; Sanz, Andrés**

*Language: Spanish*

*Year: 2014*

*Thematic areas: Public Finance*

*Collection and Series: Working Documents, 8 / Guides and Manuals*

*Countries: Ecuador*

Related link:

<http://www.sia.EUROsociAL-ii.eu/documento.php?id=2305>

## The effects of fiscal policy on redistribution in Latin America and the European Union



**Economic Commission for Latin America and the Caribbean (ECLAC); Institute of Fiscal Studies (IEF), Spain**

Language: Spanish

Year: 2014

Thematic areas: Public Finance

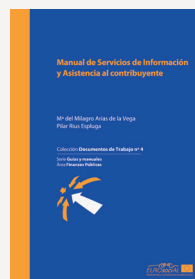
Collection and Series: Studies, 8 / Analysis

Countries: supranational

Related link:

<http://www.sia.eurosocial-ii.eu/documento.php?id=1588>

## Manual of Taxpayer Information and Assistance Services



**Arias de la Vega, M<sup>a</sup> del Milagro; Rius Espluga, Pilar**

Language: Spanish

Year: 2014

Thematic areas: Public Finance

Collection and Series: Working

Documents, 4 / Guides and

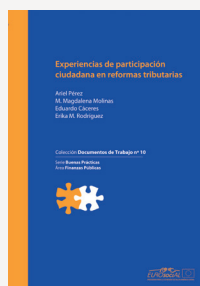
Manuals

Countries: supranational

Related link:

<http://www.sia.eurosocial-ii.eu/documento.php?id=140>

## Experiences and citizen participation in tax reforms



**Pérez, Ariel; Molinas, M. Magdalena; Cáceres, Eduardo; Rodríguez, Erika M.**

Language: Spanish

Year: 2014

Thematic areas: Public Finance

Collection and Series: Working

Documents, 10 / Good Practices

Countries: Supranational

Related link:

<http://www.sia.eurosocial-ii.eu/documento.php?id=1092>

## Choosing the quantitative evaluation method of a public policy



**Moral-Arce, Ignacio**

Language: Spanish

Year: 2014

Thematic areas: Public Finance

Collection and Series: Working

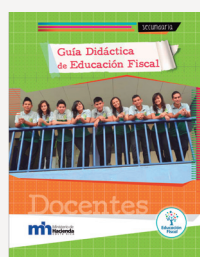
Documents, 6 / Guides and

Manuals

Related link:

<http://www.sia.eurosocial-ii.eu/documento.php?id=711>

## Teaching Guide for Taxpayer Education



**Ministry of Finance of Costa Rica**

Language: Spanish

Year: 2013

Thematic areas: Public Finance, Education

Collection and Series: Other collections /

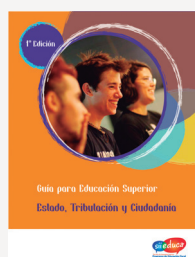
Guides and Manuals

Countries: Costa Rica

Related link:

<http://www.sia.eurosocial-ii.eu/documento.php?id=716>

## Guide to Higher Education: State, Taxation and Citizenship



**Internal Revenue Service, Ministry of Finance of Chile**

Language: Spanish

Year: 2014

Thematic areas: Public Finance, Education

Collection and Series: Other collections /

Guides and Manuals

Countries: Chile

Related link:

<http://www.sia.eurosocial-ii.eu/documento.php?id=945>

## EUROSociAL II PUBLIC FINANCE

“A European-Latin American programme that supports governments in increasing tax collections and the equity of their public revenue systems, improving the quality and productivity of public spending and promoting the sustainability of fiscal accounts.”



Coordinating partner:



Operational partners:

