ATI Sessions on Monitoring Domestic Resource Mobilisation

31 May 2018, Ministry of Finance Stockholm, Sweden

"We will measure progress on domestic revenue mobilisation, and develop and track country-specific indicators and targets for revenue collection and other aspects of tax system performance." (ATI Declaration, annex principle)

The Addis Tax Initiative (ATI) meeting on indicators took place on the 31st May 2018 at the Ministry of Finance, Stockholm, Sweden. The purpose of the meeting was as follows:

I. Sharing of experiences of past and current efforts aimed at identifying appropriate and internationally comparable indicators to measure DRM reform.
II. Discussing the necessary criteria for indicators and indicator sets that will be required to build a more comprehensive measuring framework that will allow to monitor countries' overall progress on DRM reforms.

1. Opening Session

1.1. The Addis Tax Initiative (ATI) meeting on indicators commenced with a welcome address by Gunilla Näsman (Ministry of Finance Sweden). This was followed by an introductory remarks by ATI Co-Chair Steve Rozner (USAID), who highlighted the importance of the meeting in paving the way to ensuring that there is a well-rounded set of manageable indicators that captures various aspects of the DRM success or progress such as effectiveness, efficiency, transparency and fairness.

1.2. To set the scene for meeting discussions, Mr Collen Lediga, ITC advisor gave a presentation on how the development of a set of indicators to measure DRM reforms is enshrined in the ATI Declaration. The ATI's mission to monitor progress on ATI Commitment 2 – partner countries to step up domestic revenue mobilisation as a key means of implementation for attaining the SDGs – has previously been evaluated using the conventional tax to GDP ratio, the Doing Business indicator, PEFA assessments and the Global Competitiveness Report.

1.3. However, these measurements come with the following shortcomings: the Global Competitiveness Index and 'Doing Business' are both survey-based and do not necessarily reflect what actually happens on the ground; tracking revenue performance alone is not sufficient for capturing countries' progress in improving the fairness, transparency, and efficiency of the tax system. Moreover, Mr. Lediga highlighted that PEFA assessments are neither available for all countries nor completed annually, and many ATI partner countries have not undertaken TADAT assessments, and most of those, who have undertaken one, do not publish their results. He concluded by pointing out that it was for this meetings to initiate dialogue on how to remedy the current challenges in our DRM reform measures.

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2. Session One – Measuring progress in DRM reform: experience and lessons learnt

2.1. The first session of the meeting was aimed at discussing experiences, lessons learnt and challenges faced by most institutions with experience in developing and working with DRM measuring indicators. The session started with a panel discussion followed by open floor discussion.

2.2. Andrew Okello from the IMF presented some of the IMF and partners' led tools such as ISORA and TADAT , and Revenue Administration Gap Analysis Program', which is designed to assist countries in estimating their revenue gaps. Further pointed out in the discussion was some issues faced in dealing with some of these tools such as insufficiency of data and the poor quality of the data that is available. Lessons learnt from the IMF led tools like ISORA included initial problems with data analysis units not established—impacts on continuity of work, and issues relating to the integration ISORA into tax administration's own performance management system being very slow.

2.3. The discussions concluded with a call for countries to embed the TADAT methodology into their regular performance monitoring, reporting and accounting systems and foster ownership in implementing DRM reforms; Donors and development partners should complement each other using the TADAT results for technical assistance project; and by surfacing data through ISORA, countries should be in a better position to know where improvements are required. ISORA has certainly provided a means for low capacity countries to look beyond measuring revenue collection alone.

2.4. Daniel Nuer from the Ghana Ministry of Finance spoke from a partner country's perspective about the importance of meeting the revenue target set by the government. In his view, other indicators like tax to GDP ratio, play a subordinate role. Ghana Revenue Authority (GRA) could not successfully measure indicators that were defined in GRA's strategic plan. With this knowledge, Mr Nuer underscored the importance of prioritizing the right objectives in the strategic plans and consequently monitoring strategic plans properly. Recently, a TADAT assessment was conducted in Ghana. So far, the internal discussions during the TADAT assessment have been useful, though the follow-up process has slowly dissipated. Mr Nuer also expressed his concern regarding increases in debt for African countries which leads to rising fiscal pressures.

2.5. Joseph Stead of the OECD emphasised the role of comparable tax statistics in measuring progress of DRM reform. Mr. Stead highlighted the OECD 'Revenue Statistics' publication, which provides reliable tax statistics for 90 countries. While DRM reform is supposed to have a monetary impact, technical assistance should be about more than just money. DRM related projects must increase the sustainability of revenues, tax morale and institution building. According to the Afrobarometer, African ATI-countries appear to have higher tax morale than the rest of Africa. In addition, Mr. Stead introduced the maturity model, which helps identify is the factors necessary to reach different levels of maturity (from nascent to mature); for instance, with regards to measuring compliance burden.

2.6. In the subsequent discussion, Steve Rozner introduced the "Collecting Taxes Database" of USAID. This database contains quantitative revenue performance indicators, such as how well a particular tax program performs in generating revenues for the treasury given its overall rate structure, and how well the overall tax system produces revenues given the costs of administering the tax system. Richard Tusabe from Rwanda highlighted the need to strengthen data capabilities of tax officials in order to improve automation of tax returns (e.g., e-payments via mobile phones).

3. Session Two – Experiences and lessons learnt from measuring DRM reforms.

3.1. The second session of the meeting was aimed at creating a discussion platform to hear from actual users of DRM indicators. Expected outcome of the discussion was to learn from actual users on what according to them important criteria that DRM progress indicators should meet are and the scope of those indicators.

3.2. Vishal Gujadhur from the Bill & Melinda Gates Foundation highlighted four dimensions of tax reforms – efficiency, effectiveness, fairness and transparency – that should be considered in measuring DRM reform that could guarantee a comprehensive approach. Political leadership and governance might be a fifth dimension as it is important to promote trust and accountability. In particular, CSOs are worried about quantitative targets because they may neglect social dimensions like equity considerations, gender responsiveness and human development.

3.3. John Mpoha from Malawi Ministry of Finance led remarks on not doing away with current indicators but building on them. He pointed out that although the conventional Tax to GDP ratio as a measure of revenue performance might be seen as not fully accurate to some situation, but it remains a useful measurement for countries like Malawi. Mr. Mpoha emphasised that TADAT is a useful tool to measure the performance of tax administrations. However, the assessment of DRM reform should stronger include tax policy and citizen state relationship. Hence, tax policy performance measures could include tax expenditure, tax exemptions and taxpayer perception.

3.4. Marcio Verdi (CIAT) introduced the various indicators of CIAT to measure progress in tax reform in Latin America. Mr. Verdi highlighted the difficulty in the relative comparison of the tax to GDP ratio of two countries, as these may have varying preferences in the amount of taxes to collect as a share of their economic performance (GDP). For Latin American countries, CIAT uses a collection cost index to measure the efficiency of revenue authorities in collecting taxes. Additionally, CIAT collects data on tax expenditures, VAT efficiency and VAT evasion. Out of CIAT's experience in collecting tax data, it is important to ensure high quality of data and comparability of data.

3.5. In the ensuing discussion, participants emphasised to include various social dimensions into a set of indicators, including, for example, a tax system's ability to reduce inequality. Additionally, a delegate suggested to use the revenue to GDP – as opposed to the tax to GDP ratio – because the revenue to GDP ratio includes additional sources of public revenue like royalties for extraction of oil and minerals and social security levies.

3.6. The results of this session, and especially the requirements for an indicator to measure DRM reform, serve as a comprehensive foundation for ATI Consultative group 2 and its work in developing a set of indicators to more effectively measure the progress of DRM.

4. Closing Session – The wayforward

4.1. The ATI Co-Chair expressed appreciation for the Ministry of Finance Sweden for hosting the meeting and also ATI members for their active participation in ensuring fruitful discussion. It was further pointed out that meeting discussions and points of agreements will be taken forward to the consultative group 2, which is mandate to organise and execute activities to support fulfilment of ATI commitments 2 on DRM Indicators to measure reform progress and performance.