

Concept Note ATI Monitoring 2016

1. Background and purpose of the ATI Monitoring

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership for capacity building in the area of domestic revenue mobilisation (DRM) with a particular focus on taxation. The ATI was initiated at a high-level side event in the course of the 3rd United Nations Financing for Development Conference in Addis Ababa in July 2015. Currently, the initiative assembles a total of 54 development partners, partner countries, regional and international organisations as well as research institutions. In the spirit of the Addis Ababa Action Agenda, all ATI signatories declare their commitment to enhance the mobilisation and effective use of domestic revenues and to improve the fairness, transparency, efficiency and effectiveness of their tax systems. Through this, the ATI directly contributes to achieving target 17.1 of the Sustainable Development Goals (SDGs) that aims to “strengthen domestic resource mobilization, including through international support to developing countries to improve domestic capacity for tax and other revenue collection.”

In particular, the ATI Declaration formulates three central commitments:

Commitment 1 (development partners)

Stepping up Technical Cooperation in Tax / Domestic Revenue Mobilization. *“As participating providers of development cooperation, we collectively commit to double our support for technical cooperation in the area of taxation/domestic revenue mobilization by 2020”*

Commitment 2 (partner countries)

Enhancing Domestic Revenue Mobilization so as to Spur Development. *“As participating partner countries, we hereby restate our commitment to step up domestic resource mobilization in order to increase the means of implementation for attaining the Sustainable Development Goals and inclusive development”*

Commitment 3 (all signatories)

Ensuring Policy Coherence. *“Complementary to the commitments to step up funding and enhance domestic revenue mobilization, we all commit to pursue policy coherence for development”*

Progress regarding the commitments will be closely monitored by the International Tax Compact (ITC) that is facilitating the secretariat for the Addis Tax Initiative.

The monitoring of the three commitments focuses on the efforts of ATI signatories (including all ATI development partners and ATI partner countries) to enhance DRM. The ATI Secretariat encourages and welcomes contributions from supporting organisations on their work and/or portfolio in the area of DRM. Results of the ATI monitoring will be published in the form of a Monitoring Brief on each of the three commitments (as is planned for the monitoring exercise considering the 2016 ODA flow data, to be published in 2018) or in comprehensive Monitoring Reports (as was the case with the 2015 ATI Monitoring Report which was published in 2017). Also, the information collected will be made available in the DRM database (see <http://drm.taxcompact.net>) which is being provided by the International Tax Compact.

The ATI monitoring aims to:

- a) monitor the progress made against meeting the three ATI Commitments,
- b) enable peer learning through the dissemination of good practices,
- c) identify regional and topical trends in the area of DRM, and
- d) give an outlook on planned future activities to enable effective coordination.

The first Addis Tax Initiative Monitoring Report was launched at the ITC/ATI Tax and Development Conference that took place from 14-16 June 2017 in Berlin. The report provides the baseline for monitoring future progress with respect to the fulfilment of the ATI Commitments and covers the reporting year 2015 (**Baseline Report**).

Based on the results, ATI development partners will need to increase support by **223.76 million USD of gross disbursements** and **237.96 million USD of commitments** until 2020 in order to fulfil their commitment to collectively double ODA spending in the area of DRM until 2020 (commitment 1). Furthermore, the Baseline Report looked at a set of indicators to assess the status quo concerning domestic revenue mobilisation in ATI partner countries (commitment 2) and considers narrative contributions of the ATI signatories on their efforts to ensure policy coherence for development (commitment 3).

The 2016 monitoring will take up the results of the Baseline Report by providing information on the progress made in the reporting period and will be published in three individual reports, one for each of the three ATI Commitments (**Monitoring Briefs**). The next comprehensive report is scheduled to be published in 2019 to provide a mid-term review of the fulfilment of the ATI Commitments.

During the preparation of the 2016 report, the ITC Secretariat will carefully consider the feedback provided during the ITC/ATI Tax and Development Conference and other discussions over the last year. With respect to the monitoring of Commitment 2, ATI partner countries' feedback suggests that some of the indicators used in the Baseline Report need to be reviewed in order to improve the transparency of data collection as well as the coverage and comparability of indicators. This will help to provide a more accurate and detailed picture of DRM reform in partner countries. Likewise, the indicators used to measure progress with respect to policy coherence in particular in the area of DRM (Commitment 3) will be subject to discussion and review.

In order to tap into the wealth of expertise and experiences of ATI's members, the Initiative will set up one **consultative group** for each of the three commitments. The groups aim to organise and execute activities to support the fulfilment of the ATI commitments as well as to provide advice to the ATI Steering Committee. Results of the consultative groups' considerations concerning the ATI monitoring framework (especially with regards to indicators to measure progress on the three commitments) will already be included in the monitoring exercise for the 2016 period.

2. Structure of the monitoring briefs

The main difference between the structure of the 2015 Baseline Report and the structure of the 2016 Monitoring Report is that the results for the commitments will not be provided in one single publication, but in three shorter publications (one for each of the ATI Commitments), the so-called monitoring briefs. Each of the monitoring briefs will provide an update on the progress made on fulfilling the respective ATI commitment and follow up on the findings of the 2015 Baseline Report. Publishing the monitoring briefs one by one throughout 2018 will help to ensure that the developments around each commitment are being discussed properly and receive the necessary attention.

- **Introduction.** This first section briefly outlines the respective commitments and describes the rationale behind them.
- **Methodology.** The methodology section describes in detail the process of data compilation and analysis. It illustrates the necessary reporting steps for the respective commitment with a focus on the two main sources of the ATI Monitoring Report (i.e., quantitative information gathered through official data sources and/or ATI members input and narrative information based on the ATI Monitoring Survey).
- **Key findings.** This main section gives a comprehensive overview on the key findings for the respective commitment with special reference to the most critical issues raised in the Baseline Report.

3. Methodology

The three ATI Commitments will be monitored using a broad range of quantitative and qualitative information from different sources, which include (but are not limited to): official and/or publicly accessible databases, country-specific indicators provided by ATI members, and feedback to the ATI Monitoring Surveys. Other than in the 2015 monitoring exercise, there will be three individual survey rounds collecting information on each of the three commitments before throughout the year. This is to ensure that all considerations with regards to monitoring methodologies and/or indicators undertaken by the consultative groups are taken into account in the respective monitoring briefs. The surveys will most likely be of both quantitative and qualitative nature.

In general, the indicators used throughout the monitoring shall allow for a credible reporting based on the criteria set out by the ATI, that is: comparability and consistency, credibility, accountability and transparency as well as practicability.

The ATI monitoring shall not only consider information on the input level, but also focus on visible outputs and outcomes of DRM activities. This results-based monitoring is directly linked to the principle of aid effectiveness in international development cooperation endorsed at the High Level Fora on Aid Effectiveness in Paris (2005), Accra (2008) and Busan (2011). Therefore, where applicable, the surveys will provide the opportunity to submit narrative contributions, especially with respect to good practices and success stories but also potential needs for support. These contributions will be used to underpin analytical findings in the monitoring briefs and be made available to the public in the DRM database.

As this was a major outcome of the deliberations held at the 2017 ITC/ATI conference and the subsequent discussions since then, the indicators used for the monitoring of Commitments 2 and 3 will be revised and subject to discussion among the consultative groups. For this reason, the exact methodology that is to be used for monitoring these commitments is, at this point, still under discussion and details will be included in an updated version of this Monitoring Concept Note.

Commitment 1: “Stepping up Technical Cooperation in Tax / Domestic Revenue Mobilization”

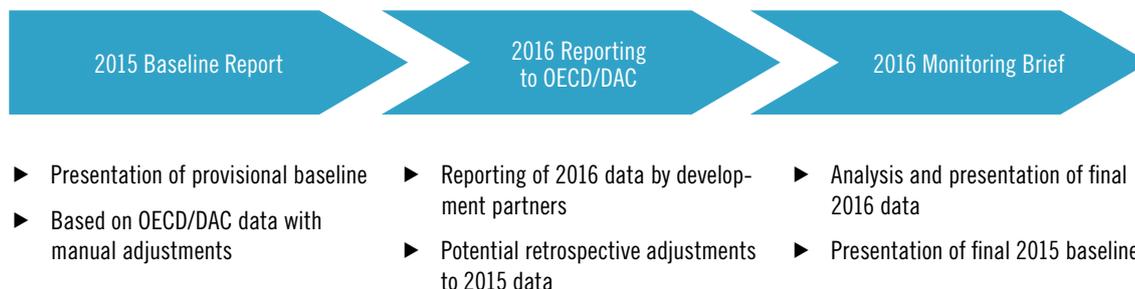
The monitoring of Commitment 1 is based on ATI development partners’ official reporting to the OECD/ DAC CRS Purpose Code 15114 (“DRM Code”) for the period 2016. The DRM Code is based on the following definition:

“Support to domestic revenue mobilisation/tax policy, analysis and administration as well as non-tax public revenue, which includes work with ministries of finance, line ministries, revenue authorities or other local, regional or national public bodies. (Use code 16010 for social security and other social protection.”

The 2016 data will be compared to the baseline data for the reporting year 2015. It needs to be noted that, during the preparation of the Baseline Report, adjustments had to be made to the 2015 data upon request of some ATI development partners such that the figures presented in the Baseline Report differ from those in the OECD/DAC database.

Additionally, retrospective changes to the 2015 data might have occurred during the year 2016, which might have also changed the baseline numbers. Consequently, the 2016 Monitoring brief on commitment 1 will establish the final 2015 baseline, based on the most recent OECD/DAC data and possibly further adjustments provided by the individual development partners (Figure 1).

Figure 1: Process of data collection and adjustment (2015 and 2016 data)



In order to collect the data considered in the monitoring process, the International Tax Compact will at least extract the information as depicted in Table 1 from the OECD DAC database for each ATI development partner and year.

Table 1: CRS 15114 Monitoring data

Country(s) / Region	CRSID	Project number	Project title	Project period	Long description (incl. key words)	Commitments	Disbursements
Recipient country / Region	CRS ID number	Donor project number	Short description / Project Title	Exp. Starting date / exp. completion date	Description	Commitments	Gross Disbursements
[Item 7]*	[Item 4]	[Item 5]	[Item 14]	[Item 17/18]	[Item 19]	[Item 33]	[Item 34]

* Item numbers refer to the numbers in the Converged Questionnaire.

Information will feed into the monitoring brief on Commitment 1 (aggregated data) and the DRM database (disaggregated data). The monitoring will in particular analyse the 2016 values and changes compared to the 2015 baseline with respect to:

- Total gross disbursements and commitments (by development partners)
- Most important (donor darlings) and least important recipient countries (aid orphans)
- Regional spending patterns
- Spending patterns by country income groups

Commitment 2: “Enhancing Domestic Revenue Mobilization so as to spur Development”

For the monitoring of Commitment 2, the 2015 Baseline Report relied on information from official data sources including:

- IMF Government Finance Statistics (GFS)
- IMF Article IV Consultation Reports
- World Bank Doing Business Database
- Global Competitiveness Report
- Public Expenditure and Financial Accountability (PEFA) database
- Tax Administration Diagnostic Assessment Tool (TADAT) (where applicable and accessible)

Indicators were chosen from these sources in order to provide a comprehensive picture of tax system and tax administration performance in partner countries, thereby guaranteeing a high level of transparency and comparability. During the preparation of the 2015 Baseline Report, partner countries had the opportunity to review and comment on the data. They were encouraged to draw on their own indicators and targets used for monitoring revenue collection and other aspects of tax system performance, so that additional reporting requirements for the ATI Monitoring were minimized.

The indicators listed above will form the basis for the 2016 monitoring of progress concerning ATI commitment 2. Where available, updated information will be considered and major findings from the Baseline Report will be taken up. Since the monitoring of commitment 2 will be further discussed in the respective consultative group to the ATI SC, this set of indicators may be extended in the run up to this years’ monitoring exercise. Any adjustments / additions will be made transparent in an updated version of this Monitoring Concept Note.¹

Further qualitative information will be collected in a monitoring survey inviting partner countries to share case studies on their successful reform efforts and good practices thus enabling others to benefit from their experiences. These contributions will serve to illustrate the findings in the monitoring brief and will be presented online in the DRM database.

¹ Feedback from the ATI partner countries suggests that some indicators need to be reviewed for the 2016 monitoring, particularly to give a more accurate and detailed picture of DRM reforms in partner countries. ATI partner countries will thus be asked to discuss potential indicators for monitoring Commitment 2 in the respective consultative group.

Commitment 3: “Ensuring Policy Coherence”

Commitment 3 is dedicated to ensuring policy coherence for sustainable development (PCSD), particularly in the area of DRM. In the spirit of the Addis Ababa Action Agenda, which calls to “pursue policy coherence and an enabling environment for sustainable development at all levels and by all actors”, this commitment applies to both ATI development partners and partner countries. By ensuring policy coherence, the ATI and its members directly contribute to Target 17.14 of the SDGs (“enhance policy coherence for sustainable development”).

The 2015 baseline report on Commitment 3 was based on input provided by ATI development partners and ATI partner countries during the ATI Monitoring Survey. In the survey, the ATI Secretariat among others asked the respondents to provide details on their domestic policy coherence strategies and the indicators used to measure policy coherence for development. Feedback on the survey showed that ATI developing partners and partner countries take their responsibility to ensure policy coherence seriously and already have coordinating mechanisms to improve domestic inter-agency cooperation in place. Respondents’ feedback covered a broad range of topics under the “label” policy coherence for sustainable development, which allowed to draw a comprehensive picture of ATI members’ domestic priorities in the area of policy coherence. This variety, however, came at the expense of a lack of comparability and consistency. In addition, the baseline report found that only some of the ATI members already have specific policy coherence indicators in place and that international indicators are still under preparation.

In order to improve the comparability and consistency of the reporting, the consultative group on ATI commitment 3 will consider the monitoring methodology and move forward the discussions on policy coherence. Suggestions from the ITC/ATI Conference for possible issues to be addressed in connection to the monitoring of Commitment 3 include the taxation of ODA-financed projects, spill-over effects of double taxation agreements (DTAs) on partner countries as well as domestic tax issues in partner countries, such as tax exemptions, tax holidays and corruption.

Due to the lack of international indicator data it will be useful to focus on some of the core topics just mentioned and to rely on narrative reporting from ATI members collected in the ATI Monitoring Survey rather than on official indicator data. For future monitoring exercises, the ATI members may agree on a (simple) common indicator or set of indicators that cover the most important topics of policy coherence in the area of DRM and that are quantitatively measurable.

4. DRM Database

In order to ensure transparency of the monitoring process, the quantitative and qualitative data underlying the analytical parts of the monitoring briefs will be made available online. Where applicable, it will be provided in an easily accessible form in the DRM database (drm.taxcompact.net). The DRM database is an online platform that provides an overview of all technical assistance projects carried out worldwide to support DRM in partner countries. It serves as the basis for a continuous coordination and helps to make development cooperation on DRM more effective and more efficient.

5. Tentative timeframe

Monitoring of Commitment 1

- Delivery of preliminary data on CRS purpose code 15114 for the reporting period 2016 (**OECD DAC**): 12/2017 (end)
- Review of preliminary data on CRS purpose code 15114 (**ATI Secretariat**) and cross-checking/adjustment (**ATI development partners**): 01/2018 (end)
- Provision of first draft for Commitment 1 Monitoring Brief (**ATI Secretariat**): 03/2018 (early)
- Publication of Commitment 1 Monitoring Brief: 03/2018 (end)

Monitoring of Commitment 2

Details to be added

Monitoring of Commitment 3

Details to be added

For further information, please contact:

secretariat@taxcompact.net

or visit: www.addistaxinitiative.net