



addis initiative



ATI Monitoring Report 2015

facilitated by



funded by



Federal Ministry
for Economic Cooperation
and Development

Imprint

The International Tax Compact (ITC) is an informal platform that aims to enhance domestic revenue mobilisation in partner countries, and to promote fair, efficient and transparent tax systems. The German Federal Ministry for Economic Cooperation and Development (BMZ) has launched the platform in 2009 and commissioned the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to facilitate the ITC Secretariat. Since April 2017 the European Union is supporting the ITC through a co-financing agreement. The Ministry of Foreign Affairs of the Netherlands (BZ) provides in-kind support.

Published by

International Tax Compact (ITC)
c/o GIZ Office Bonn
Friedrich-Ebert-Allee 36
53113 Bonn, Germany

T +49 228 44 60-1356
E secretariat@taxcompact.net
I www.taxcompact.net

The individual country and organisation sections in the Annex are based on the inputs from the respective countries or organisations. The ITC does not take any responsibility for the content of those sections.

Design and Layout

Gudrun Barenbrock
Figures p. 34, 37, 39, 40, 41, 48, 50, 56, 60: Designagentur Schumacher

Bonn, June 2017

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city or area.

ATI Monitoring Report 2015



facilitated by



funded by



Federal Ministry
for Economic Cooperation
and Development



Foreword

This is an exciting time in tax and development. Over the past several years, momentum has been building in support of increased revenue collection and improved management systems in countries around the world.

Tax issues have become a more frequent topic of discussion in international forums and government officials have been hard at work strengthening rules and procedures in support of improved tax cooperation. The level of interest by countries from around the globe to improve their revenue systems has been significant. A key challenge before us is to ensure that all countries have the capacity to craft fair and transparent revenue policies and effectively manage their revenue collection systems.

Increasing domestic revenue mobilisation (DRM) – in addition to being a specific target of the Sustainable Development Goals (SDGs) (target 17.1) – is vital to the achievement of all of the SDGs. The Addis Ababa Action Agenda (AAAA) recognises that the mobilisation and effective use of domestic revenue are central to our common pursuit of sustainable development. The Addis Tax Initiative (ATI) provides a dynamic framework for action to enable partner countries to increasingly rely on domestic revenue to fund their development agenda and meet the SDGs by 2030.

The Addis Tax Initiative is a multi-stakeholder partnership of development partners and partner countries that aims to catalyse significant increases in domestic revenue and to improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries. Since its launch in 2015, our membership has grown to include 39 countries and 12 supporting organisations – a mix of philanthropic, regional and international organisations.

Members of the Initiative have agreed to three overarching commitments. First, the ATI development partners commit to collectively double technical cooperation in the area of domestic revenue mobilisation by 2020. Second, the ATI partner countries commit to step up the mobilisation of domestic revenue in order to spur development, in line with the Initiative's key principles. Third, all ATI signatories commit to promote and ensure policy coherence for development.

The purpose of this first ATI Monitoring Report (“Baseline Report”) is to provide a benchmark against which future capacity building efforts and DRM reforms by its members can be assessed in line with their ATI commitments. Each year for the next five years, the ATI will publish a monitoring report assessing the progress of its members. This will culminate in a final report to assess whether members fulfilled their commitments.

This Baseline Report shows that development partners and supporting organisations are already spending 223.76 million US-Dollars in support of domestic revenue mobilisation. As impressive as that is, this report goes beyond the numbers to also illustrate the types of projects being supported. It seeks to share lessons learned based on DRM reforms that have been successful, as well as based on those that have encountered significant challenges. We hope that the report will foster knowledge sharing between ATI signatories and beyond.

It is our sincere hope that in five years' time, we will be able to reflect on the significant progress made to improve domestic revenue mobilisation and revenue management around the world. Now is the time to roll up our sleeves and get to work on making that goal a reality.



Elfrieda Stewart Tamba
Commissioner General
Liberia Revenue Authority



Christopher Heffernan
Tax Policy Analyst
Global Affairs Canada

Co-Chairs of the ATI Steering Committee on behalf of Liberia and Canada



Table of Contents

Executive Summary	6
1. Introduction	10
2. The Addis Tax Initiative	12
3. ATI Commitments	
3.1. Commitment 1: Collectively Doubling Technical Cooperation in Tax/DRM	28
3.2. Commitment 2: Stepping up Domestic Revenue Mobilisation in Partner Countries	44
3.3. Commitment 3: Ensuring Policy Coherence	66
4. ATI Supporting Organisations	86
5. Conclusion	88
6. References	90
 Annexes:	
A. Country Pages Development Partners	A 1
B. Country Pages Partner Countries	A 52
C. Info Pages Supporting Organisations	A 104

Executive Summary

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership of development partners and partner countries that aims to catalyse significant increases in domestic revenue and to improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries. The 39 ATI signatory countries have committed to increase their efforts to fulfil the three ATI commitments, as laid down in the ► ATI Declaration.

The 2015 ATI Monitoring Report establishes the baseline against which further progress regarding the fulfilment of the three ATI commitments will be measured. The report can also serve as the starting point in terms of contributing to the sharing of knowledge and lessons learnt among ATI members and to a more effective coordination of development partners' efforts in the area of domestic revenue mobilisation. It could also provide a basis for further discussions pertaining to the results and impacts of ODA (Official Development Assistance) support aimed at enhancing domestic revenue in partner countries.

17 out of 20 ATI development partners and 10 out of 19 ATI partner countries have reported back on the ATI Monitoring Survey, and 5 out of the 12 ATI supporting organisations provided inputs for this report.

Key Findings



ATI Commitment 1

“ATI development partners commit to collectively double technical cooperation in the area of domestic resource mobilisation (DRM) by 2020.”

”

The support to domestic revenue mobilisation and taxation is of high priority for the ATI development partners. Many ATI development partners have domestic strategies in place to translate their political commitments into concrete supporting activities. A number of new activities are already being implemented as a result of the ATI commitments.

The baseline for collectively doubling the ATI development partners' support for technical cooperation in the area of taxation / domestic revenue mobilisation by 2020 is 223.76 million USD gross disbursements and 237.96 million USD commitments. To fulfil ATI Commitment 1, the ATI development partners must collectively increase their gross disbursements to 447.52 million USD by 2020, and commitments to 475.92 million USD.

The ATI development partners provided 97.7% of all gross disbursements reported by OECD DAC members in 2015, and 98.7% of their commitments. The United Kingdom was the ATI development partner with the largest DRM portfolio, followed by the EU Institutions, the United States, Germany and Norway.

In 2015, the 20 ATI development partners provided support to enhance revenue in 84 partner countries. Afghanistan and Tanzania were the largest recipients of ODA support, followed by Pakistan, the Philippines and Mozambique. The 19 ATI partner countries received 22.7% of the support provided by the ATI development partners in the area of domestic revenue mobilisation. Among the ATI partner countries, Tanzania received most, followed by the Philippines and Ghana.

Support is targeted at the most vulnerable partner countries. One-third of the support (37.66%) provided by the ATI development partners went to partner countries in sub-Saharan Africa, while approximately 40% went to the Least Developed Countries (LDCs) and other Low Income Countries (LICs). These countries are in particular need of assistance and have received special attention on the international development agenda.

There is yet scope for a more even allocation of support. Despite a broad geographical coverage, the ATI development partners' support was concentrated on a limited number of partner countries: more than one-third of the ATI development partners' gross disbursements went to the top ten recipient countries; half of the support went to 20 countries only. Accordingly, many LDCs only receive little ODA. Among those LDCs that received the least support from the ATI development partners was one ATI partner country: Ethiopia. More detailed analysis will be necessary to determine whether countries that receive little support in the area of domestic revenue mobilisation should be considered under-funded. The Addis Tax Initiative could provide a forum for further analysis and for enhanced cooperation among the ATI signatories for a more even distribution of ODA support in the area of DRM.




ATI Commitment 2

“ATI partner countries commit to step up domestic revenue mobilisation in order to spur development, in line with the ATI key principles.”

”

The ATI partner countries still lack adequate domestic revenues to finance sustainable development. The average tax-to-GDP ratio in the ATI partner countries in 2015 was 16.5%. 16 ATI partner countries had a tax-to-GDP ratio below 20%, and 11 even fell below 15%, which is considered as necessary for ensuring sustainable growth. On average, the most significant single source of tax revenue in the ATI partner countries was tax on goods and services (44.9%), which is relatively easy to administer, but might have negative implications for overall income distribution. Revenue from direct taxes, on the other hand, on average makes up slightly more than one third of total tax revenue (37.4%).



Most ATI partner countries use the Tax Administration Diagnostic Assessments Tool (TADAT) to systematically assess the strengths and weaknesses of their tax administration systems. Out of 19 ATI partner countries, 15 have concluded a TADAT assessment or are scheduled to undertake one. Two ATI partner countries, Georgia and Liberia, have made their Performance Assessment Report public. Furthermore, Rwanda and Georgia included the TADAT results in their domestic strategies to enhance revenue mobilisation.

The indicators used throughout the ATI Monitoring Report reveal some particular areas of concern for the ATI partner countries:

Revenue administration performance. The indicator results show that there is scope for the ATI partner countries to improve the comprehensiveness of taxpayer registration and to strengthen the effectiveness and efficiency of tax collections, which are necessary steps to bring more taxpayers into the formal economy and to make better use of the existing revenue potential. In these areas, revenue administrations in some ATI partner countries only reached a basic level of performance and might require significant support for capacity building. On the other hand, the ATI partner countries are quite successful in providing transparency with respect to taxpayers' obligations and liabilities.

Creating a business-friendly tax environment. The indicators also reveal that in many ATI partner countries, a typical enterprise has to make multiple tax payments a year, and needs to invest vast amounts of time to fully comply with its legal obligations. Simplifying tax regulations and procedures can significantly reduce compliance costs and facilitate voluntary tax compliance. A business-friendly tax environment can also help to attract Foreign Direct Investments (FDI), which are lacking in many partner countries.

Complementary to the indicator findings above, the ATI partner countries highlighted some particular challenges and priorities for 2017 during the ATI Monitoring Survey. These include, but are not limited to: improving taxpayer registration and management; providing automated IT services for taxpayers; strengthening voluntary tax compliance; taxing strategic sectors (e.g. extractive industries); and conducting more efficient and effective monitoring and risk management.

Feedback in the ATI Monitoring Survey also suggests that the ATI partner countries are actively working on topics of international taxation, including Base Erosion (AEoI) and Profit Shifting (BEPS) and the automatic exchange of information in tax matters. The survey results show that the ATI partner countries are at different stages of implementation in these processes. To ensure the effectiveness of development partners' support and to guarantee a high level of ownership, capacity building will need to be tailored to the partner countries' individual circumstances.

Although partner countries will have to take a leading role in the reform process, the implementation of broad-based measures to step up domestic revenue mobilisation will be demanding and call for comprehensive capacity building support from development partners.



ATI Commitment 3

“All ATI signatories commit to promote and ensure policy coherence for development”

”

Ensuring policy coherence for sustainable development is an important topic, but approaches vary. The ATI signatories’ replies regarding Commitment 3 show that both, the ATI development partners and the ATI partner countries, take their joint responsibility for ensuring policy coherence seriously. Many ATI members already have coordinating mechanisms in place that are dedicated to strengthening domestic inter-agency cooperation in the area of taxation and domestic revenue mobilisation (DRM). The report also clearly indicates that the ATI members have different priorities in this area and that they address a variety of DRM-related topics.

The replies to the ATI Monitoring Survey show that there is need for further discussions to develop a common understanding of policy coherence for development in the area of domestic revenue mobilisation. The principles of transparency, efficiency, effectiveness and fairness could be used as further guidelines for this discussion as they are explicitly mentioned in the ATI Declaration. These deliberations are to be closely linked to the ongoing discussions in the United Nations on finding “integrated solutions” to implement the SDGs as well as to measure SDG 17.14.

1. Introduction

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership of development partners and partner countries that aims to catalyse significant increases in domestic revenue and to improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries.

The 39 ATI signatory countries commit to increase their efforts to fulfil the three ATI commitments, as laid down in the ► [ATI Declaration](#):



“

ATI Commitment 1: ATI development partners commit to collectively double technical co-operation in the area of domestic resource mobilisation (DRM) by 2020.



ATI Commitment 2: ATI partner countries commit to step up domestic revenue mobilisation in order to spur development, in line with the ATI key principles.



ATI Commitment 3: All ATI signatories commit to promote and ensure policy coherence for development.

”

The ATI signatories have agreed to report regularly on their progress in meeting those commitments. This report is the outcome of the ATI members' own voluntary reporting on their efforts in the area of domestic revenue mobilisation, however, it is also the outcome of a comprehensive exercise on the part of the ATI development partners to identify their DRM-relevant ODA activities and (re-) code them accordingly in their OECD DAC reporting. 17 out of 20 ATI development partners and 10 out of 19 ATI partner countries have reported back on the ATI Monitoring Survey, and 5 out of the 12 ATI supporting organisations provided inputs to this report.

The 2015 ATI Monitoring Report establishes the baseline against which further progress with regard to fulfilling the three ATI commitments will be measured. The report can also be the starting point to contribute to sharing knowledge and lessons learnt among ATI members and to a more effective coordination of development partners' efforts in the area of domestic revenue mobilisation (DRM). It could also provide a basis for further discussions pertaining to the results and impacts of ODA support in the area of DRM.

Monitoring of the ATI Commitments

The results presented in this report are based on the replies received by the ATI members on the ATI Monitoring Survey as well as on the OECD DAC Statistics reported against the DRM code 15114. The International Tax Compact was mandated by the ATI Declaration to facilitate the monitoring process and to prepare the annual ATI Monitoring Report.

To monitor the progress towards fulfilling the three ATI commitments, the ATI Monitoring Report will give a yearly update on the progress achieved. It will also give the ATI members an opportunity to present the highlights of their work with regard to enhancing DRM and to outline their upcoming activities.

**Information for the
2015 ATI Monitoring Report
was gathered and compiled
by means of a four-step process:**

- 1 ATI Monitoring Framework:** The International Tax Compact consultatively developed the ATI Monitoring Framework and the 2015 ATI Monitoring Survey. Based on ATI members' feedback, reporting requirements were kept to a minimum and where possible, available data was used.
- 2 OECD DAC Statistics:** To effectively monitor ATI Commitment 1, the ATI development partners undertook efforts to recode their ODA support provided in the baseline year 2015 under the newly established DRM code 15114.
- 3 ATI Monitoring Survey:** All ATI members were invited to report on their efforts in the area of domestic revenue mobilisation as well as to comment on relevant indicators and data compiled by the International Tax Compact for the ATI monitoring.
- 4 Compilation of the ATI Monitoring Report:** The ATI Monitoring Report was prepared by the International Tax Compact based on the replies received in the ATI Monitoring Survey and the data retrieved from the OECD DAC.

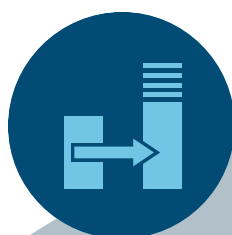
The Addis Tax Initiative

2. The Addis Tax Initiative

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership of development partners and partner countries that aims to catalyse significant increases in domestic revenue and to improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries. The Addis Tax Initiative provides a new and dynamic framework for action to enable partner countries to increasingly rely on domestic revenue to fund their development agenda and meet the Sustainable Development Goals (SDGs) by 2030.

In the spirit of the Addis Ababa Action Agenda (AAAA), countries subscribing to the Addis Tax Initiative declare their commitment to enhancing the mobilisation and effective use of domestic revenue and to improving the fairness, transparency, efficiency and effectiveness of their tax systems. The Addis Tax Initiative aims to significantly increase technical assistance and broad-based capacity building to address the challenges in revenue collection that partner countries face, including narrow tax bases and weak administrative capacity, as well as domestic and cross-border tax evasion and avoidance. It stresses the importance of improving policy coherence, strengthening local capacity, establishing strong domestic governance systems, and mobilising the political will to drive forward tax system reforms in partner countries.

Concretely, ATI signatories promise to increase their efforts to fulfil the three ATI Commitments, as laid down in the ► ATI Declaration:



#1

**Collectively
Doubling
Technical
Cooperation
in the Area
of DRM**



#2

**Stepping up
Domestic
Revenue
Mobilisation**



#3

**Ensuring
Policy
Coherence
for
Development**

The International Tax Compact



► www.taxcompact.net

The International Tax Compact (ITC) is an initiative strengthening international cooperation with developing and transition countries with the objective of enhancing domestic revenue mobilisation. It seeks to promote effective, fair and efficient tax systems and combat tax evasion and inappropriate tax practices on a global scale.

As an informal and action-oriented platform, the ITC brings together a broad variety of development actors, including policymakers, experts, academics and civil society leaders working in the field of development and taxation. By combining their strengths and pooling the available capacities and resources, the ITC adds value to initiatives in the field of taxation and development without duplicating existing structures and efforts.

The German Federal Ministry for Economic Cooperation and Development (BMZ) launched the platform in 2009 and commissioned the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to facilitate the ITC Secretariat. Since April 2017, the European Commission has been supporting the ITC through a co-financing agreement. The Netherlands provides in-kind support.



Federal Ministry
for Economic Cooperation
and Development



Implemented by



Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

The Addis Tax Initiative was launched at the Third International Financing for Development (FfD) conference in Addis Ababa in July 2015 and assembles over 50 countries and organisations as ATI signatories or ATI supporting organisations. The Secretariat of the Addis Tax Initiative is facilitated by the International Tax Compact (ITC), which is based in Bonn, Germany.

The Addis Tax Initiative in the International Development Agenda

There is increasing international and domestic recognition of the pivotal role strong tax systems play in enabling developing countries to achieve a wide array of sustainable development goals. Already in 2014, the Communiqué of Mexico's High-Level Meeting of the Global Partnership for Effective Development Cooperation stated that

“no country should be dependent on others’ resources for its own development.”

Consequently, it called upon partners to step up and support existing development cooperation to boost tax collection, cut illicit financial flows and strengthen policies that support inclusive development.

The Addis Tax Initiative contributes to global efforts to implement the 2030 Agenda, including the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development (AAAA). Both the AAAA and the SDGs emphasise the centrality of domestic revenue for ensuring the financing of the 2030 Agenda for Sustainable Development. Sustainable Development Goal 17.1 explicitly calls for the development community to

“step up its international support to strengthen domestic resource mobilisation, including through international support to partner countries to improve domestic capacity for tax and other revenue collection.”

1
ODA-funded (Official Development Assistance) activities to support DRM in partner countries accounted for only approximately 0.13% of the total ODA worldwide in 2015 according to the ODA-flows reported to OECD DAC, see ► <https://stats.oecd.org/qwids/>

Recognising the importance of the mobilisation of domestic revenue for development, the international development community has shown a growing willingness to increase and improve their support for strengthening domestic tax systems. In July 2015, the comparatively scarce external support to projects aimed at supporting the mobilisation of domestic revenue¹, despite the evidence of its potential, has led development partners to commit to a joint effort when they declared to step up their support to domestic revenue mobilisation with the launch of the ATI.

Box 1: The G7 and the G20 on the Addis Tax Initiative



► G7 Ise-Shima Leaders' Declaration

(May 2016)

"We recognize that strengthening capacity of developing countries in tax policy and administration is indispensable to level the global playing field. To enhance both quantity and quality of assistances in this area, we are committed to the principles of the **Addis Tax Initiative** along with encouraging other countries to make a similar commitment [...]"



► G20 Leaders' Communique Hangzhou Summit

(September 2016)

"We encourage countries and international organizations to assist developing economies in building their tax capacity [...]. We support the principles of the **Addis Tax Initiative**".



► Communiqué G20 Finance Ministers and Central Bank Governors Meeting Baden-Baden

(March 2017)

"We continue to support targeted assistance to developing countries in building their tax capacity, following in particular the principles of the **Addis Tax Initiative** [...]"



► Communiqué G7 Finance Ministers and Central Banks' Governors Meeting Bari

(May 2017)

"Improving the capacity in tax policy and administration is also crucial for a global level playing field. To this purpose, we remain committed to the principles of the **Addis Tax Initiative** [...]"

Members of the Addis Tax Initiative

2

For countries that provide development assistance, while at the same time receiving or seeking technical assistance in the area of DRM, they would be included both in the ATI development partner and in the ATI partner country group. So far, however, no signatory country falls under that category.

ATI signatory countries sign up to the three commitments laid down in the ATI declaration and can be divided into two groups²: ATI development partners and ATI partner countries. ATI supporting organisations endorse the objectives of the Addis Tax Initiative and support the ATI signatory countries in their endeavour to enhance domestic revenue mobilisation in partner countries.

ATI Development Partners



ATI development partners commit to collectively double technical cooperation in the area of domestic resource mobilisation (DRM) by 2020.



All ATI signatories commit to promote and ensure policy coherence for development.

ATI development partners provide development assistance in the area of domestic revenue mobilisation (DRM) to other countries and promise to double or substantially increase this assistance (ATI Commitment 1). Like all ATI signatories, they also promise to promote policy coherence for development (ATI Commitment 3).

Aggregate information on the support provided by the ATI development partners can be found in Chapter 3.1 on ATI Commitment 1. Information pertaining to the individual development partners, including their DRM portfolio as well as other DRM-relevant information, can be found in the individual country sections (see Annex).

G20 Members in the Addis Tax Initiative

Australia
Canada
European Union
France
Germany
Indonesia
Italy
Korea
United Kingdom
United States

”



12 ATI Supporting Organisations

African Tax Administration Forum (ATAF)

Asian Development Bank (ADB)

Bill & Melinda Gates Foundation

Center of Excellence in Finance (CEF)

Centre de rencontres et d'études des dirigeants des administrations fiscales (CREDAF – Center for Meetings and Studies of Tax Administration Leaders)

Commonwealth Association of Tax Administrators (CATA)

Global Forum on Transparency and Exchange of Information for Tax Purposes

Inter-American Centre of Tax Administrations (CIAT)

International Monetary Fund (IMF)

Organisation for Economic Co-operation and Development (OECD)

West African Tax Administration Forum (WATAF)

World Bank



**The Addis Tax Initiative is an
inclusive partnership that assembles
39 ATI signatory countries
20 ATI development partners
19 ATI partner countries as well as
12 ATI supporting organisations.**

20 ATI Development Partners

Australia
Belgium
Canada
Denmark
European Commission
Finland
France
Germany
Italy
Ireland
Korea
Luxembourg
Netherlands
Norway
Slovakia
Slovenia
Sweden
Switzerland
United Kingdom
United States of America

19 ATI Partner Countries

Benin
Burkina Faso
Cameroon
Ethiopia
Georgia
Ghana
Indonesia
Kenya
Liberia
Malawi
Namibia
Paraguay
Philippines
Rwanda
Senegal
Sierra Leone
Solomon Islands
Tanzania
Uganda

ATI Partner Countries



ATI partner countries commit to step up domestic revenue mobilisation in order to spur development, in line with the ATI key principles.



All ATI signatories commit to promote and ensure policy coherence for development.

ATI partner countries are committed to enhancing their own domestic revenues (ATI Commitment 2) and would like to receive assistance in doing so. Like all ATI signatories, they also promise to promote policy coherence for development.

Aggregate information on the tax systems and current DRM situation of the ATI partner countries can be found in Chapter 3.2 on ATI Commitment 2. Information regarding the individual partner countries, including their current reform priorities and recent success stories, is provided in the country sections (see Annex).

”

ATI Supporting Organisations

The ATI supporting organisations are international organisations that provide Official Development Assistance-funded technical assistance to enhance domestic revenue mobilisation in partner countries and endorse the objectives of the Addis Tax Initiative. By joining the Addis Tax Initiative, they demonstrate their backing of the initiative's aims, as laid down in the ATI declaration.

Although the ATI supporting organisations do not sign up to the three ATI Commitments, they are nevertheless invited to contribute to furthering the objectives of the Addis Tax Initiative. So far, they have been very active in supporting the outreach to non-ATI partner countries by, for instance, providing a forum on which to present the Addis Tax Initiative to their members. They will also be invited to complement the DRM Database by providing information on their DRM portfolio and their DRM-relevant capacity building activities, thereby contributing to the coordinating efforts of the ATI signatories.

Further information on the role of the ATI supporting organisations and the individual organisation sections are provided in Chapter 4.


Priorities of the Addis Tax Initiative

Priority 1: (Further) Development of the Addis Tax Initiative

After its launch in July 2015, the Addis Tax Initiative started laying the foundations for an effective implementation of the ATI declaration and its three commitments: it set up a governance structure, established contact with all ATI signatories, and set up the ► **ATI website** to communicate the main information related to the goals of the initiative, its mandate, and ways to join the Addis Tax Initiative as well as all relevant ATI documents, such as the ► **ATI Declaration**, the ► **Monitoring Note** and ► **ATI Work Plan**.

Box 2: The ATI Steering Committee

The ATI Steering Committee (SC) is responsible for pursuing the objectives of the Addis Tax Initiative by:

- 
- Ensuring that monitoring and reporting on the ATI Commitments are on track
 - Cooperating closely with the Secretariat of the initiative, which is facilitated by the International Tax Compact (ITC)
 - Consulting with the ATI signatories, and
 - Approving the annual monitoring report by the Secretariat

The SC is composed of two partner countries, two large donors and two smaller donors. Other ATI signatories might participate as observers when required. SC members will serve for one year, one time renewable. The SC is headed by two co-chairs, representing the two signatory groups: ATI development partners and ATI partner countries.

During its first year, the ATI SC consisted of Canada, the European Commission, the Netherlands, Senegal, Tanzania and the United Kingdom, with the Netherlands and Tanzania serving as Co-Chairs.

For its 2016/17 term, the SC comprises Canada, the European Commission, Georgia, Liberia, the Netherlands and the United Kingdom, with Canada and Liberia co-chairing the Committee.

In 2016, two meetings were held to consult with the ATI signatories on the further development of the initiative.

The first ATI meeting provided an opportunity for ATI signatories and supporting organisations to share their expectations and suggestions with regard to the Addis Tax Initiative as well as to discuss ways of further reaching out to partner countries. The results of this discussion have been incorporated into the ► **ATI Factsheet** and ► **Q & A** document. In addition to this, the ► **ATI Monitoring Framework** was officially adopted at the meeting.

**First Meeting
of the
Addis Tax Initiative,
29 February 2016
Paris, France**

**Second Meeting
of the
Addis Tax Initiative,
19 October 2016
Paris, France**

The second ATI meeting served to discuss and agree on the ► **ATI Work Plan 2016/17**, which outlines the key priorities of the Addis Tax Initiative until the end of 2017 based on the needs and expectations of partner countries.

To further the development of the initiative, it may well be worthwhile trying to engage more ATI signatories in joint activities. For instance, small groups of interested countries could work on specific issues that will further the objectives of the Addis Tax Initiative, e.g. on policy coherence for development. Moreover, additional activities might be organised to provide specific services to the ATI partner countries, such as capacity building, training and workshops, or other activities that respond to needs or suggestions articulated by ATI signatories.

Priority 2: Monitoring of the ATI Commitments

To reach the targets set in the ATI declaration, it is essential to regularly monitor the progress towards fulfilling the three ATI Commitments. That monitoring is guided by the ► **ATI Monitoring Framework**, which defines the methodology and the envisaged reporting process for the ATI signatories.

The ATI monitoring will be conducted annually. Progress will be measured based on the reference points established for the baseline year 2015. The annual ATI Monitoring Report will give an overview of the support provided by the ATI development partners to enhance domestic revenue in partner countries, and of the current challenges and reform priorities in the ATI partner countries. It also invites all ATI signatories and supporting organisations to share success stories and lessons learnt.

The ATI Monitoring Report will provide a basis for further discussions pertaining to the results and impacts of ODA support. It will also contribute to the knowledge sharing of the actors involved in DRM reform and enhance the coordination of those actors so as they can provide more effective support. Details on the monitoring of each of the three commitments can be found in the respective chapter on ATI Commitment 1–3.

BOX 3:
The CRS Purpose Code 15114 (DRM code)

”

DRM code 15114:

Support to DRM/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.*

Reflecting the increased international recognition of domestic revenue mobilisation as a key means by which to achieve sustainable development, the DRM code was introduced by the OECD Development Assistance Committee (OECD DAC) because of its effectiveness in monitoring ODA funds dedicated to enhancing domestic revenue in partner countries.

Prior to the introduction of the CRS (Common Reporting Standard) code for DRM, there was no separate code to monitor DRM-related activities in the DAC database. Therefore, the estimation of ODA support to domestic revenue mobilisation had been challenging as projects needed to be extracted from different CRS purpose codes (e.g. 15110, Public sector policy and administrative management; 15111, Public finance management; 33120, Trade facilitation)³.

Both the term “DRM code” and the scope of purpose code 15114 have been the result of intensive discussion among the ATI development partners and the OECD Working Party on Statistics.

* see:

► https://www.oecd.org/dac/stats/documentupload/Budget%20identifier%20purpose%20codes_EN_Apr%202016.pdf

3

See ITC (2012)

Priority 3:
Expanding ATI Membership

Starting out with 29 signatory countries and 8 supporting organisations, the Addis Tax Initiative has broadened its membership base to more than 50 ATI signatories as of May 2017.

The ATI outreach efforts have been focused on partner countries, especially on those whose development agendas have a strong focus on DRM reform.

Since its launch, 10 more partner countries have signed up to the Addis Tax Initiative, thereby nearly doubling the number of ATI partner countries: Benin, Burkina Faso, Georgia, Indonesia, Namibia, Paraguay, Rwanda, the Solomon Islands and Uganda.

For many partner countries, having access to a broad network of development partners in the Addis Tax Initiative is an important reason to join. For non-ATI partner countries that already receive a high level of ODA support, signing up to the Initiative has proven to be less attractive. Other countries have refrained from joining as their current political priorities lie elsewhere too or the topic of domestic revenue mobilisation is considered a highly sensitive issue for such a visible commitment. Many of the emerging economies have been sceptical about whether they would be able to benefit from joining the Addis Tax Initiative as they would find themselves in a dual role, providing technical assistance while simultaneously receiving ODA-funded support.

To expand membership in the Addis Tax Initiative, the ATI signatories and the International Tax Compact have presented the Addis Tax Initiative at numerous international meetings and conferences. The Addis Tax Initiative was also a topic in many of the ATI development partners' government consultations with partner countries. Further awareness was raised by jointly organising ATI side events at two high-level international conferences, namely the UN High-Level Political Forum and the 2nd High-Level Meeting of the Global Partnership for Effective Development Cooperation, as well as at the 2016 Meeting of the Platform for Collaboration on Tax (November 2016 in Paris).

To reach out to partner countries, presentations on the Addis Tax Initiative were also held at members' meetings of several networks of tax administrations, such as those of the African Tax Administration Forum (ATAF), the Association of Tax Administrations of Islamic Countries (ATAIC) and the Commonwealth Association of Tax Administrators (CATA).

Since 2015, four more organisations have joined the Addis Tax Initiative as ATI supporting Organisations: the Asian Development Bank (ADB), the Centre of Excellency in Finance (CEF), the network of francophone revenue agencies CREDAF (Centre de rencontres et d'études des dirigeants des administrations fiscales) and the West African Tax Administration Forum (WATAF).

Joining the Addis Tax Initiative

Countries can join the Addis Tax Initiative by sending a letter of intent by email to the International Tax Compact (ITC) (► secretariat@taxcompact.net), declaring their intention to sign up to the ATI Declaration and nominating a focal point. A template for the letter of intent can be found on the ATI website. The ITC will then forward the letter to the ATI Steering Committee for information and approval.

Priority 4:

Enhanced and More Effective Provision of Support to the ATI Partner Countries

Country ownership and political will are critical elements of successful support for domestic revenue mobilisation. A comprehensive picture of the partner countries' own DRM strategies and needs for support should always be the starting point for any support aimed at enhancing domestic revenue. Both the ATI Monitoring Report and the DRM Database will be useful in that regard, as they mean that DRM-relevant partner country information, such as current priorities in DRM reform, is easily available.

TADAT

The Tax Administration Diagnostic Assessment Tool (TADAT) can also be a useful tool with which to identify key areas where capacity building and reform measures will be most effective.

Therefore, all ATI partner countries are encouraged to initiate TADAT assessments in order to identify bottlenecks within their national tax administrations; moreover, the Addis Tax Initiative stands ready to help interested partner countries find support to undertake a TADAT assessment.

Furthermore, the TADAT Secretariat regularly informs the ATI development partners about upcoming TADAT assessments in partner countries, so that they can inform their country offices about it and possibly volunteer to support the assessments with funding or assessors.

The Addis Tax Initiative is very well positioned to link partner countries' needs for support with providers of technical assistance. For instance, the upcoming ITC/ATI Tax and Development Conference will provide plenty of opportunities for partner countries and development partners to interact and to share their different perspectives and needs for support.

Access to ATI development partners

Capacity building

Further options in terms of enhancing support to domestic revenue mobilisation in partner countries could be to organise capacity building activities for the ATI partner countries, such as technical workshops or training on DRM-related topics of common interest, if such needs were articulated by the ATI partner countries. Duplications of existing capacity building formats are to be avoided.

Priority 5:

Effective Delivery of Support for DRM from Development Partners

As the ATI development partners aim to double the support they are providing in the area of domestic revenue mobilisation, the effectiveness of the assistance provided will be integral when it comes to ensuring that more available funding also translates into more results at the partner country level. To enhance the effectiveness of ODA support for domestic revenue mobilisation, the OECD and ITC have started developing a Practical Guide for the OECD Principles for International Engagement in Supporting Developing Countries in Revenue Matters⁴. The Practical Guide will help to apply the OECD Principles in the design of new DRM projects and activities, and will eventually be developed into a framework to support voluntary assessments by interested countries. These assessments could, for instance, serve to support well-informed multi-stakeholder policy dialogues at the country level on how to maximise the effectiveness of assistance in DRM issues.

⁴ Available at: ► <https://www.oecd.org/tax/tax-global/principles-for-international-engagement.pdf>

Enhancing the coordination of development partners will be crucial when it comes to avoiding the fragmentation of aid and the duplication of activities or inconsistencies in DRM reform in partner countries. With its inclusive character, which brings together partner countries, bilateral donors, international organisations and other providers of development assistance, the Addis Tax Initiative is well placed to play a role in that regard.



Coordination
of development
partners

In reference to this point, both the ATI Monitoring Report and the DRM Database will be useful given that they provide an initial overview of ODA-funded activities relevant to domestic revenue mobilisation in partner countries. For a more comprehensive picture, in a second step, the International Tax Compact will also invite the ATI supporting organisations and non-ATI development partners to provide details on their DRM-relevant activities to the DRM Database. The knowledge of what is spent where and how, will provide a basis for further discussions on how to enhance development partner coordination.

As the ATI members step up their efforts to enhance revenue mobilisation in partner countries, domestic policies, both of ATI development partners and ATI partner countries, should be in line with that objective. Therefore, policy coherence for development has been added as the third commitment to the ATI declaration.



Policy
coherence

The replies to the ATI Monitoring Survey regarding policy coherence for development suggest that there is no common understanding among the ATI members about policy coherence in the area of domestic revenue mobilisation. The ATI Monitoring Report will serve as a first step in enhancing that understanding, although there is a need for further research and/or guidance on how relevant domestic tax policies need to be designed in order to implement coherent policies in the area of domestic revenue mobilisation; indeed, this may be useful for helping signatory countries to make progress on ATI Commitment 3.

BOX 4: The DRM Database

The DRM Database provides an overview of technical assistance projects carried out worldwide in the area of domestic revenue mobilisation (DRM). It will be the world's leading source of information on DRM capacity building activities. It will help development partners identify opportunities for collaboration and synergies, as well as highlight gaps in the provision of development assistance.

► drm.taxcompact.net

The Addis Tax Initiative at International Events



HIGH-LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT

UNITED NATIONS CENTRAL PLATFORM FOR THE FOLLOW-UP AND REVIEW OF
THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

ATI Side Event at
UN High-Level
Political Forum
New York City, USA
18 July 2016

Harnessing Domestic Resources:
How partner countries
can benefit from the
Addis Tax Initiative

The event marked the first anniversary of the Addis Tax Initiative's launch and celebrated the achievements made in terms of generating support for domestic revenue mobilisation, securing partner countries' participation, and establishing an ATI governance structure and ATI Monitoring Framework. The side event also provided the opportunity to discuss partner countries' needs in the area of domestic revenue mobilisation and the role technical assistance can play to this regard. The press release of the meeting can be found ► [here](#).

ATI Side Event at
2nd High-Level Meeting of
the Global Partnership for
Effective Development Cooperation,
Nairobi, Kenya
30 November 2016

Synchronising Efforts:
How the Addis Tax Initiative
contributes to coordination
for more effectiveness in
the area of DRM

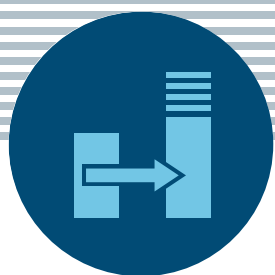


The event discussed effective development cooperation, with a focus on coordinated cooperation efforts. As a starting point for this discussion, an outlook on the DRM Database was presented, as it will serve as an important tool with which to improve coordination efforts in providing support to domestic revenue mobilisation in partner countries. The subsequent panel discussion focused on the current challenges of effectively providing support to partner countries in the field of domestic revenue mobilisation. The short summary of the meeting can be found ► [here](#).



The ITC/ATI
Conference on
Tax and Development,
Berlin, Germany
14–16 June 2017

From 14–16 June 2017, the first ► **ITC/ATI Conference on Tax and Development** will be held in Berlin, with funding provided by the BMZ, the European Union and the Netherlands. The conference will bring together representatives from ATI and non-ATI partner countries and development partners, as well as experts, academics and civil society representatives. It will give all stakeholders an opportunity to connect to each other as well as to present their country/organisation and articulate their respective needs and perspectives. The conference programme will evolve around the three ATI Commitments which aim to further the objectives of the Addis Tax Initiative and contribute to reaching its commitments until 2020.



3.1 ATI Commitment 1: Collectively Doubling Technical Cooperation in Tax/DRM

“

As participating providers of development cooperation, we collectively commit to double our support for technical cooperation in the area of taxation/ domestic revenue mobilisation by 2020. (ATI, 2015, p. 2)

”

The aim of ATI commitment 1 is to increase the support available to partner countries in the area of taxation and domestic revenue mobilisation so as to enable them to significantly step up their own domestic revenue collection. For this purpose, the ATI development partners have committed to collectively doubling their ODA support to DRM reforms in partner countries by 2020¹.

ATI commitment 1 is made in light of predictions that, over the coming years, the needs of partner countries for assistance and capacity building in tax administration and tax policy will outstrip current funding availability. Indeed, it will be critical for partner countries, with the support of development partners, to intensify their efforts to increase domestic revenue mobilisation in order to attain the ambitious Sustainable Development Goals (SDGs) of the Agenda 2030.

Of course, the volume of Official Development Assistance (ODA) does not determine the effectiveness of assistance provided and the impacts achieved. Still, knowledge of what is spent, where and how, will provide a basis for further discussions pertaining to the results and impacts of ODA support in the area of DRM.

¹
Most providers will double their support, while others, some of whom already have large portfolios, will increase their support substantially.

Methodology Used to Monitor ATI Commitment 1

To ensure a transparent and credible monitoring of the commitment to double support in the area of domestic revenue mobilisation, ATI Commitment 1 is tracked using the OECD Development Assistance Committee (OECD DAC) Statistics. ‘Support for technical assistance’, as referred to in ATI Commitment 1, will comprise all ODA support reported under the purpose code 15114 (see below). Specifics for the monitoring are laid out in the ATI Monitoring Framework. Due to technical problems in re-coding the 2015 OECD DAC data under the DRM code, some ATI development partners were unable to report their DRM-related activities in time to the OECD DAC. As such, this report is based on an adjusted database that contains additional entries from the EU Institutions, the Netherlands and the United Kingdom.

1) Reporting to the OECD DAC

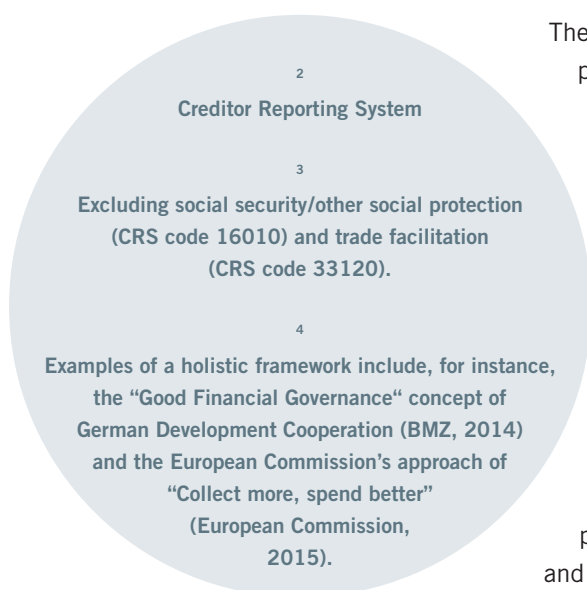
The monitoring of ATI Commitment 1 is based on the ATI development partners' reporting under the OECD DAC CRS2 purpose code 15114 ("DRM code"). The DRM code is defined as follows:

DRM Code
15114

“

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). (OECD, 2016b)

”



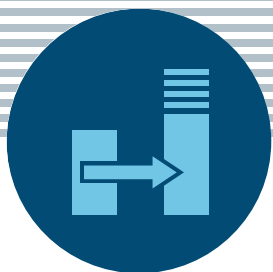
The DRM code was formulated in a way that permits development partners to not only report on tax-related activities, but also on other sources of domestic revenue mobilisation³. The broad definition includes support to line ministries and other local, regional and public bodies. It also allows development partners with a holistic approach to DRM to link revenue mobilisation to effective and transparent spending⁴. Moreover, the reporting on purpose code 15114 allows for a “splitting” of projects, thus meaning that all revenue-generating components can be extracted from relevant projects and reported under the DRM code to the OECD DAC.

The DRM code covers the following channels of DRM support: public sector institutions, non-governmental organisations (NGOs) and civil society, public-private partnerships (PPPs) and networks, as well as multilateral organisations (OECD, 2017). Reporting on the DRM code also includes

ODA flows targeted at core funding to regional tax administration networks (e.g. Inter-American Center of Tax Administrations or African Tax Administration Forum) as well as support allocated to tax research.

The reporting to the OECD DAC for the ATI monitoring is conducted within the annual OECD DAC data cycle. The reported data is validated by the OECD DAC and, if necessary, development partners are asked to revise their data. The validated data reported under the DRM code is then provided to the International Tax Compact as the basis for monitoring progress on the ATI commitments.

Channels
of
Support



2) The ATI Monitoring Framework

Baseline
Year
2015

The ► **ATI Monitoring Framework** was developed in the first year of the **Addis Tax Initiative** and agreed upon by all ATI signatories.

In line with the date of the launch of the Addis Tax Initiative, the baseline year of the ATI monitoring is 2015. However, as certain ATI development partners had already started to step up ODA funding to DRM immediately following the launch in July 2015, when reporting on ATI commitment 1, development partners could choose to also report on their 2014 activities. Data for 2014 is, however, only used in the individual country sections. For the summary findings on ATI commitment 1, 2015 will be used as baseline for all ATI development partners in order to ensure the comparability and consistency of the data.

Commitments and Disbursements

During the discussions regarding the ATI Monitoring Framework, the ATI development partners agreed that both commitments and gross disbursements will form the basis of the monitoring of ATI Commitment 1. Commitments tend to vary considerably from year to year, but provide a good proxy for the pledges made and therefore reflect the development partners' intentions to spend. Disbursements also reflect the actual support to partner countries; with this said, however, an increase in aid allocations over time is only visible with a lag of a few years and new commitments until 2020 will not be fully disbursed in the same year (Box 1). In light of this, it will be harder to double disbursement in DRM support during the short period between 2015 and 2020. In the summary findings, the 2015 baseline will be established for both commitments and disbursements. However, in order to create a more readable report, the analysis of ODA support provided by the ATI development partners will be based on gross disbursement figures only.

Box 1: Commitments and Disbursements in the OECD DAC Reporting

According to the OECD DAC definition, commitments “(...) measure donors' intentions and permit monitoring of the targeting of resources to specific purposes and recipient countries. They fluctuate as aid policies change, and reflect how donors' political commitments translate into action. They thus give an indication about future flows”. **Disbursements, on the contrary**, “(...) show actual payments in each year. They show the realisation of donors' intentions and the implementation of their policies. They are required to examine the contribution of donors' actions in development achievements. They better describe aid flows from a recipient's point of view”.

Source: ► <http://www.oecd.org/dac/stats/faq.htm>



Finally, in order to enable the monitoring of the specific tax issues mentioned in the ATI Declaration (BEPS, exchange of information for tax purposes, natural resource taxation, tax evasion/illicit financial flows and anti-corruption), development partners were asked to add the relevant key words in the long descriptions of their CRS records and to provide project examples. For the majority of entries in the OECD DAC database, information on specific tax issues is lacking. This might be due to the fact that the ATI development partners' projects often address several areas of domestic revenue mobilisation. For this reason, it was not possible to provide an aggregated analysis of support to the specific tax issues mentioned in the ATI Declaration. However, the individual country sections will present examples of the ATI development partners' activities in the above areas.

3) Reporting for the 2015 ATI Monitoring Report

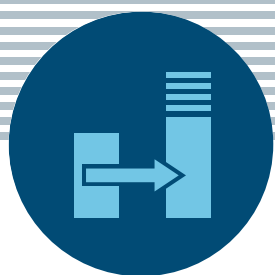
For the reporting on the 2015 ATI Monitoring Report, the ATI development partners were asked to fill out the ATI Monitoring Survey, which was split into two parts.

Part I asked for narrative contributions that illustrate examples of good practice and success stories in support of DRM reforms, as well as developments pertaining to ODA support provided since 2015. Part II presented an opportunity to review and, if necessary, comment on the individual 2015 OECD DAC data reported under the DRM code. Out of 20 development partners, 17 replied to the ATI Monitoring Survey, with the exception of Korea, Ireland and Luxembourg. The three countries will be included in the analysis of OECD DAC data for ATI Commitment 1, but will only have a rudimentary country section.

During the preparation for the monitoring of ATI Commitment 1, many development partners faced problems when re-coding their projects with the DRM code retrospectively for 2015. Numerous internal systems were unable to attribute more than one CRS code to the same project. When preparing the first monitoring exercise for the baseline report, it was therefore agreed that changes may be possible after the baseline report, if the reporting to the OECD DAC could not be done in time. Therefore, the data presented in the following must be treated as preliminary, as changes to the 2015 data might still occur. In the 2016 ATI Monitoring Report, when the first developments of ODA support are presented, the final baseline will be established, based on the OECD DAC database.

The basis for the 2015 ATI Monitoring Report is the entries of the OECD DAC database reported under the DRM code as of 15 March 2017. As OECD DAC data is continuously updated, the snapshot of the 15114 date from 15 March 2017 can be found ► [online](http://drm.taxcompact.net/downloads/OECD-DAC_DRM-CRS-activities_v2017-03-15.xlsx)⁵.

⁵ http://drm.taxcompact.net/downloads/OECD-DAC_DRM-CRS-activities_v2017-03-15.xlsx



For the 2015 ATI Monitoring Report, six ATI development partners reported additional projects or adjusted project information that – due to technical difficulties – had not yet been included in the OECD DAC database at the time of this report:



The EU Institutions, which had only reported aggregate figures to the OECD DAC, have submitted disaggregated data to the ITC. Accordingly, their aggregate figures were deleted from the OECD DAC list and 56 new entries were added.



The Netherlands added two additional projects that were extracted as DRM relevant components from differently coded projects.



The United Kingdom sent an adjusted list with 38 additional entries for their 2015 data. For 26 projects the figures of disbursements and/or commitments were adjusted. One entry was deleted from the OECD DAC list because it had been miscoded.



The United States sent an adjusted list, which comprised of three entries less than the OECD DAC list.

Further, project descriptions were edited by the United States (two short descriptions, four long descriptions) as well as Italy (one long description). Sweden has deleted one entry that had been miscoded.

In total, 96 entries were added and 6 entries deleted compared to the OECD DAC data. The full dataset used in the following to analyse the ODA support provided by the ATI development partners can be found ► [online](#)⁶. Any changes to the original OECD DAC reporting are marked in this dataset in order to ensure full transparency and credibility.

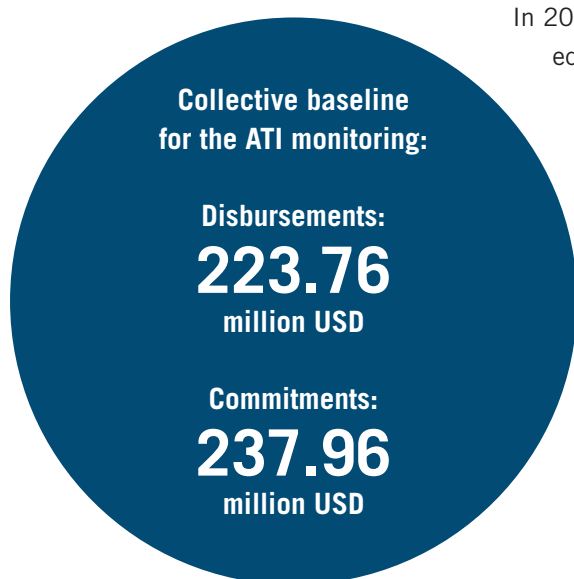
The additional entries and adjustments allow for a clearer picture of the actual ODA support provided in the area of DRM, thereby contributing to the relevance of the findings of this report. All development partners are asked to report their changes to the OECD DAC so that their data can be updated and made available for the 2016 ATI Monitoring Report in which the final baseline will be established.

⁶ http://drm.taxcompact.net/downloads/ATI-Monitoring-Rep-2015_DRM-CRS-activities_v2017-05-31.xlsx

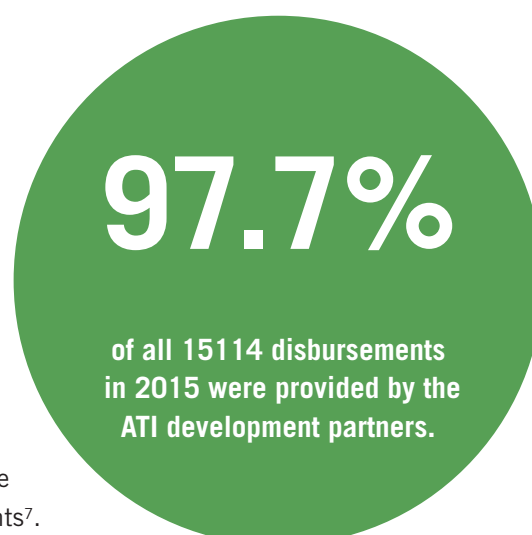
Summary Findings

Regarding the ATI Development Partners' ODA Support to DRM in 2015

For baseline year 2015, the OECD DAC database (as of 15 March 2017) covered a total of 386 entries made by the ATI development partners under the CRS purpose code 15114. For Australia, there is only aggregated information available. The database used in this report, which includes additional data from the EU Institutions, the Netherlands, and the United Kingdom, contains 476 entries.



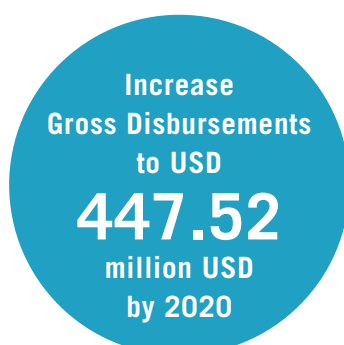
In 2015, gross disbursements by the ATI development partners reported under DRM Code 15114 amounted to **223.76 million USD**. The commitments by the ATI development partners in 2015 amounted to **237.96 million USD**. As previously noted, commitments are a good proxy for the pledges made by the ATI development partners' in 2015.

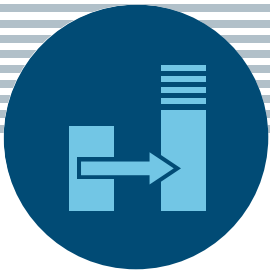


The ODA support provided by the 20 ATI development partners makes up 97.7% of all OECD DAC members' gross disbursements recorded under the DRM code 15114, and 98.7% of their commitments⁷.



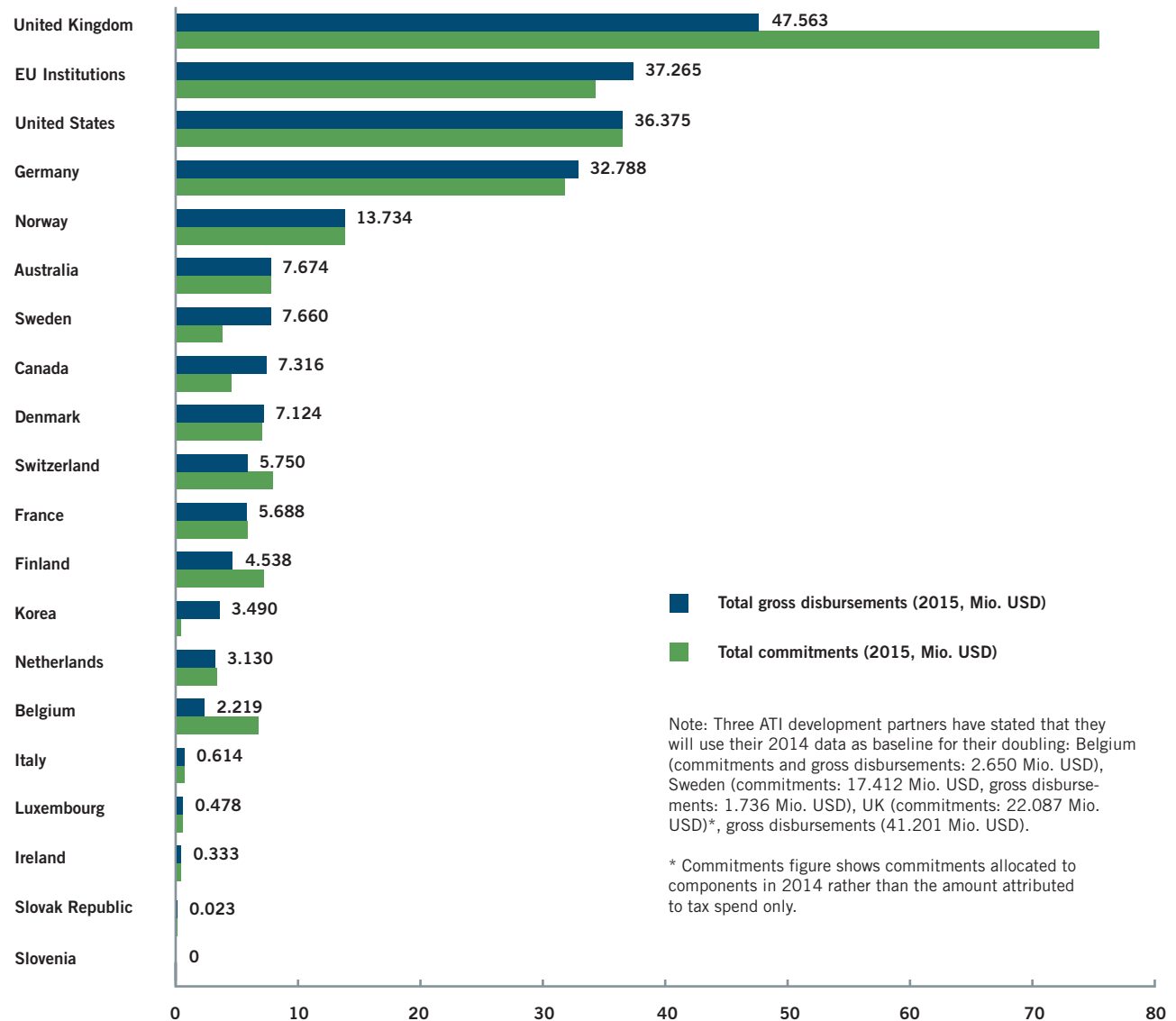
To fulfil ATI Commitment 1 and successfully double the support provided by the ATI development partners in the area of taxation/domestic revenue mobilisation by 2020, the ATI development partners must collectively increase their gross disbursements to USD 447.52 million and their commitments to 475.92 million USD by 2020.





The United Kingdom is the ATI development partner with the largest DRM portfolio, followed by the EU Institutions, the United States, Germany and Norway.

Figure 1:
ATI Development Partners' ODA Support to DRM



The role of development partners in the Addis Tax Initiative

Although the 2015 ATI Report only sets the baseline for the further monitoring, some of the ATI development partners have already reported that new activities have been, or will be, implemented as a result of the ATI Commitments. The Netherlands, for instance, will intensify its bilateral cooperation (among others) in Ethiopia, Ghana, Indonesia, Liberia and Uganda. In 2016, the United States USAID launched a pilot initiative that works with several partner countries to develop DRM programmes which target not only increases in revenue, but also increased and better spending of that revenue to help countries fulfil their commitments to the SDGs. This new initiative reflects the commitment of the United States government as a whole to work more intensively with partner countries to improve both the collection of public resources and the use of those resources in delivering important development outcomes.

By joining the Addis Tax Initiative, the ATI development partners have sent a strong political signal of their willingness to significantly increase their support in the area of taxation and domestic revenue mobilisation. The ATI membership is a direct answer to the high-level calls made in the Addis Ababa Action Agenda and for the fulfilment of SDG target 17.4. As demonstrated in Box 2, the ATI development partners attach high political priority to strengthening DRM support to partner countries and have taken systematic steps to put the ATI Commitment 1 into practice.

Box 2: Strategic Approaches to Supporting Domestic Revenue Mobilisation in Partner Countries



Canada. Global Affairs Canada has reviewed all of its programming in order to determine which projects are contributing to domestic revenue mobilisation and has proceeded to recode these projects to the DRM Code. Global Affairs Canada, the Canada Revenue Agency and Finance Canada also engage in regular inter-agency dialogue on tax and development. These processes have helped to heighten the focus on DRM within the government.



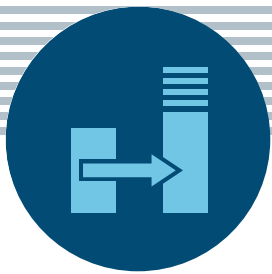
Denmark. Denmark has included a separate paragraph on “Mobilisation of the developing countries’ own national resources – tax” in the new Danish strategy for development cooperation and humanitarian aid.



France. The French Ministry of Foreign Affairs and the Ministry of Finance have launched an inter-ministerial task force to develop a new strategy and action plan for tax and development. This strategy will be the tool used to implement the Addis Ababa Action Agenda and the Addis Tax Initiative.



Germany. Germany has established an “early mover” programme in order to accelerate political commitment. The programme sets incentives and provides partner countries with additional funds for quick support of SDG implementation and DRM reforms. DRM-related projects were given priority during the selection process. As a result, five projects now receive additional support: in Indonesia, Namibia, Benin and Serbia as well as a regional project in Africa.



Italy. Italy has set up a coordination mechanism with the Italian Agency for Development Cooperation, the Ministry of Finance, and other concerned institutions. The aim is to collect and exchange information on the provision of development assistance to domestic revenue mobilisation and to obtain an overview of activities and forms of collaboration, including technical workshops, as well as the exchange of expertise and training. This mechanism is also designed to identify specific components of DRM related activities within larger development cooperation programmes, and facilitate the sharing of knowledge, experiences and good practices, with the aim of promoting synergies and ensuring coherence.

Norway. Norway has made a political commitment to develop a strategy – using instruments and targets – for how to double Norwegian development assistance to domestic revenue mobilisation in partner countries by 2020. NORAD is leading this work at the technical level through the new Policy Director of Tax. Simultaneously, at the operative level, a working group at the Norwegian Tax Directorate will deliver a report with recommendations regarding how institutional cooperation in the area of tax administration in partner countries can be strengthened.

Slovakia. Slovakia has intensified its focus on cooperation in the mobilisation of domestic revenue. Before this intensification, the Ministry of Finance provided development assistance primarily in public finance management (budget, accounting, macrofiscal analysis etc.); while its assistance in tax issues was limited to ad-hoc expert missions or study visits with minor longer-term impact. Although Slovakia continues its PFM initiatives, the ATI Commitments have led to more engagement in DRM topics.

Switzerland. Since 2015, Switzerland has approved several bilateral, regional and global initiatives with the aim of further strengthening its engagement in the DRM area in accordance with the ATI membership.

United Kingdom. The United Kingdom is currently reviewing options for how it can significantly scale up its programmes centrally and at country level to meet the ATI Commitment. Through the UK's 'whole of Government' approach to delivering tax capacity assistance the Department for International Development (DFID) is working with the UK Treasury and HM Revenue and Customs (HMRC) to scale up efforts.

United States. Since 2015, the United States has intensified efforts to meet the needs of partner countries that demonstrate the capacity and political will to sustainably improve DRM. To this end, the government's 2017 budget request included USD 33.5 million for the Treasury's Office of Technical Assistance (OTA), a 10 million USD increase over the 2016 financial year.

Source:
ATI Monitoring
Survey (2016)

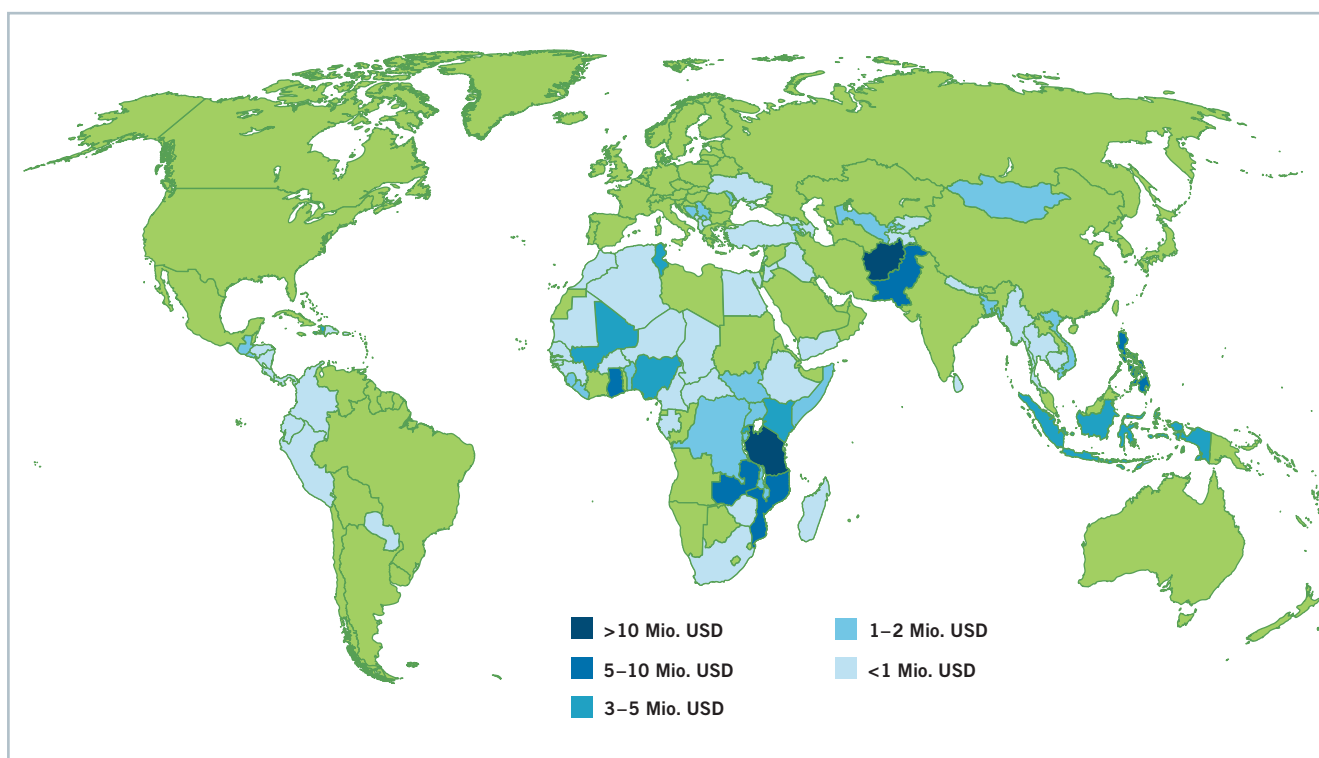
Recipient countries of ATI development partners' ODA support to DRM

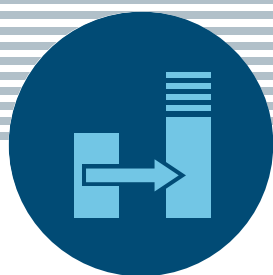
The ATI development partners provide over 97% of the ODA allocated to partner countries in the area of domestic revenue mobilisation (as reported to the OECD DAC). To fulfil ATI Commitment 1, that support will be doubled in the coming years. By looking at which partner countries currently receive and which do not receive support provided by the ATI development partners, this report could well contribute to fostering cooperation among the ATI members for a more even distribution of ODA support in the area of DRM. In line with its mandate to report on progress made in regard to ATI Commitment 1, this report can only provide a snapshot of the support offered by the ATI development partners. It will exclude non-ATI donors from its analysis, as well as the support provided by the international organisations and other stakeholders, despite the fact that they might have significant activities in partner countries. The DRM Database will be able to provide a more comprehensive overview of the ODA support allocated to partner countries, as it will also include other stakeholders in the area of tax and development. It will be launched by the International Tax Compact in June 2017.

8
This figure does not capture the partner countries that might have received support through regional projects.

In 2015, the 20 ATI development partners provided support to domestic revenue mobilisation in 84 partner countries⁸. Half of the support went to 20 countries only.

Figure 2:
Recipient Countries of ODA Support to DRM
From ATI Development Partners (Gross Disbursements 2015)





Out of 84 countries that received ODA support from the ATI development partners in the area of DRM, more than one third of gross disbursements (37.7%) went to only 10 partner countries (Table 1).

Afghanistan and Tanzania are the largest recipients of ODA support provided by the ATI development partners, followed by Pakistan, the Philippines and Mozambique.

Table 1:
Top Ten Recipients of ODA Support to DRM
(2015, Gross Disbursements Mio. USD)

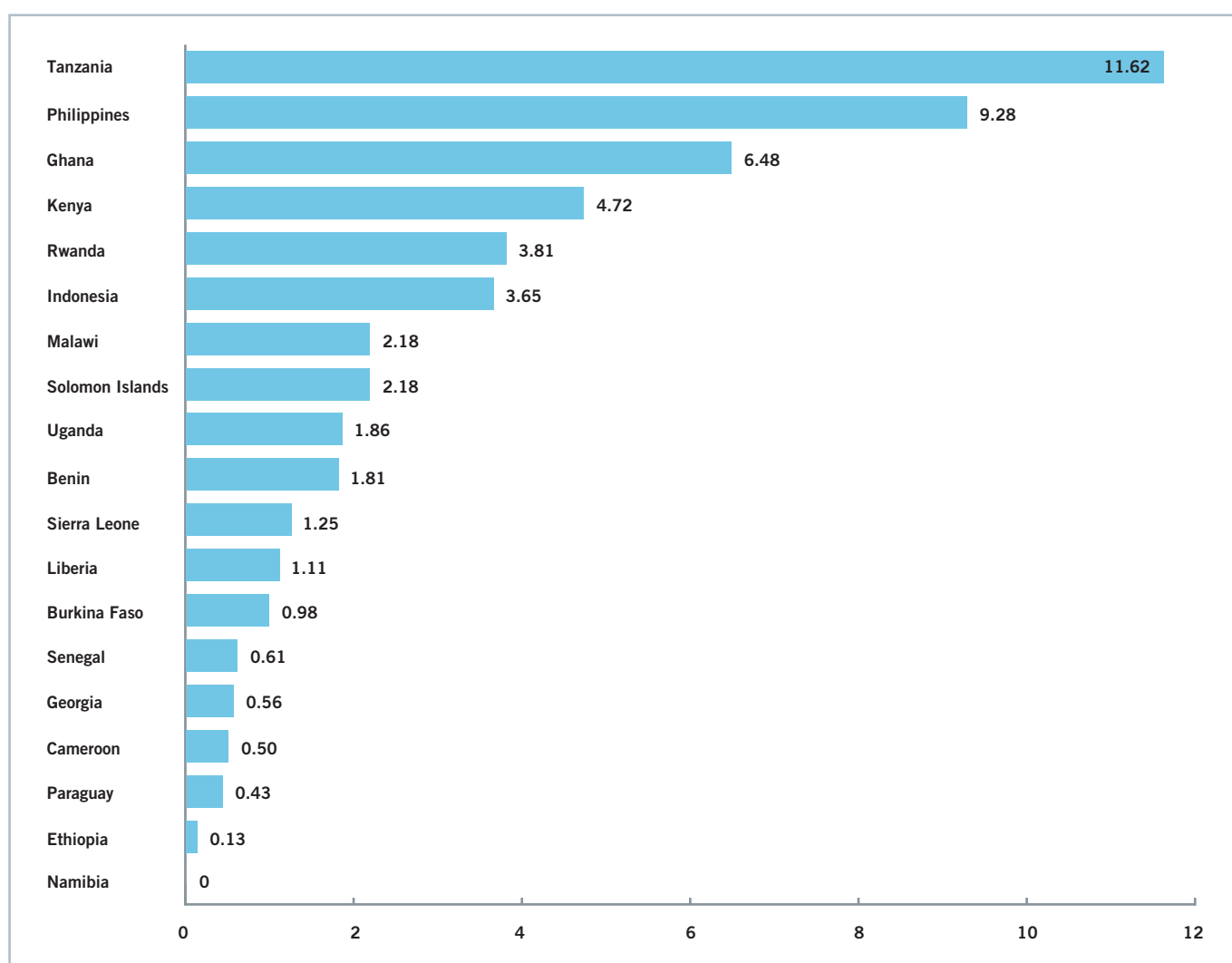
RECIPIENTS	DISBURSEMENTS
1. Afghanistan	(16.460)
2. Tanzania*	(11.618)
3. Pakistan	(9.969)
4. Philippines*	(9.240)
5. Mozambique	(9.085)
6. Zambia	(8.849)
7. Ghana*	(6.475)
8. Kenya*	(4.721)
9. Tunisia	(3.862)
10. Rwanda*	(3.809)
Top Ten Total	(84.088)

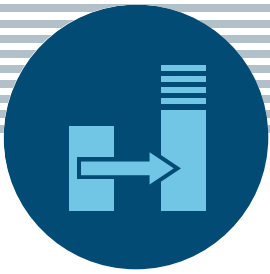
* ATI partner countries

In 2015, the 19 ATI partner countries received 22.7% (50.882 million USD) of the 15114 disbursements provided by the ATI development partners.

Among the ATI partner countries, Tanzania received most of the support provided by the ATI development partners, followed by the Philippines and Ghana (Figure 3).

Figure 3:
ODA support from ATI Development Partners to
ATI Partner Countries (in Million USD)





a) Regional Distribution of Support

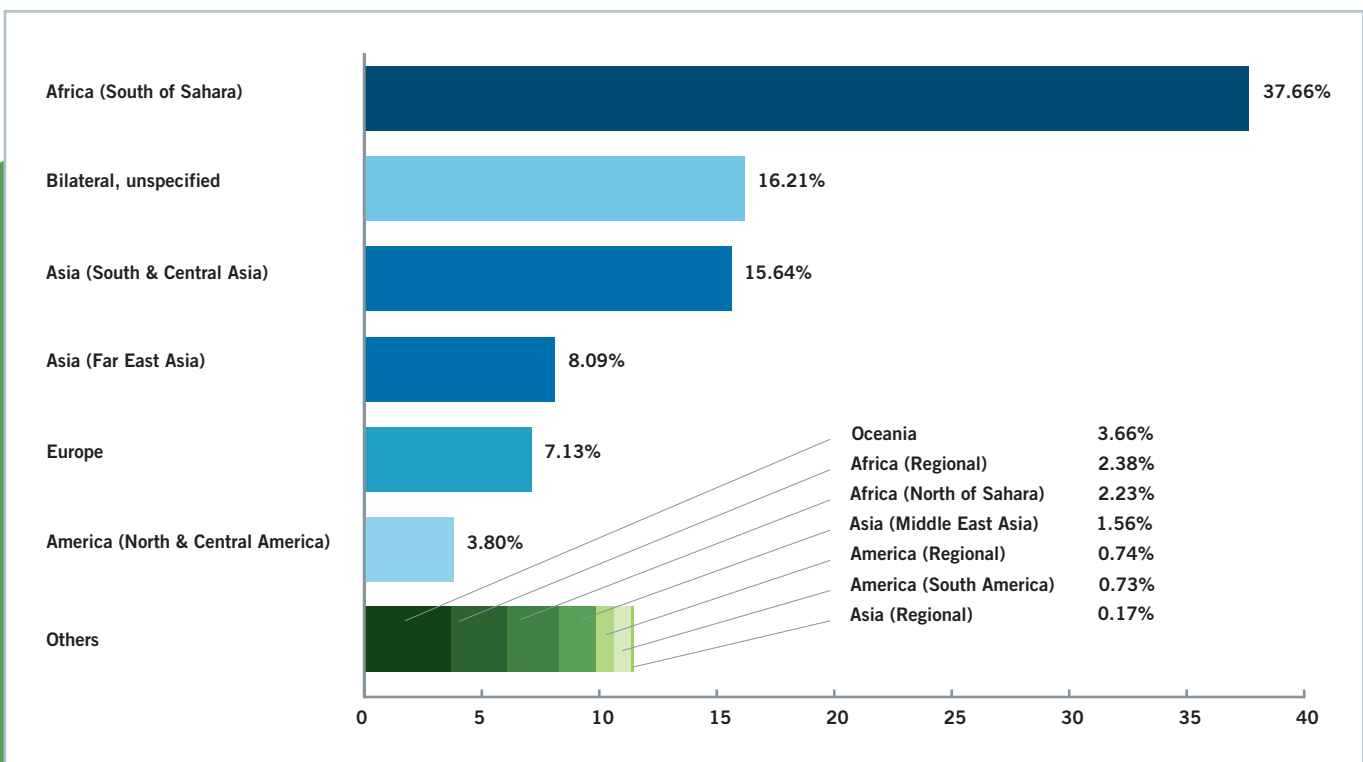
Despite the fact that the ATI development partners provide support to partner countries in every developing region⁹, there are variations with respect to the regional distribution of ODA support.

9

Throughout the report, the official OECD DAC and CRS code lists for recipient countries and regions are used (see OECD, 2017). Minor adjustments are made in the text to allow of a better readability.

One third of support provided by the ATI development partners went to sub-Saharan Africa (Figure 4).

Figure 4:
Regional Distribution of ODA Support (% of Total Support)



37.7% of the gross disbursements recorded under the DRM Code went to partner countries in sub-Saharan Africa. Within the region, out of 35 countries that received support from the ATI development partners, 5 countries received nearly 50%: Tanzania* (11.618 million USD), Mozambique (9.508 million USD), Zambia (8.849 million USD), Ghana* (6.475 million USD) and Kenya* (4.721 million USD) (*ATI partner country). In South and Central Asia, the support was even more concentrated: 75.5% of the ATI development partners' gross disbursements in the region went to two countries, namely Afghanistan and Pakistan. These are also the overall top recipients of the ATI development partners' ODA support in the area of domestic revenue mobilisation. More than half of the support for Far East Asia went to the Philippines.

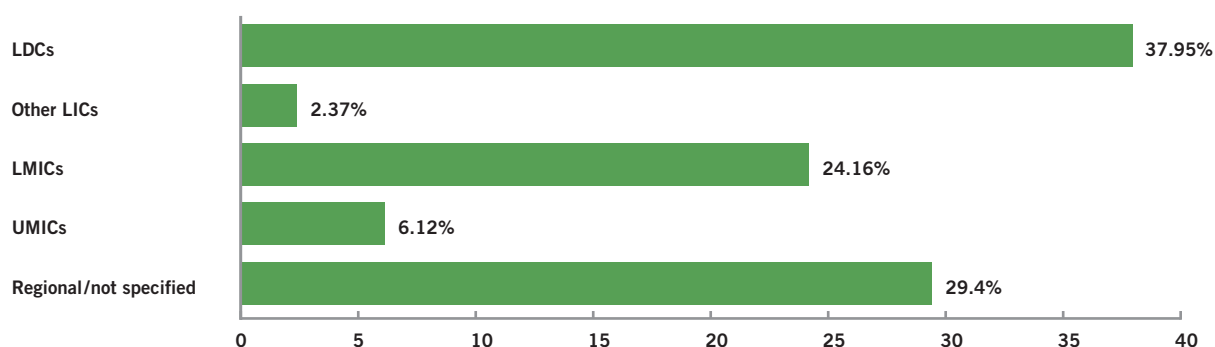
For entries classified in the CRS database as *bilateral, unspecified*, there is no detailed information on the regional distribution of support. This category includes among others, programmes of global reach, funding provided to DRM activities of international organisations as well as the aggregated entry for Australia.

b) Support by Income Groups

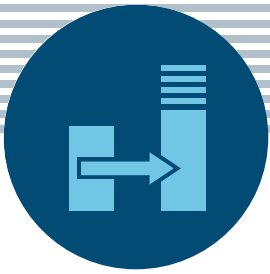
The allocations of the ATI development partners do not only vary in terms of their geographical distribution, but also with respect to the per capita income levels of the recipient partner countries, which are often connected with the partner countries' overall state of development. Arguably, partner countries with a lower level of country income might be in much greater need of support for DRM than more developed countries.

The largest recipient group of support provided by the ATI development partners was the Least Developed Countries group (Figure 5).

**Figure 5:
Distribution of Support by Income Groups**



Note: The figures are based on the OECD DAC definition of income groups (OECD, 2017); LDCs=Least Developed Countries, Other LICs=Other Low Income Countries, LMICs=Lower Middle Income Countries and Territories, UMICs=Upper Middle Income Countries and Territories



About 40 % of the ATI development partners' support went to the Least Developed Countries (LDCs) group, and other Low Income Countries (LICs)¹⁰.

The strong focus on the ODA support of the ATI development partners in the Least Developed Countries reflects their importance in the international development agenda. In the Addis Ababa Action Agenda, it is stated that:

¹⁰
The category Other LICs includes three partner countries, namely Kenya (ATI partner country) Tajikistan and Zimbabwe. They are analysed together with the LDCs.

LDCs

“

(...) least developed countries, as the most vulnerable group of countries, need enhanced global support to overcome the structural challenges they face for the achievement of the post-2015 development agenda and the sustainable development goals. (UN, 2015a, p.4)

”

Although a heterogeneous group of countries, LDCs are especially prone to deficiencies in the mobilisation of domestic revenue. One of the reasons for this is the predominance of subsistence activities in LDCs, which is accompanied by a generally high level of extreme poverty (UN-OHRLLS, 2014). As a consequence, the scope for imposing income- and consumption taxes remains fairly low. Other factors that hamper domestic revenue mobilisation in LDCs include the lack of capacity in revenue administrations, low levels of tax morale, poor governance and overall widespread corruption (Bhattacharya & Akbar, 2014).

Within the group of LDCs, ODA allocations vary significantly from one partner country to another. Indeed, some countries received particular attention, but support to a significant number of LDCs was less pronounced: While the top 10 (out of 37) of LDCs received 73.7% of disbursements, the bottom 10 of LDCs received 2.7% of gross disbursements to LDCs.

**Many LDCs only receive little ODA.
Out of the ten LDCs that received the
least support from the ATI development
partners, one (Ethiopia) is an
ATI partner country.**

Table 2:
LDCS with Least Support from ATI Development Partners
(Gross Disbursements 2015 in USD)

RECIPIENTS	DISBURSEMENTS
1. Comores	(459.235)
2. Guinea	(450.111)
3. Zimbabwe	(423.337)
4. Sao Tome and Principe	(364.514)
5. Niger	(356.988)
6. Madagascar	(227.399)
7. Central African Republic	(198.558)
8. Tajikistan	(152.790)
9. Ethiopia*	(123.572)
10. Guinea Bissau	(111.313)

*ATI partner country

Of course, these figures might be somehow downward-biased for different reasons. Partner countries with a low level of ODA might receive support through regional projects, international organisations or trust funds, whose recipient countries are not specified in the OECD DAC data. Moreover, other non-ATI donors might be active in those countries as well as providers that do not report to the OECD DAC, including emerging development partners, foundations, and private actors. Furthermore, looking at the recipient side, DRM reform might currently not be a reform priority in some partner countries, or may exist serious reasons that prevent DRM reform activities in that area (e.g. civil war in Yemen).

More detailed analysis would be necessary to determine whether countries that receive little support in the area of domestic revenue mobilisation should be considered under-funded. It could be interesting to examine the recipient countries' levels of tax-to-GDP or their revenue potential. Additional factors certainly also play a role, e.g. whether there is the political will in the partner countries to implement DRM reform. Even if the partner countries' need for support could be objectively determined, development partners might use other criteria and considerations in deciding on their ODA allocations. Still, the ATI could play a role in fostering cooperation among the ATI signatories for a more even distribution of ODA support in the area of DRM. The ATI Monitoring Report might well be an instrument which is capable of facilitating this, while the DRM database ([► **drm.taxcompact.net**](http://drm.taxcompact.net)) could be another.

The Lower Middle Income Countries represent the second largest group of ODA recipients in the area of domestic revenue mobilisation. Again, the support provided by the ATI development partners was concentrated on only a limited number of LMICs: the first three recipient countries received nearly half of the disbursement in that income group: Pakistan (18.4%), the Philippines* (17.1%) and Ghana* (12.7%) (*ATI partner country).

LMICs

Finally, the category "Regional/not specified" in Figure 2 refers to all entries in the OECD DAC database where information on the recipient income group was either not available (gross disbursements: 44.211 million USD) or where ODA support was granted at the regional level (gross disbursements: 21.585 million USD).

**Regional,
not
specified**



3.2 ATI Commitment 2: Stepping up Domestic Revenue Mobilisation in Partner Countries

“

As participating partner countries, we hereby restate our commitment to step up domestic resource mobilisation in order to increase the means of implementation for attaining the Sustainable Development Goals and inclusive development. (ATI, 2015, p.4)

”

Many partner countries have made considerable progress in strengthening their domestic revenue basis since the adoption of the Monterrey Consensus in 2002. However, the pursuit of the ambitious 2030 Sustainable Development Goals (SDGs) requires significant additional domestic revenue. This calls for increased capacity building to support sustainable domestic revenue mobilisation in partner countries.

To enhance their domestic revenue mobilisation, partner countries need to address a substantial number of tax issues. These include (but are not limited to): compliance problems in dealing with the hard-to-tax sector (e.g. small businesses, professionals or high net-worth individuals); reduced tariff revenues due to trade liberalisation, including regional integration; weak revenue administrations; low taxpayer morale and poor governance and shallow use of financial institutions, potentially a valuable source of tax-relevant information. Within revenue agencies, expanded assistance will be required for, among other activities, enhancing tax accounting and auditing skills and building the data systems needed to reduce the ‘compliance gap’.

Access to technical expertise to address cross-border issues has emerged as another particular need of partner countries. The implementation of the G20/OECD Action Plan on Base Erosion and Profit Shifting (BEPS) for countering tax avoidance practices of multinational enterprises (MNE) brings a need for comprehensive and broad based capacity building in partner countries. Many partner countries are not able to cope with complex tax planning strategies of MNEs, for example when it comes to international transfer prices that are frequently used to shift profits from high- to low-tax jurisdictions. Apart from BEPS, other specific tax issues specifically referred to in the ATI declaration are: exchange of information for tax purposes, natural resource taxation, tax evasion/illicit financial flows and anti-corruption.

For partner countries, it is also crucial to consider the principles of good governance in domestic revenue mobilisation; this will take the form of improving the transparency, efficiency, effectiveness and fairness of their tax systems, and linking domestic revenue mobilisation to effective and transparent spending.

By spending domestic revenue in a fair and transparent way, partner countries' governments can demonstrate their willingness to act in a responsible and accountable manner. Taxpayers, on the other hand, will regard it as their civic duty to voluntarily pay their fair share of taxes. This is sometimes called the “fiscal contract” between citizens and the state.

By joining the Addis Tax Initiative, partner countries demonstrate their willingness to further enhance domestic revenue mobilisation to attain the Sustainable Development Goals. The ATI, as an inclusive platform, will support the implementation of this commitment by bringing together the relevant stakeholders in the field of domestic revenue mobilisation, including partner countries, development partners, regional- and international organisations, and other supporting organisations. It is key that partner countries take a leading role in this process. Strong domestic ownership under strong political commitment to reform within government will be of paramount importance in terms of generating effective ODA support for domestic revenue mobilisation.

Methodology Used to Monitor ATI Commitment 2

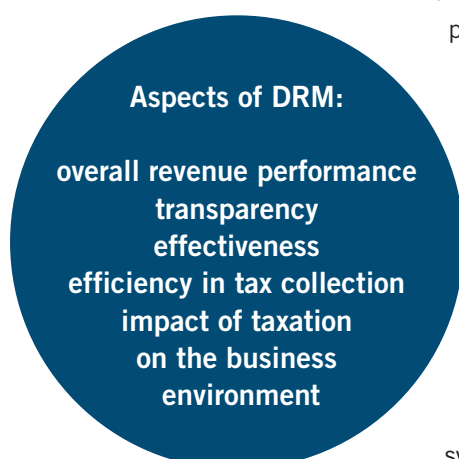
1) The ATI Monitoring Framework

In order to minimise the effort of reporting for the ATI partner countries, the ATI Monitoring Note suggested that partner countries could draw on their own indicators and targets used for monitoring revenue collection and other aspects of tax system performance in order to measure the current status of domestic revenue mobilisation in their country.



2) Reporting for the 2015 ATI Monitoring Report

In order to minimise reporting requirements, the ATI Monitoring Survey provided the ATI partner countries with relevant information from official data sources, including from the International Monetary Fund (IMF) and the World Bank. The partner countries were invited to comment on the data and complement them with their own indicators if applicable.



The indicators and data sources were chosen with a view to providing a broad picture of domestic revenue mobilisation (DRM) in the ATI partner countries, thereby covering several aspects of DRM (overall revenue performance, transparency, effectiveness and efficiency in tax collection, impact of taxation on the business environment). For reasons of comparability and consistency, the International Tax Compact (ITC) mainly included indicators for which recent data was available on a comprehensive basis; these are based on a sound and internationally agreed-upon methodology, and allow for a systematic and preferably quantitative analysis of DRM efforts. Some dimensions of domestic revenue mobilisation, such as fairness and equity in taxation, could not be directly assessed because there is a lack of adequate indicators, and thus a systematic analysis would not have been possible.



The ATI Monitoring Survey also provided the ATI partner countries with the opportunity to present their country's recent efforts to strengthen domestic revenue mobilisation, as well as their stories of success and lessons learnt. Some of this information will be used to complement the quantitative indicators mentioned above. More details on success stories and lessons learnt will be presented in the individual country sections.

Out of 19 ATI partner countries, only 9 replied to the ATI Monitoring Survey. This notwithstanding, all 19 partner countries will be included in the analysis of DRM-relevant indicators used for the monitoring of ATI Commitment 2. However, these countries will only have a rudimentary country section, based on publicly available DRM indicators and the OECD DAC Statistics on ODA support received in the area of domestic revenue mobilisation.

Summary Findings

This section presents certain aggregated findings related to ATI Commitment 2. The results presented in this section will provide a baseline for systematically monitoring partner countries' future progress in stepping up domestic revenue mobilisation (DRM). For reasons of consistency and comparability, the report uses 2015 data where applicable as this is also the baseline year for monitoring ATI Commitment 1. The results included in this part of the ATI Monitoring Report are not meant to be exhaustive and can only provide a rather general picture of the ATI partner countries' DRM efforts. More details can be found in the individual country sections.

Domestic DRM Indicators

The Addis Ababa Action Agenda defines no general revenue targets for partner countries, but

“

welcome(s) efforts by countries to set nationally defined domestic targets and timelines for enhancing domestic revenue as part of their national sustainable development strategies (...)“
(UN, 2015a, p.11).

”

Accordingly, the ATI Monitoring Note suggested that partner countries could draw on their own indicators and targets used for monitoring revenue collection and other aspects of tax system performance in order to assess ATI Commitment 2.

1
“Which indicators
does your country use
to measure progress
in the area of
domestic revenue
mobilisation?”

For the purpose of the ATI Monitoring Report, partner countries were asked to provide additional information on their domestic tax indicators during the ATI Monitoring Survey¹. Survey feedback suggests that the tax-to-GDP ratio (i.e., total tax revenue relative to the Gross Domestic Product, GDP) is one of the principle DRM indicators used by the responding ATI partner countries to measure domestic revenue mobilisation. It should be noted that the tax-to-GDP ratio only reflects the overall tax revenue mobilisation of a country (i.e., the quantity of domestic revenue mobilisation); it does not allow for any inferences about the quality of domestic revenue mobilisation (i.e., how the revenue was generated). Detailed data on the tax-to-GDP ratios in partner countries will be presented in the next section.

Certain ATI partner countries (e.g. Burkina Faso and Kenya) also use different types of performance indicators that compare actual tax revenue collections against predefined revenue targets. Burkina Faso, for instance, was able to increase its tax collection rate from 89.99% in 2015 to 95.40% in 2016. Another interesting approach is pursued in Liberia. Here, the tax departments distinguish between the part of the tax revenue increases, which is attributable to the economic climate, and the part that is due to the efforts to improve tax compliance and legislative measures.

Country Characteristics

a) Tax-to-GDP Ratios

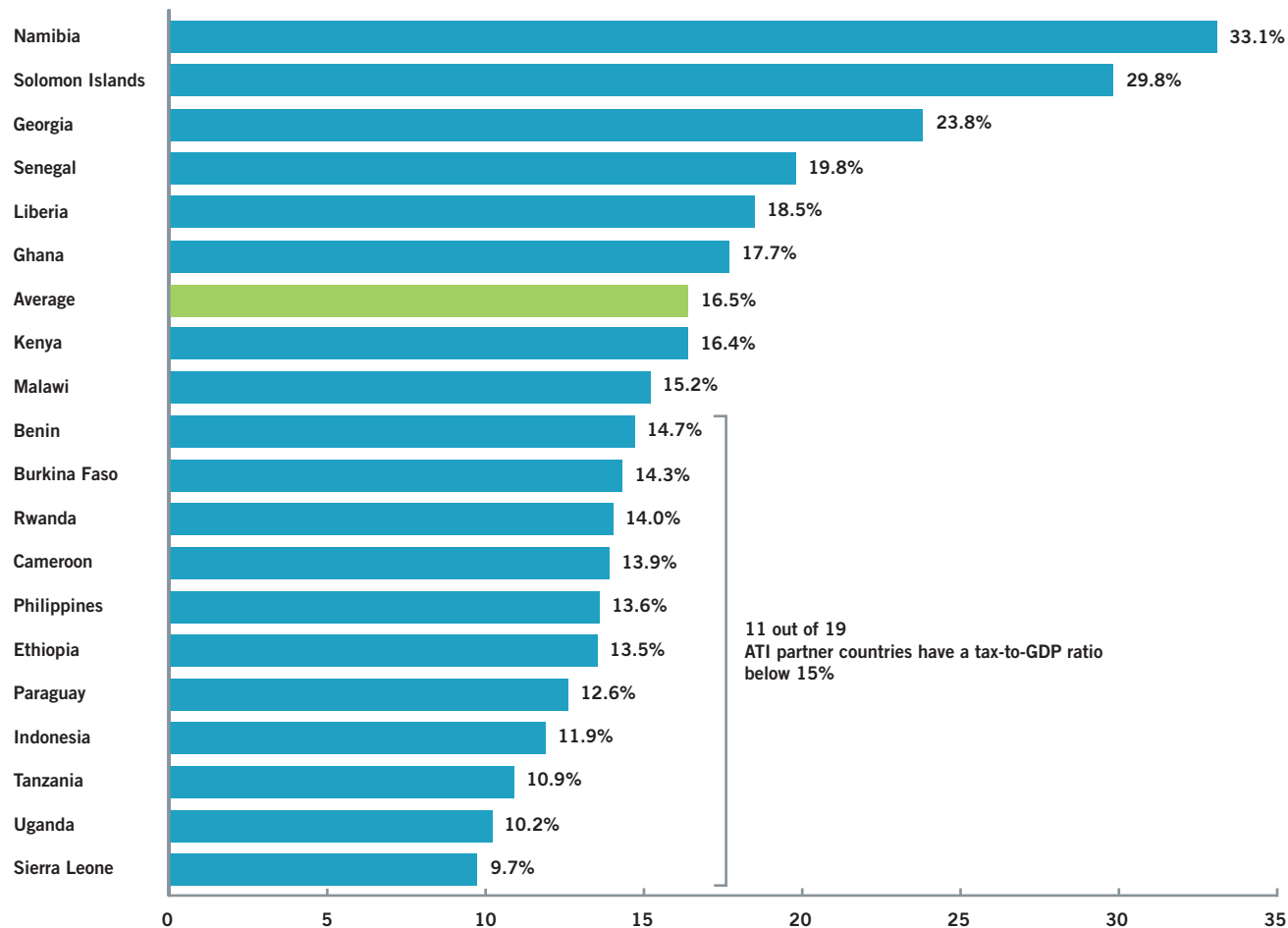
Figure 1 presents the tax-to-GDP ratios of the ATI partner countries. Data is for the year 2015 (which is also the baseline year for monitoring ATI Commitment 1). As depicted in Figure 1, the tax-to-GDP ratios vary substantially between the ATI partner countries, ranging from 9.7% in Sierra Leone to 33.1% for Namibia. The average value for the ATI partner countries is 16.5%. All but three countries (Namibia, the Solomon Islands and Georgia) have a tax-to-GDP ratio below the threshold of 20% proposed by the UN (UNDP, 2010). More than half of ATI partner countries (11 out of 19) even fall below a value of 15%, which is considered necessary for ensuring sustainable growth (The Platform for Collaboration on Tax, 2016).



On average, the ATI partner countries have a tax-to-GDP ratio of 16.5%. 16 ATI partner countries have a tax-to-GDP ratio below 20%, and 11 even fall below 15%.



Figure 1:
TAX-to-GDP Ratios in ATI Partner Countries (2015, % of GDP)



Note: Data stems from the IMF Article IV Consultation Reports of ATI partner countries and the IMF Government Finance Statistics (GFS) database. The ATI Monitoring Report relies on 2015 data (where available) and covers revenue from four core tax sources of ATI development partners (i.e. taxes on incomes, profits, and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions, which are sometimes part of the tax-to-GDP ratio, is not included.

The efforts of partner countries to enhance domestic revenue mobilisation with support from development partners should have a direct impact on the overall revenue performance, as measured by the tax-to-GDP ratio. It can be expected that the tax-to-GDP ratios in the ATI partner countries will gradually rise until 2020. Some partner countries, which are currently still facing serious limitations in mobilising domestic revenue mobilisation (e.g. due to a lack of administrative capacities to effectively assess and collect tax revenues), might make faster progress than those countries that are already relatively successful.

b) Revenue Structures

Generally speaking, the overall revenue composition (also referred to as “tax structure” or “tax mix”) is a result of various economic, political, geographic, socio-demographic and other factors that are highly country-specific. The relative importance of different types of taxes also depends heavily on a country’s capacity to administer them effectively. While some taxes are relatively easy to assess and collect, others require more administrative capacity.

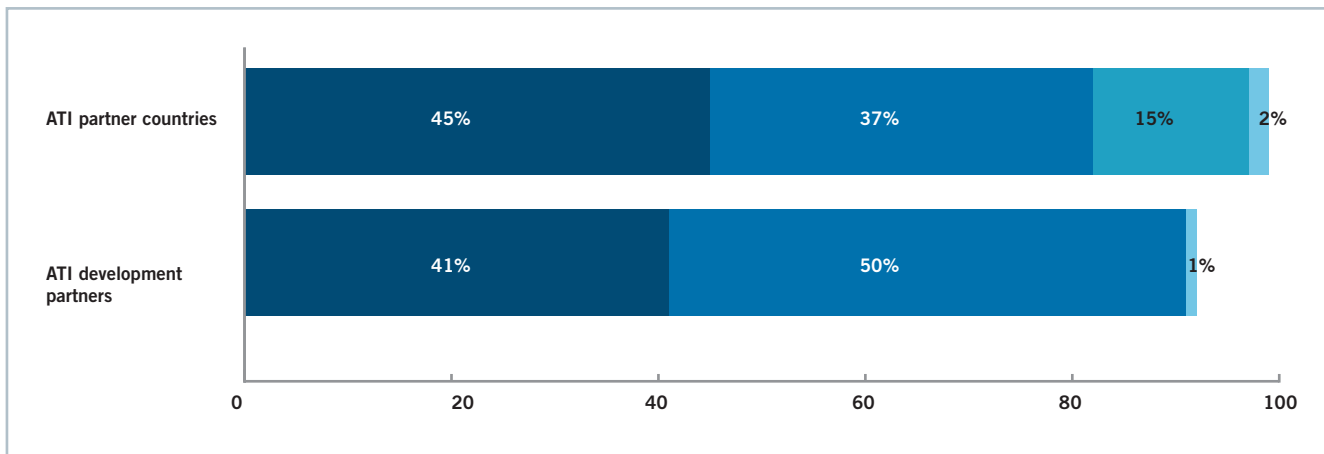
As such, the tax structure can be indicative of the overall capacity of partner countries’ revenue administration systems. It is, for instance, commonly observed that countries with maturing tax systems gradually shift their focus to the taxation of different types of incomes such as wages, business incomes, as well as profits and capital gains (usually referred to as “direct taxes”). The assessment and collection of these taxes require more technical capacity than other tax sources, such as indirect sales or value added taxes. On the other hand, broad-based and progressive income taxation can help improve the overall equality and fairness of the tax system. Another common observation is that partner countries often rely more heavily on trade taxes than development partners, because these taxes are, in general, relatively easy to collect. This, however, makes revenue mobilisation more vulnerable to external shocks.



Figure 2 (page 50) shows the average revenue structures in the ATI partner countries. It covers the most relevant tax sources of the ATI partner countries, including taxes on income, profits, and capital gains, taxes on goods and services, taxes on international trade and transactions, and other taxes. Some other sources were left out due to their lack of relevance for the ATI partner countries. To put the results into context, Figure 2 also provides an overview of the average revenue structures of the ATI development partners. For reasons of comparability, the revenue figures for development partners only cover the tax sources mentioned above and do not add up to 100%. Information on the individual revenue composition in the ATI partner countries can be found in the respective country sections.



Figure 2:
Revenue Composition in ATI Partner Countries (% of Tax Revenues)



Indirect taxes, such as taxes on goods and services are, in general, relatively easy to administer and bring a high revenue potential. They often fall disproportionately on the shoulders of low-income earners.

Direct taxes, such as taxes on income, profits and capital gains are technically demanding and bring more opportunities for tax evasion than indirect taxes. They can help improve the fairness of the tax system (e.g. through progressive income taxes).

Taxes on international trade and transactions, including tariffs, are relatively easy to collect. A strong reliance on trade taxes makes revenue mobilisation vulnerable to external shocks.

Other taxes

On average, the most significant single source of tax revenue in the ATI partner countries is tax on goods and services (44.9%). Indeed, this percentage is even slightly larger than for the ATI development partners, whose revenue from indirect taxes equates to 41.2% on average. It is often argued that a strong reliance on revenue from value added or sales taxes has negative implications for overall income distribution, because these fall more heavily on the shoulders of low-income earners.

Taxes on
Goods and
Services:
44.9%

Direct
Taxes:
37.4%

By contrast, in 2015, the ATI partner countries raised only 37.4% of tax revenue through direct taxes. This is 12.7 percentage points less than the ATI development partners' average. There are several reasons why personal and corporate income taxes are less relevant for domestic revenue mobilisation in partner countries. Revenue administrations in partner countries often lack the necessary capacity for a broad-based and progressive income taxation, which requires the systematic registration and assessment of taxpayers as well as an efficient and effective method of collecting tax revenue (see below). On the other hand, non-transparent and complex tax laws and regulations lead to significant compliance costs, especially for small and medium enterprises. These then often decide to shift their activities to the informal economy. Partner countries also lose significant corporate income tax revenue due to the tax avoidance schemes of multinational enterprises (MNEs). The losses associated with tax avoidance are especially relevant for partner countries because they often rely relatively more heavily on corporate income taxes than development partners. To address this problem, partner countries need particular capacity building support from development partners.

The largest difference between the ATI partner countries and the ATI development partners is linked to revenue from taxes on international trade and transactions. While these taxes are virtually non-existent for the ATI development partners (0.5%), the ATI partner countries still raise 15.5% of their tax revenue through trade taxes. These taxes are relatively easy to collect because transactions usually take place at the border and are thus highly visible. The reliance on trade taxes makes partner countries vulnerable to external shocks and causes distortions in competition between domestic and international firms. As a consequence, it has long been advocated that partner countries should rely less on taxes on international trade and transactions and offset the associated revenue losses through other taxes (Tanzi and Zee, 2001).

Taxes
on international
trade and
transactions:
37.4%

In conclusion, it can be expected that the ATI partner countries' reform efforts to enhance domestic revenue will induce a gradual shift in their tax structures until 2020. Most notably, the ATI partner countries might have significant unused revenue potential in the area of direct taxes (personal and corporate income taxes), which could offset reduced revenue from (easier to collect) trade taxes. A progressive and broad-based income tax system will also help to improve the fairness and equality of their tax system. Revenue from consumption taxes is already at a relatively high level. Here, the potential for revenue increases might be smaller and depending on how successful partner countries are already in collecting these taxes.



Tax Administration Performance

a) TADAT Assessments



TADAT (Tax Administration Diagnostic Assessment Tool) assessments can help partner countries identify areas where capacity building and reform measures will be most effective. Moreover, repeated TADAT assessments (e.g. after three to four years) could provide a sound – and objective – picture of the ATI partner countries' progress in the area of tax administration reforms. This is why the results of the TADAT assessment are particularly relevant for the monitoring of ATI Commitment 2. The Addis Tax Initiative is actively encouraging partner countries to conduct TADAT assessments; it is also inviting all ATI partner countries that wish to engage in a TADAT assessment and that are looking for assessors and/or funding to address the International Tax Compact (ITC) for assistance.

Tax Administration Diagnostic Assessment Tool (TADAT)

TADAT is an objective and evidence-based tool to assess the relative strengths and weaknesses of partner countries' tax administration systems. TADAT can be regarded as the "revenue complement" to the Public Expenditure and Financial Accountability (PEFA) framework, which assesses overall status of public financial management (see below). TADAT assessments are centred on nine so-called Performance Outcome Areas (POA), which cover all core tax administration functions.



Table 1:
TADAT Assesments in ATI Partner Countries

Out of 19 ATI partner countries, 15 have concluded a TADAT assessment or are scheduled to undertake one.

PARTNER COUNTRY	DATE
Burkina Faso	October 2017
Cameroon	April 2017
Ethiopia	April 2016
Georgia*	May 2016
Ghana	May/June 2017
Kenya	November 2016
Liberia**	June 2016
Malawi	May 2015
Namibia	May 2016
Paraguay	November 2014
Philippines	December 2015
Rwanda	August 2015
Sierra Leone	August 2016
Tanzania	February 2016
Uganda	August 2015

Source: TADAT Secretariat

Notes: Status as of November 2016;
assessments prior to 2016 were pilot assessments

* Performance Assessment
Report available at:
► [http://www.tadat.org/files/
Georgia_Final_PAR_2016.pdf](http://www.tadat.org/files/Georgia_Final_PAR_2016.pdf)


** Performance Assessment Report
available at:
► [http://www.tadat.org/files/
Liberia_Final_PAR_2016.pdf](http://www.tadat.org/files/Liberia_Final_PAR_2016.pdf)

Only four ATI partner countries have not yet undertaken or plan to undertake a TADAT assessment: Benin, Indonesia, Senegal and the Solomon Islands. For most countries that have already undertaken a TADAT assessment, information on the results of those assessments, the so-called Performance Assessment Report (PAR), is not publicly available. Of the 15 ATI partner countries assessed, only Georgia and Liberia have made their PAR public. For this reason, it is not possible to draw any general conclusions for the purpose of the ATI Monitoring Report.




Box 1 illustrates some country experience from Georgia and Rwanda. Both countries included the TADAT results in their domestic strategies to enhance revenue mobilisation. The positive experiences of these two ATI partner countries, outlined in Box 1, might encourage other ATI partner countries to conduct a TADAT assessment or even to publish their PARs.

Box 1:
TADAT Assessments in Georgia and Rwanda



Georgia. In 2016 Georgia, with the assistance of the IMF, conducted a TADAT Assessment. The Performance Assessment Report is used as a guiding document for further reforms in order to increase efficiency of tax administration as well as to plan further technical assistance projects. Some of the major strengths found in PAR include, for example, the extensive use of electronic systems as well as the provision of taxpayer services and dispute resolutions. Here, Georgia's performance is comparable to international good practices (IMF, 2016).

As a next step, Georgia is planning to conduct a repeated TADAT assessment in 2020 to assess the progress achieved as a result of the implementation of the new multi-year tax administration strategy.



Rwanda. Some of the main findings of the TADAT pilot assessment undertaken in August 2015 were included in the Rwanda Revenue Authority (RRA) Compliance Improvement Plan (2016 – 2017), which was published in June 2016. Building on the principles of voluntary tax compliance and self-assessment, the Compliance Improvement Plan places particular emphasis on improving the taxpayer services offered by the RRA. It also stresses the role of tailored compliance strategies for different taxpayer segments.

The 2015 TADAT assessment found that the RRA's efforts in the area of compliance management were rather unsystematic. One of the central findings was that the RRA needed to better understand the underlying causes of tax compliance for different taxpayer segments. As a response to the TADAT findings, the RRA, together with the IMF, has developed a Compliance Risk Analysis Model, which is based on the international good practice of the Australian Tax Office.

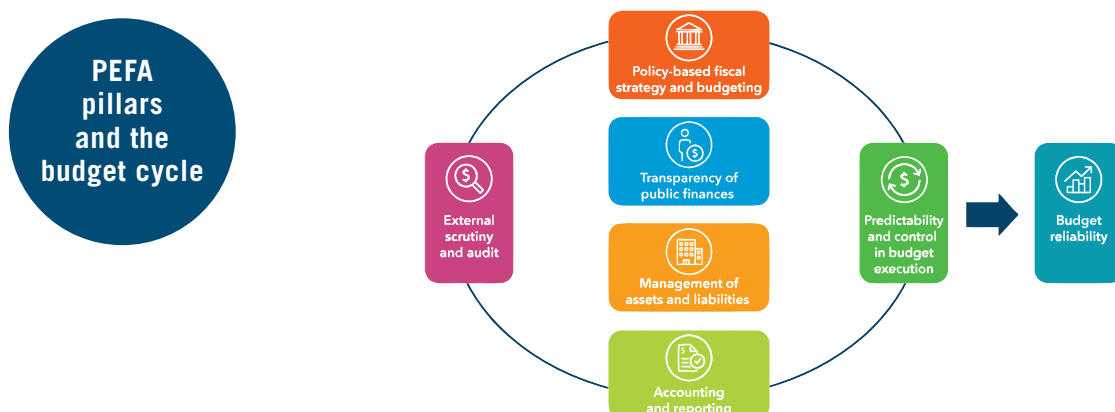
Sources: IMF (2016), Rwanda Revenue Authority (2016)

b) PEFA Assessments



The Public Expenditure and Financial Accountability (PEFA) Assessment is a comprehensive tool used to assess the overall status of a country's public financial management system (including budgeting, public procurement, expenditure, and financial transparency and accountability). The PEFA framework uses a broad range of indicators, including a number of DRM-related indicators.

The results of PEFA Assessments are relevant to the monitoring of ATI Commitment 2 for a number of reasons. First of all, recent data is available for nearly all ATI partner countries (15 out of 19) and the PEFA Assessments are based on a sound scoring methodology. Secondly, the indicators are directly related to certain important dimensions of domestic revenue mobilisation, including the transparency of taxpayer obligations and liabilities, as well as the efficiency and effectiveness of revenue collection. Finally, as PEFA assessments are repeated on a regular basis, it is, in principle, possible to monitor progress over time. Indeed, improved PEFA scores might result directly from the development partners' support of capacity building.



However, it must be noted that this report only uses the aggregated scoring for each indicator. A detailed analysis of the sub-indicators would be out of the scope of the report. As a consequence, the findings presented in the following section should be understood as providing a general overview of the ATI partner countries' performance according to the PEFA Assessments.

The results below are based on the PEFA Assessments for 15 ATI partner countries. No recent assessments are available for Cameroon (latest public report: 2008), Rwanda (latest public report: 2010) or Sierra Leone (latest public report: 2010), and thus they have been excluded from the analysis. Moreover, no PEFA Assessment report is publicly available for Namibia.

In light of the changes to the PEFA methodology in 2016, 13 ATI partner countries are analysed based on the 2011 methodology (using indicators PI-13, PI-14 and PI-15). Two partner countries (Paraguay and the Philippines) have been assessed based on the 2016 methodology (using indicators PI-19 and PI-20). Links to the individual PEFA Assessment reports of the ATI partner countries are provided in the respective country sections.



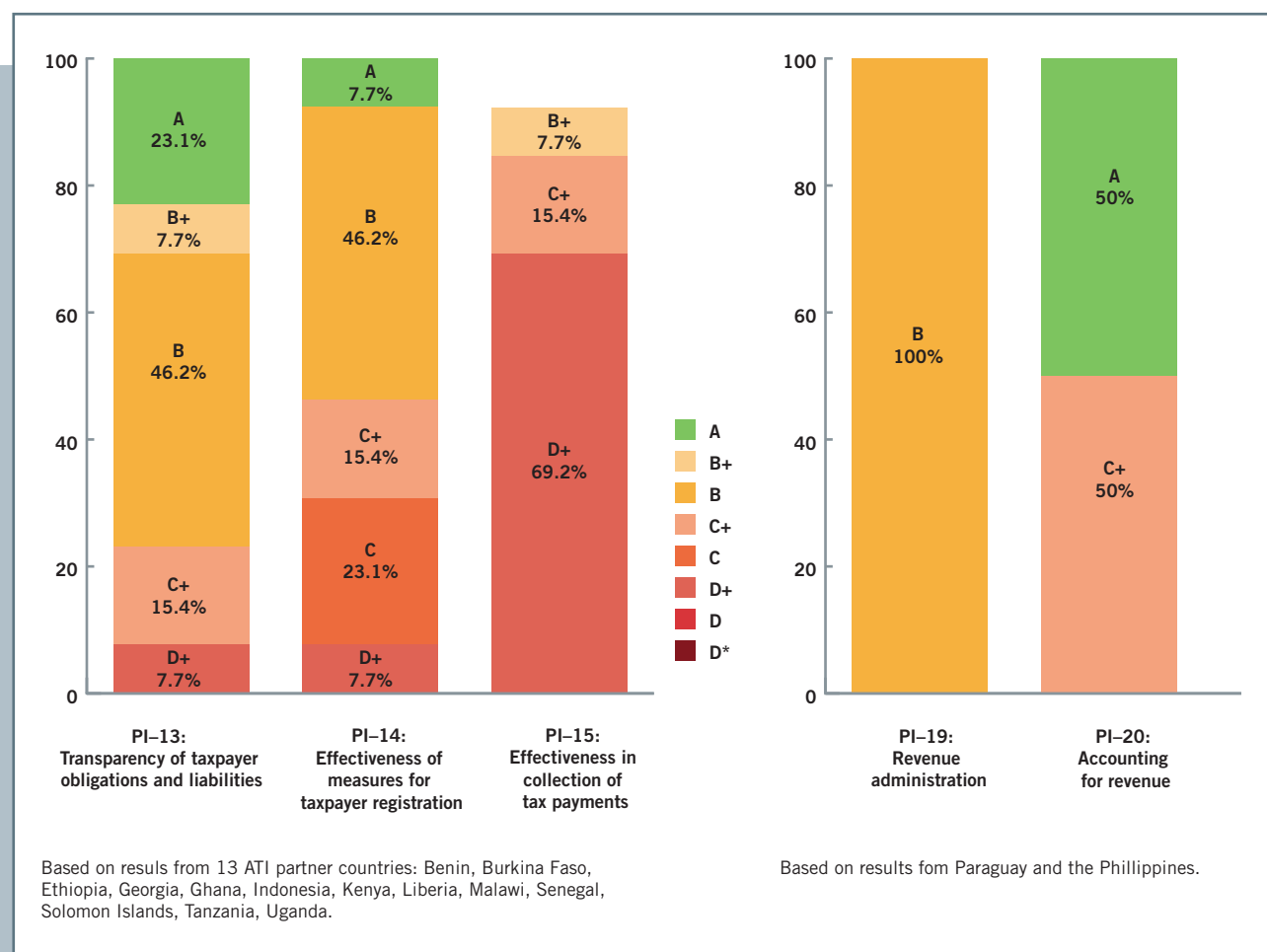
Highest Score ←

→ Lowest Score

Note: All indicators and dimensions in the PEFA Assessments are scored using an ordinal scale ranging from A (internationally-recognized level of good performance) to D (performance is below the basic level).

Figure 3a:
Distribution of PEFA Scores
(PI-13, PI-14, PI-15)

Figure 3b:
Distribution of PEFA Scores
(PI-19, PI-20)



PI-13: Transparency of taxpayer obligations and liabilities.

Indicator PI-13 assesses the transparency of the tax administration system. Clear and predictable tax rules and procedures are key when it comes to encouraging voluntary tax compliance and the creation of a business-friendly environment. The PEFA results suggest that the ATI partner countries were able to provide a generally high level of transparency with respect to taxpayers' legal liabilities and obligations. 77% of the 13 ATI partner countries for which data is available scored B (46.2%, 6 partner countries), B+ (8.3%, 1) or even A (23.1%, 3). This means that these partner countries, in principle, adhere to good international standards in this area. Box 2 illustrates some findings of the PEFA Assessment for Uganda, which scored A for indicator PI-13.

Box 2: Tax Transparency in Uganda



The 2012 PEFA Assessment Report shows that Uganda was able to attain the highest score for the transparency of taxpayers' legal liabilities and obligations (indicator PI-13). In general, the Uganda Revenue Administration (UGA) uses various channels of taxpayer information, including taxpayer education and sensitisation programmes. An Integrated Tax Information System (ITAS) grants taxpayers online access, meaning they can register, file and pay their taxes online. For each tax, there is a transparent tax appeals procedure, which publishes all case decisions.

Source: PEFA (2012)

PI-14: Effectiveness of measures for taxpayer registration and tax assessment.

A functioning system of taxpayer registration is a necessary precondition for the effective use of a country's revenue potential. For this, it is also critical to correctly assess the liabilities of the registered taxpayers. The aggregated results of the ATI partner countries for indicator PI-14 are slightly below those of PI-13, but still indicate a good performance. Although more than half of the 13 partner countries scored B (46.2%, 6 partner countries) or better (A, 7.7%, 1 partner country), 23.1% (3) fall within category C, which represents a basic level of performance.

The provision of a complete and up-to-date taxpayer database is a necessary condition to use the full domestic revenue potential. Precise taxpayer data is the basis of risk management and effective auditing and will be, from an international perspective, important for the (automatic) exchange of information (AEOI) used to fight tax evasion (ITC, 2012). Some partner countries indicated in the ATI Monitoring Survey that they have already taken measures to implement the new international standards for the (automatic) exchange of information. The success of this exchange of information will be highly dependent on additional capacity building in partner countries.



PI-15: Effectiveness in collection of tax payments.

Outstanding tax liabilities, which have been correctly assessed on a comprehensive basis, need to be collected through the tax administration system. This is assessed by indicator PI-15². Regarding the effective collection of taxes, the ATI partner countries' results are less promising. More than two-thirds (9) of the partner countries scored a D+, which is only slightly above the lowest rating of D. In principle, this means that the basic criteria for effective tax collection were only fulfilled to a minor extent. As an ultima ratio, partner countries have often relied on tax amnesties in the past to "write off" outstanding tax arrears. These tax amnesties can create serious disincentives for (full) tax compliance, given that taxpayers anticipate another future tax amnesty. Another 16.7% (2) of partner countries scored C+ (Indonesia and Uganda) and one partner country (Tanzania) even scored B+. This means that at least approximately one fourth of the ATI partner countries scored above the basic score (or even better). It should also be noted that indicator PI-15 refers only to historical arrears (previous two fiscal years) and provides, as an aggregate indicator, more information on cash flow management rather than on administrative capacities (ITC, 2012).

2
Note that for indicator PI-15 information is only available for 12 ATI partner countries.

PI-19: Revenue Administration.

Generally speaking, this indicator relates to overall revenue administration. It assesses all core areas of revenue administration that are also covered by the 2011 PEFA Framework (transparency of legal rights and obligations, risk management, audit and investigation, monitoring of arrears). Figure 3b shows that both Paraguay and the Philippines, which have been assessed using the 2016 methodology, scored B for Indicator PI-19.

PI-20: Accounting for Revenue.

Indicator PI-20 measures the extent to which revenue collections are recorded and reported by a central ministry (or a comparable institution), the extent to which collected revenue is consolidated, and the reconciliation of accounts. The results for indicator PI-20 (Revenue Management) differ between the two ATI partner countries, with one scoring A (Philippines) and one C+ (Paraguay).

Taxation and the Business Environment

The quality of DRM institutions and the complexity of the tax system have direct impacts on the business environment.

Complex tax systems coupled with insufficient administrative capacities create disincentives to (fully) comply with the obligation to pay taxes, especially for domestic small- and medium-sized enterprises. Such enterprises may even decide to completely withdraw from the formal economy. From an international perspective, legal uncertainty in taxation might hinder Foreign Direct Investments (FDI) flows, which are still comparably low in some developing regions³. The topic of tax certainty is part of the G20 tax agenda and will be further pursued during the German presidency in 2017⁴.

4
"We will also be continuing the G20 initiative for greater legal certainty in taxation: Increased legal certainty lowers the risk of unwarranted double taxation and thereby promotes international economic activity." (German Federal Ministry of Finance, 2016, p.13)

3
In 2015, total inflows of FDI in the African region amounted to USD 54.1 billion, which is only 3.1% of worldwide FDI inflows. (UNCTAD, 2016)

Results from a recently conducted ► **OECD report to the G20** on the impact of tax certainty on business activities suggest that tax certainty plays an important role for both tax administrations and businesses in partner countries (IMF & OECD, 2017).

**OECD report
to the G20**

The ATI Monitoring Survey uses two data sources to assess the effect of taxation on the business environment, namely the World Bank Doing Business Report and the World Economic Forum Global Competitiveness Report (GCR). The indicators included in both data sources are particularly relevant for the monitoring of ATI Commitment 2 because they cover several dimensions related to business taxation in partner countries and are based on a sound and transparent scoring methodology. Both reports are published annually, which allows for closer monitoring of progress until 2020. Finally, data is available for nearly all of the ATI partner countries (GCR data is only missing for Burkina Faso and the Solomon Islands).

► World Bank Doing Business, Ease of Paying Taxes

The World Bank Doing Business Project provides an objective assessment of a country's business environment. The Doing Business Report covers several topics related to business regulation, including the ease of paying taxes.

The assessment of business taxation is based on four indicators (The World Bank, 2017)⁵:

- Tax payments for a manufacturing company in 2015 (number per year adjusted for electronic and joint filing and payment)
- Time required to comply with three major taxes (hours per year)
- Total tax rate (% of profits before all taxes)
- Postfiling index

► Global Competitiveness Report (GCR)

The Global Competitiveness Report (GCR) is published by the World Economic Forum. The ATI Monitoring Report relies on data for 2015/2016, in line with the baseline year of monitoring ATI Commitment 1. The monitoring includes two DRM-related indicators of the GCR:

- 6.04: Effect of taxation on incentives to invest (Pillar 6: Goods market efficiency, Domestic competition)
- 7.05: Effect of taxation on incentives to work (Pillar 7: Labour market efficiency, Flexibility)

5
For details,
see annex.



The
ATI Monitoring Report
uses the most recent, publicly
available Doing Business data for
the Ease of paying taxes; this is
based on the fiscal year 2015. The
GCR indicator 6.05, which refers to
the total tax rate, is left out because
the total tax rate is already included
in the Doing Business Reports. The
indicators in the GCR are
scored on an ascending
scale from 1 to 7.

Table 2:
ATI Partner Countries' Results for
Doing Business and Global Competitiveness Report


	Doing Business, Ease of paying taxes				Global Competitiveness Report	
	Tax payments (number/year)	Time to comply with major taxes (hours/year)	Total tax rate (% of profits before all taxes)	Postfiling index	Effect of taxation on incentive to work	Effect of taxation on incentive to invest
ATI partner countries, average	35.3	260.4	37.3	64.6	4.0	3.7
Benin	57	270	57.4	48.9	4	2.5
Burkina Faso	45	270	41.3	48.9	n/a	n/a
Cameroon	44	630	57.7	48.4	4.1	3.2
Ethiopia	30	306	38.6	90.6	3.7	3.6
Georgia	5	270	16.4	87.2	4.8	4.8
Ghana	33	224	32.2	37.9	4.3	3.8
Indonesia	43	221	30.6	76.5	4	4.1
Kenya	31	195.5	37.4	32.1	3.7	3.6
Liberia	33	139.5	45.9	96.8	4	3.9
Malawi	35	177.5	34.5	63.4	3.4	2.8
Namibia	27	302	20.7	79	4.3	4.1
Paraguay	20	378	35	10.2	4.4	5
Philippines	28	185.6	42.9	49.8	4	3.6
Rwanda	29	124	33	83.3	4.9	4.1
Senegal	58	441	45.1	54.3	4	3.5
Sierra Leone	34	343	31	94.5	3.7	3.4
Solomon Islands	34	80	32	99.1	n/a	n/a
Tanzania	53	195	43.9	47.9	3.1	3.2
Uganda	31	195	33.5	78.4	3.6	3.2
OECD High Income	10.9	163.4	40.9	85.1		
Latin America & the Caribbean	28.9	342.6	46.3	44.0		
Sub-Saharan Africa	38.8	304.2	47.0	54.1		

As the results vary substantially between the ATI partner countries, it is hard to draw any general conclusions for the purpose of the ATI Monitoring Report. With a view to placing the figures in a broader context, Table 2 includes the average values for selected country groups taken from the Doing Business Database. Note that the numbers refer to *all* countries recorded in the Doing Business Database. Not surprisingly, the ATI partner countries, on average, differ substantially from OECD high-income countries for all indicators recorded under **Ease of paying taxes**.


Medium-sized enterprises, which are the focus of the Doing Business Reports, have to pay taxes three times more often in the ATI partner countries than in the average of the OECD countries. Only Georgia, where businesses make just five tax payments a year, is below the OECD average. The significant number of individual payments, coupled with the comparably large amount of time necessary to comply (average: 260.4 hours a year), create serious compliance costs for businesses in the ATI partner countries. This, in turn, might create incentives for tax evasion and/or disincentives for informal enterprises to enter into the formal economy.

Box 3 illustrates some examples of the ATI partner countries' efforts to improve the business climate for better tax compliance.

Box 3: Improvement of the Business Climate in Liberia and Ghana



Liberia. As a response to the Doing Business results, the Liberia Revenue Authority (LRA), the Ministry of Commerce, and all other relevant agencies including the private sector, have established a National Business Reform Committee. The committee meets regularly and has increased policy dialogue to improve Liberia's Doing Business Indicators, including those related to taxation.



Ghana. In 2015, approval was granted for the implementation of the Ghana National Single Window (www.ghanasinglewindow.com). The platform provides an integrated "one-stop-shop" with several online services for the trading community. The eTax services allow taxpayers to take all necessary steps to comply with their tax liabilities (registration, submission of tax returns, payment of taxes etc.). The Single Window aims to reduce the time and cost of doing business, while improving government revenue through the harmonisation and simplification of international trade processes and procedures.

Sources: ATI Monitoring Survey, ► www.ghanasinglewindow.com



The average total tax rate in the ATI partner countries turns out to be slightly below the OECD average (37.3% vs. 40.9%), and significantly below the average in Latin America & the Caribbean (46.3%) and sub-Saharan Africa (47%). The latter result is slightly surprising, because most ATI partner countries, as outlined earlier, are from sub-Saharan Africa but only show an average total tax rate of 39.4%. From a methodological point of view, the results should be treated with caution because of the small sample size and some outliers. From an economic perspective, low business tax rates might be the result of domestic tax policies aimed at attracting domestic or foreign direct investments. This always carries the risk of a race to the bottom and can negatively affect overall revenue mobilisation.

Another interesting figure is the so-called postfiling index. Generally speaking, the postfiling index assesses the steps enterprises may need to take after they have filed their taxes. The indicator includes the time to comply with- and obtain VAT/sales tax refunds, and the time taken to comply with- and complete corporate tax audits (The World Bank, 2017). The theoretical maximum score for the postfiling index is 100. Although the ATI partner countries, on average, are below the OECD value of 85.1, some ATI partner countries received scores exceeding a value of 90 (Sierra Leone, Ethiopia, Liberia, and the Solomon Islands). The Solomon Islands even achieved the highest score among all countries in the Doing Business Database (99.1).

**Effect of
Taxation on
Incentive to Work:
4.0**

Finally, the results of the Global Competitiveness Report show that, on the average, ATI partner countries are slightly above the theoretical mid-point of the 7-point scale. The average value of the indicator *Effect of taxation on incentive to work* is 4.0, while the average value for the indicator *Effect of taxation on incentive to invest* is 3.7.

The GCR provides a ranking for all countries according to their scoring. In order to maintain the readability of the report, the individual ranking of the ATI partner countries is not included in this section. Detailed information can be found in the individual country sections. This also holds for the regional- and overall ranking of ATI partner countries based on the Doing Business Database.

**Effect of
Taxation on
Incentive to Invest:
3.7**

Challenges and Priorities of the ATI Partner Countries in 2017

In the ATI Monitoring Survey, the ATI partner countries were invited to provide details on challenges and priorities for the year 2017. Those details are neither meant to be representative of the ATI partner countries as a whole, nor are they exhaustive. This is due to the fact that the International Tax Compact (ITC) only received a limited number of survey responses.

Details on the challenges and reform priorities of the ATI partner countries are provided in the individual country sections.

a) Domestic Taxation

The ATI partner countries are by no means a homogenous group of economies. Accordingly, there are a variety of domestic tax issues that are currently particularly challenging for the different ATI partner countries. These include, but are not limited to: improving taxpayer registration and management; providing automated IT services for taxpayers; strengthening voluntary tax compliance; taxing strategic sectors (e.g. extractive industries); and conducting more efficient and effective monitoring and risk management. The survey responses also suggest that the ATI partner countries will need additional support for capacity building in the above-mentioned areas.

Most ATI partner countries that have responded to the ATI Monitoring Survey have national DRM strategies in place or are currently taking steps to implement them. Broadly speaking, the DRM strategies define future priorities and goals for domestic revenue mobilisation for a period of several years. In some partner countries, the DRM strategies are part of a broader public finance reform strategy or a national development strategy. Common topics are, in general, the implementation of measures to enhance domestic revenue, including those targeted at capacity building, as well as the reform of tax administrations. Box 4 illustrates the example of Burkina Faso's DRM strategy.

Box 4: Burkina Faso's National DRM Strategy



The DRM strategy is set out in programme 3 of the Economic and Financial Sector Policy (POSEF), which is to be aligned with the new development framework – the National Economic and Social Development Plan (PNDES).

The first step in Burkina Faso's DRM strategy is to ensure effective management of the taxpayer registry. To this end, tax surveys will be conducted to identify and register as many taxpayers as possible. Emphasis will also be placed on monitoring compliance with taxpayer filing and payment requirements, with tax reminders systematically sent out to taxpayers in arrears, and the implementation of enforcement measures. These steps will be accompanied by awareness-raising activities to improve tax morale and voluntary compliance. A cornerstone of this strategy is quick-win measures, with a focus on spot-checks.

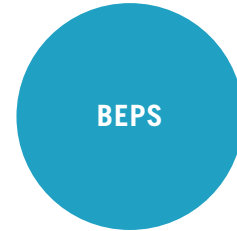
Source: ATI Monitoring Survey (2017)

Where publicly available, links to the ATI partner countries' DRM strategies are provided in the individual country sections.



b) International Taxation

For many ATI partner countries, the implementation of the G20/OECD Action Plan on Base Erosion and Profit Shifting (BEPS) is of high priority. Out of the 19 ATI development partners, 10 are members in the inclusive framework of BEPS:



ATI Partner countries participating in the inclusive framework on BEPS:

Benin
Burkina Faso
Cameroon
Georgia
Indonesia
Kenya
Liberia
Paraguay
Senegal
Sierra Leone


Source:

► <http://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf>

(as of 2 June 2017)

However, as the the ATI partner countries are in different phases of the BEPS implementation process, the current priorities for 2017 with regard to BEPS vary.

They include:

- 
- 1 Joining the BEPS inclusive framework
 - 2 Drafting of strategic plans and domestic legislation for the BEPS implementation
 - 3 Addressing specific BEPS Action Points such as transfer pricing issues
 - 4 Seeking technical and financial assistance for the BEPS implementation (including, among others, support to capacity building in IT)

AEoI

Signatories of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA)

Country	Intended first information exchange date
Ghana	September 2018
Indonesia	September 2018

Source: ► <https://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/MCAA-Signatories.pdf> (as of 7 June 2017)

Another priority in the area of international taxation is the (automatic) exchange of information in tax matters (AEoI) in line with international standards. Only two out of 19 ATI partner countries have already taken active steps towards the implementation of AEoI.

As one of the first ATI partner countries, Ghana has recently signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA), and will start the exchange of information in September 2018⁸. Ghana has developed a draft bill that shall ensure a smooth implementation of AEoI. At the time of the ATI Monitoring Survey, the bill was awaiting cabinet approval and passage through parliament.

It can be expected that development partners will need to strengthen their support to ensure that partner countries will be able to adhere to the minimum standards of the BEPS framework and to implement AEoI.

⁸ See: ► <http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/MCAA-Signatories.pdf> (as of 7 June 2017)



3.3 ATI Commitment 3: Ensuring Policy Coherence

“

Complementary to the commitments to step up funding and enhance domestic revenue mobilisation, we all commit to pursue policy coherence for development.

(► ATI Declaration)

”

ATI commitment 3 is dedicated to ensuring policy coherence for development, especially in the area of domestic revenue mobilisation. It applies to all ATI signatories, calling for all participants “to ensure that relevant domestic tax policies reflect the joint objective of supporting improvements in domestic resource mobilisation in partner countries and applying principles of transparency, efficiency, effectiveness and fairness”.

With ATI commitment 3, the Addis Tax Initiative is in line with the spirit of the Addis Ababa Action Agenda, which calls for the pursuit of “policy coherence and an enabling environment for sustainable development at all levels and by all actors” (UN, 2015a, p.5) and makes a direct contribution to Sustainable Development Goal (SDG) target 17.14 (“Enhance policy coherence for sustainable development”).

Box 1: Policy Coherence for Sustainable Development

The inclusive and partnership-based approach of the Sustainable Development Goals (SDGs) has induced a paradigm shift in the formulation of policy coherence for development. The focus of the new framework for Policy Coherence for Sustainable Development (PCSD) is “[...] to integrate the economic, social, environmental and governance dimensions of sustainable development at all stages of domestic and international policy making” (OECD, 2016a, p.83). As such, “[...] PCSD aims to increase the capacities of governments and stakeholders to identify synergies, consider trade-offs between multiple and sometimes conflicting objectives – for example between economic growth, environmental protection and reduction of carbon emissions – and address potential spillovers of domestic policies” (ibid). PCSD, thus, goes beyond a purely “do no harm” approach, where the focus lies on minimising negative spillovers of development partners’ domestic and international policies on partner countries (OECD, 2016a).

Methodology Used to Monitor ATI Commitment 3

Due to the lack of conceptual clarity and the still ongoing process of monitoring SDGs 17.14, there is currently no comprehensive data available that could be used to quantify the efforts of and the progress made by the ATI signatories to enhance policy coherence in the area of domestic revenue mobilisation (see below). Therefore, the monitoring of ATI commitment 3 is largely based on the ATI signatories' narrative contributions to the ATI Monitoring Survey.

For the reporting on the 2015 ATI Monitoring Report, all ATI signatories were asked to provide details on their domestic strategies for policy coherence for development in relation to domestic revenue mobilisation. For the ATI partner countries, this was done against the backdrop of the principle of common but differentiated responsibilities (CBDR), taking into account their domestic priorities and capacities (see Box 2).

16 ATI development partners and 3 ATI partner countries (Georgia, Liberia and Kenya) answered the question on policy coherence in the ATI Monitoring Survey. In addition to the replies received, the 2015 ATI Monitoring Report also includes topics that might not have been mentioned by the respondents in the Survey, but that still might be relevant to policy coherence in taxation/domestic revenue mobilisation. By doing so, the ATI Monitoring Report shall contribute to furthering the discussion and creating a common understanding among ATI signatories on what policy coherence in the area of DRM entails, thereby supporting them in making progress on ATI commitment 3.

Box 2: Common but Differentiated Responsibilities

Building on the principle of common but differentiated responsibilities (CBDR), policy coherence for sustainable development is a universal approach that applies to all countries irrespective of their stage of development. At the same time, it is essential to take into account the different capacities for implementing policy coherence among partner countries and development partners. National approaches to ensuring policy coherence might differ substantially, given the impact of domestic policies on other countries, and different policy responses. (OECD, 2015)



Summary Findings Regarding Policy Coherence for Development


Domestic revenue mobilisation can be seen as a crosscutting issue that is linked to several dimensions of the Policy Coherence for Sustainable Development (PCSD) framework, that involves a broad range of domestic and international actors, and that is relevant to different sectoral strategies.

The feedback on the ATI Monitoring Survey indicates that the ATI signatories, in general, do not share a common understanding of policy coherence for development. Responses covered a wide range of domestic and international topics that, from the perspective of the respondents, were related to policy coherence in the area of domestic revenue mobilisation. This finding could be due to the fact that the somehow elusive term “policy coherence for sustainable development” lacks a clear-cut conceptual framework and that indicators for assessing progress are still under preparation (see below). This section therefore includes stylised facts derived from the ATI Monitoring Survey as well as additional DRM-related topics that have been highlighted in the PCSD framework (i.e. illicit financial flows and green growth).


a) Coherent Domestic Policies and Inter-Agency Cooperation

In order to pursue the universal goal of coherent policies for sustainable development, it is crucial for countries to follow an integrated agenda aimed at “[...ensuring] a balanced approach to the economic, social and environmental dimensions of sustainable development in policy-making” (OECD, 2016a, p.86). This integrated approach is also referred to as “horizontal coherence” and represents one of the core principles of the PCSD framework. It is directly connected to Agenda 2030, which emphasises the role of “integrated solutions” (UN, 2015b, p.6), which will need to be addressed in order to implement the Sustainable Development Goals. In general, the principle of horizontal coherence implies that domestic revenue policies should be an integral part of a country’s overall development strategy. Box 3 provides some examples of how ATI members align their domestic revenue policies with the general development framework.

Box 3: Coherence of Domestic Policies



Burkina Faso. Burkina Faso’s DRM strategy is set out in programme 3 of the Economic and Financial Sector Policy (POSEF), which is to be aligned with the new development framework, the National Economic and Social Development Plan (PNDES).



Kenya. In Kenya, there are plans to overhaul and modernise the Income Tax Act to be in line with the country’s development agenda.



Paraguay. In line with the National Development Plan 2030, the tax authority has formulated its Strategic Plan 2014–2018. Its vision is to become one of the most innovative and efficient institutions in Latin America. The tax authority is charged with the mission of collecting taxes with integrity, efficiency and transparency, and helping taxpayers to comply with their obligations by ensuring constant service innovation and management excellence, with a view to making every citizen a responsible and committed taxpayer. To achieve this, a series of directions and objectives have been set, which are explained in detail in the Strategic Plan 2014–2018.

At the sectoral level, it can be likewise important to apply integrated (or “holistic”) approaches to the public finance management (PFM) system as a whole and to align domestic DRM policies with the overall PFM strategy. This means that DRM policies not only focus on the revenue side of the PFM system, but are also linked to effective and transparent spending, external financial control and other important PFM subsystems.

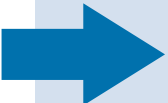
Georgia,
for instance, has a DRM strategy
as part of the PFM Strategy. The
2014–2017 PFM Strategy is publicly available,
but only in Georgian. At this stage, Georgia is in the
process of adopting a new strategy concerning PFM.
Germany pursues a holistic Good Financial Governance
(GFG) approach in its DRM support to partner countries.
The GFG framework combines domestic revenue mobilisation
with the effective use of financial resources. Apart from
public revenue and expenditures, the financial audit also
plays an important role. In addition to technical
support, political economy aspects
(e.g. political will, steering capacity, and
policy coherence) are also addressed
in the approach.



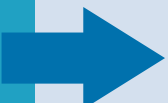
Another important aspect of horizontal policy coherence is the topic of inter-agency cooperation. Inter-agency cooperation in the area of domestic revenue mobilisation contributes to aligning domestic policies between different governmental ministries and agencies for effective and coherent policy design and implementation. As stressed by the United Nations, inter-agency coordinating mechanisms “can serve to connect and break down silos across government”¹.

The results of the ATI Monitoring Survey suggest that several ATI signatories have taken steps to implement different types of formal and informal coordinating mechanisms, which also cover the area of domestic revenue mobilisation. These are summarised in Box 4 below.

Box 4: **Inter-Agency Cooperation for Policy Coherence**

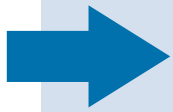


Australia. Australia ensures policy coherence in the area of DRM both within the Department of Foreign Affairs and Trade (DFAT), and between Australian Government agencies. The DFAT relies on key policy documents to ensure that DFAT's investments in the area of DRM are well designed and internally consistent. Australia's 'Framework for supporting tax policy and administration through the aid program' was developed in collaboration with the Australian Taxation Office and the Australian Treasury.

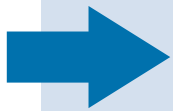


Belgium. In terms of policy coherence for development, the Belgian government has made a clear political commitment and has created specific bodies for greater policy coherence for development. Priority themes for policy coherence for development are particularly dependent on the work of an interdepartmental committee, whose priority areas of work coincide at least with those agreed by the European Commission, namely trade and finance; climate change; food security; migration; peace and security.

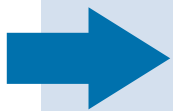
¹ See: ► <https://undg.org/programme/2030-agenda-section/horizontal-policy-coherence/>



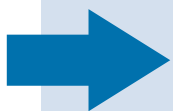
France. France has created a “tax and development” inter-ministerial task force. The task force works on a cross-governmental strategy that covers all major public-sector actors. The mainstreaming of DRM in several government policies is already being put in place. To make cooperation easier, the Ministry of Finance is involved in bilateral and multilateral development policies in France’s institutional framework.



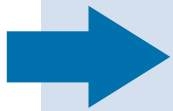
Germany. The German Federal Ministry of Finance and the Federal Ministry for Economic Cooperation and Development work closely together when it comes to measures in the area of DRM, for example in the fields of fighting tax evasion, double taxation agreements, and tax incentive policies for foreign direct investment (FDI) of German companies.



Italy. The law that reformed the Italian Development Cooperation in 2014 attaches high priority to policy coherence for development. This law establishes an inter-ministerial Committee for Development Cooperation, which is chaired by the President of the Council of Ministers. The purpose of the Committee is to ensure the coordination of development policies and programmes, as well as the coherence of domestic policies with the objectives of development cooperation.



Liberia. Tax policy proposals, including those from the Liberia Revenue Authority, are channelled through the Ministry of Finance and Development Planning.



United Kingdom. The United Kingdom takes a ‘whole of Government’ approach to delivering tax capacity assistance across the three government institutions that deliver support – the Department for International Development (DFID), HM Treasury, and HM Revenue and Customs (HMRC). To help to facilitate this approach, the United Kingdom has developed “Tax Capacity Building: A Strategic Framework for HM Government Engagement” which sets out how a ‘whole of government approach’, and identifies how UK Government partners will work cohesively to design, deliver and evaluate effect capacity building programmes.

Source: ATI Monitoring Survey (2016)



b) Focus Areas of Policy Coherence in Domestic Revenue Mobilisation

1. Combatting Illicit Financial Flows

One topic that has received special attention within the policy coherence framework is the fight against illicit financial flows (OECD, 2014, 2015, 2016a and UNDOC & OECD, 2016). The topic has also been highlighted in the Addis Ababa

Action Agenda². Agenda 2030 makes direct reference to illicit financial flows in SDG 16.4³ and also addresses the topic of corruption and bribery, which are integral parts of illicit financial flows, in SDG 16.5 (“Substantially reduce corruption and bribery in all their forms”).

3
"By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime."
(UN, 2015b)

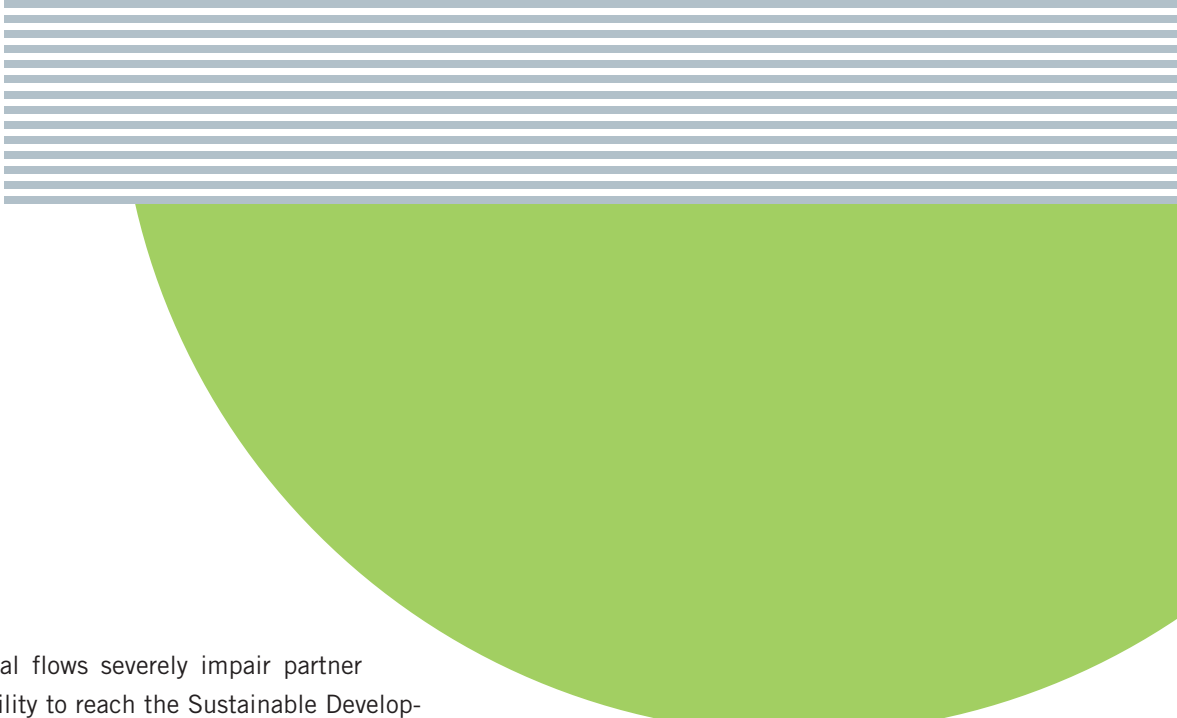
2
"We will redouble efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation."
(UN, 2015a)

Although there is no common international definition, illicit financial flows can be broadly described as “(...) **all cross-border financial transfers, which contravene national or international laws**” (UNODC & OECD, 2016) (see Box 5).

Box 5: What are Illicit Financial Flows?

While there is no internationally agreed upon definition of illicit financial flows, there are some common aspects in most definitions, namely a) the international dimension of illicit financial flows (cross-border), b) the focus on (various types of) financial flows, and c) the illicit nature of these flows. The think-tank Global Financial Integrity (GFI), for instance, defines illicit financial flows as “illegal movements of money or capital from one country to another”. According to GFI, illicit flows encompass funds that are illegally earned, transferred, and/or utilised. This also includes flows from cross-border tax evasion.

Sources: ► www.gfintegrity.org



Illicit financial flows severely impair partner countries' ability to reach the Sustainable Development Goals. Tax evasion and the embezzlement of public funds deprive countries of the financial resources urgently needed for investments in infrastructure, education and public health. Moreover, illicit financial flows are directly linked to corruption, organised crime and terrorism, thus destabilising societies and weakening public security. Accordingly, combating illicit financial flows not only directly contributes to domestic revenue mobilisation but also to fostering stability and the rule of law. Important measures to tackle illicit financial flows include strengthening conditions to fight tax evasion, money laundering and the financing of terrorism; improving beneficial ownership transparency and financial investigation capacities; and enhancing inter-agency cooperation and mutual legal assistance.

By definition, illicit financial flows are related to illicit cross-border transactions, and thus combatting illicit financial flows calls for international cooperation at all levels. This includes international conventions and bodies to combat illicit financial flows, which have already been established, but also coordinated measures at the domestic level that are implemented via inter-agency cooperation between various actors both at the policy level and at the level of implementation. The complexity of illicit financial flows makes it necessary to include a broad range of actors and assign clear responsibilities to them (UNODC & OECD, 2016).


Germany, for instance, pursues a high-level strategy of inter-agency cooperation in the area of illicit financial flows that involves several line ministries and agencies, including the Federal Ministry for Economic Cooperation and Development, the Federal Ministry of Finance, the Federal Ministry of the Interior (including the Federal Criminal Police Office), the Federal Ministry of Justice and Consumer Protection (including the Federal Office of Justice), the Federal Ministry for Economic Affairs and Energy, and the Federal Foreign Office.

It is a common responsibility for all development partners and partner countries to tackle illicit financial flows, thereby taking into account their different capabilities to cope with these flows.




Box 6:


ATI Development Partners' Activities to Tackle Illicit Financial Flows




Canada is committed to implementing the international standards set by the Financial Action Task Force (FATF) to combat money laundering and terrorist financing. In February 2014 regulations came into force that strengthen customer due diligence obligations (CDD) in Canada's anti-money laundering and anti-terrorist financing regime.





Denmark provides support aimed at the building capacity of the Ethiopian authorities, including the Attorney General's Office, Financial Intelligence Centre and police units, to enable them to fight economic crime, including illicit financial flows, money laundering and terror financing with DKK 10 million from Denmark's Peace and Stabilisation Fund. The collaboration includes a number of actors in the private and public sector, and aims to improve Ethiopia's capacity to counter, investigate and prosecute economic crimes as well as to strengthen the country's role in regional and international collaboration against money laundering.



Finland finances research based on reliable data on illicit financial flows, and analyses on their impacts on partner countries. Furthermore, Finland supports country-specific research with the aim of finding potential solutions to illicit and uncontrolled financial flows. A good example is the report published in December 2015 ► **"Illicit Financial Flows from Developing Countries: 2004–2013"** that provides estimates of illicit financial flows out of the partner countries during this ten-year period.



Germany supports the implementation of a Multi-Agency Taskforce in Kenya, which consists of different financial investigation authorities, such as the tax authorities and the anti-corruption agency, and which pursues the facilitation of inter-agency cooperation. As a result Kenya has experienced significant freezing and seizing of assets arising from crime. Germany supports capacity development of investigators, prosecutors and enhances courts' appreciation of the relevant laws of combating corruption and anti money laundering. As a result, a sharp rise in the conviction rate for perpetrators of economic crime has been observed.



Switzerland supports the combat against illicit financial flows through the funding of several bilateral and multilateral programmes in the area of Anti Money Laundering and Combatting the Financing of Terrorism (IMF AML/CFT TF, UNOCD Global Program against Money Laundering).



The **United Kingdom** addresses illicit financial flows through bribery and corruption convictions of individuals and companies in the United Kingdom by the National Crime Agency. As a result, approximately GBP 177 million of assets stolen from partner countries are being restrained, confiscated or returned.

Source: ATI Monitoring Survey (2016)

2. International Tax Cooperation

International cooperation in tax matters is of crucial importance when it comes to scaling up domestic revenue mobilisation in all countries. The pivotal role of international tax cooperation has been strongly emphasised in several paragraphs of the Addis Ababa Action Agenda (Box 7). Development partners and partner countries need to work closely together to ensure that coherent domestic and international tax policies lead to a fairer and more transparent global tax system.

To facilitate sustainable development, international cooperation aimed at curbing cross-border tax evasion and tax avoidance by multinational enterprises is particularly essential. The ATI Monitoring Survey shows that ATI development partners and ATI partner countries have already taken some important steps in this regard. In line with the priority areas set out in the Addis Ababa Action Agenda, activities are hereby focused on the (automatic) exchange of information for tax purposes (AEoI), the provision of information on beneficial ownership, as well as on the implementation of the G20/OECD Base Erosion and Profit Shifting (BEPS) project.



Box 7:

International Tax Cooperation in the Addis Ababa Action Agenda

” We commit to scaling up international tax cooperation. We encourage countries, in accordance with their national capacities and circumstances, to work together to strengthen transparency and adopt appropriate policies, including multinational enterprises reporting country-by-country to tax authorities where they operate; access to beneficial ownership information for competent authorities; and progressively advancing towards automatic exchange of tax information among tax authorities as appropriate, with assistance to developing countries, especially the least developed, as needed.

We stress that efforts in international tax cooperation should be universal in approach and scope and should fully take into account the different needs and capacities of all countries, in particular least developed countries, landlocked developing countries, small island developing States and African countries.

” We emphasize the importance of inclusive cooperation and dialogue among national tax authorities on international tax matters.

Source: UN (2015a)

Exchange of information

The (automatic) exchange of information in tax matters (AEoI) is particularly relevant when it comes to fighting tax evasion. 18 of the ATI development partners and 2 of the ATI partner countries (Ghana and Indonesia) have already signed the Multilateral Competent Authority Agreement (MCAA) and will start the automatic exchange of information (AEoI) in 2017 or 2018 (status as of 12 May 2017)⁴.

The implementation of the new AEoI standards will be challenging for partner countries and requires additional technical assistance. The examples of Germany, Italy and the United Kingdom show that ATI development partners have already started to support the AEoI implementation in partner countries:

4

The United States has started to implement the AEoI under the Foreign Account Tax Compliance Act (FATCA) in 2015. It has entered several intergovernmental agreements with other jurisdictions for the purpose of the automatic exchange.



Some partner countries might not yet feel ready to fully implement the AEoI standards. They may, however, still wish to counter tax evasion through Exchange of Information (EoI) on request and might request technical assistance from development partners. Liberia, for example, has established an Exchange of Information for Tax Purposes Office and developed an EoI manual. France, the United Kingdom and other ATI development partners have actively contributed to the African initiative of the Global Forum and directly funded the creation of EoI units in Cameroon, Senegal, Burkina Faso, Uganda, and Mauretania.

⁴ See: ► <http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/MCAA-Signatories.pdf>



Beneficial ownership information

The transparency of information pertaining to the beneficial owners of assets is another crucial aspect of the fight against international tax evasion. Some ATI development partners and partner countries (including Canada, France, Norway, Sweden, Liberia and Paraguay) gave feedback that they have already taken steps to improve the transparency of beneficial ownership information, including through plans to set up national beneficial ownership registers. No indication was given, however, as to whether the information stored in these registers will be made public (i.e. accessible for everyone) to make beneficial ownership fully transparent. The United Kingdom, in 2016, has set up public register of company beneficial ownership to help detect and deter the use of UK companies for illicit activity, including tax evasion, in any country. A key component in the design of the register was the easy access to information by partner country authorities and civil society. The register already has over 190 million entries of company beneficial ownership.

Base Erosion and Profit Shifting

The G20/OECD project on Base Erosion and Profit Shifting (BEPS) of multinational enterprises is another central topic in the area of international tax cooperation. All of the ATI development partners and several ATI partner countries (Burkina Faso, Cameroon, Georgia, Indonesia, Kenya, Liberia, Paraguay, Senegal and Sierra Leone) have joined the BEPS Inclusive Framework⁵ and now work on the implementation of the BEPS standards, in line with their domestic capacities.

Georgia, for instance, is actively working on the BEPS issues, especially with regard to the implementation of four minimum standards, and is represented in various BEPS working groups. Likewise, Paraguay actively participates in regional seminars with the aim of analysing and incorporating BEPS minimum standards into domestic legislation. The Liberian Ministry of Foreign Affairs has published a Transfer Pricing Regulation and Practice Note, which incorporates the Local and Master File Provisions of BEPS Action Point 13 into the Transfer Pricing Regulation. Senegal will draft a reform of tax legislation on transfer pricing and interest deductibility to bring it into line with the BEPS standards.

The UK and other development partners are supporting the OECD and the World Bank to provide assistance to developing countries to implement BEPS issues include transfer pricing standards. Many developing countries have received assistance from the OECD's Tax Inspectors Without Borders (TIWB) initiative which provides peer-to-peer support on transfer pricing audits. With respect to the proposed country-by-country reporting of large multinational enterprises and the documentation of transfer pricing (BEPS Action Point 13), some ATI development partners (including Norway and the United States) gave feedback that they have already taken steps to translate the BEPS requirements into domestic legislation. Several ATI development partners also reported in the ATI Monitoring Survey that they are closely cooperating with partner countries on different BEPS issues and attach high priority to intensifying support in the coming years.

⁵ See: ► <https://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf>

3. Tax Incentives for Investment

Another field with potential relevance to policy coherence in the area of domestic revenue mobilisation is the use of preferential corporate tax regimes aimed at attracting foreign direct investments (FDI). These include different types of tax incentives, such as the temporary exemption from corporate income tax (“tax holidays”). The Addis Ababa Action Agenda, in general, notes that “[t]ax incentives can be an appropriate policy tool [...]” (UN, 2015a, p.13), while at the same time encouraging countries to voluntarily discuss the role of tax incentives against the backdrop of a potentially harmful tax competition.

The decision to invest in a foreign jurisdiction is driven by a variety of factors, which are not always directly tax-related. These factors include, among others, the overall political stability in the target country, the business infrastructure and the qualification of the workforce, the existence of efficient and transparent dispute resolution mechanisms, the extent of corruption, etc. In the worst case, special corporate tax regimes can initiate a “race-to-the bottom”, meaning that the competition for FDI leads to effective corporate tax rates close to zero. This, as a consequence, further narrows the overall fiscal space, especially for partner countries that depend on only a limited number of large corporate taxpayers that are subject to a special regime. A study of the IMF (2012) found that African partner countries in particular have relied heavily on tax incentive schemes, which has led to effective tax rates close to zero.

The responses to the ATI Monitoring Survey deliver only very limited evidence with regard to tax incentive policies, with just two countries making reference to it: Senegal reported that it seeks, through the introduction of a new tax code, to rationalise its tax expenditure policy by establishing more transparent tax incentive measures. Cameroon has embarked upon the streamlining or rationalisation of tax incentive schemes for development. A detailed analysis of all other ATI signatories would be out of the scope of this report. This may well be an area that could be addressed in future reports by, for example, including detailed questions on tax incentives in the ATI Monitoring Survey.

4. Coherence of Double Taxation Agreements

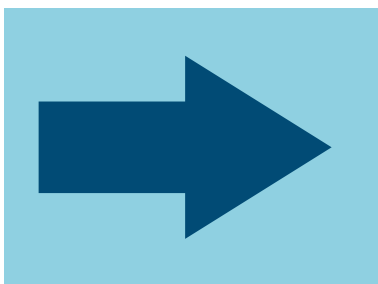
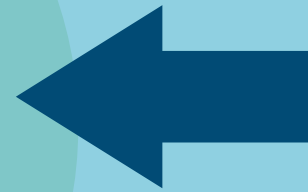
6
The same of course
also holds for
the double non-taxation
of taxable incomes
(“white incomes”).

Double taxation agreements (DTAs), in general, allocate taxation rights on incomes from cross-border transactions to source and residence countries. The main objective of double tax treaties is to avoid the double taxation of incomes that are subject to taxation in the two contracting countries⁶. Double tax treaties also often include anti-abuse clauses aimed at countering tax evasion.

The negotiations of double tax treaties, by definition, have a direct impact on domestic revenue mobilisation in both of the contracting countries. They carry an inherent trade-off between securing one’s own domestic revenue in the residence countries (mostly development partners) and allocating more taxation rights to the source countries (mostly partner countries). There is some recent evidence that treaty negotiations between development partners and partner countries have often led to a less favourable outcome for the partner countries (ICTD, 2016). According to the ATI Monitoring Survey, some of the ATI development partners have already taken steps to address this issue by making their DTA policies more development-oriented and by providing capacity building to partner countries:



- **The Netherlands** offered DTA renegotiations to 23 partner countries and to add anti-abuse provisions to the double tax treaties. Revised or new tax treaties have been signed with six countries and some more are under negotiation. The Netherlands, through the International Bureau of Fiscal Documentation (IBFD), has also provided advice and training to African partner countries in the area of tax treaties and will continue its engagement in 2017.
- **Norway** has initiated an independent study of Norwegian tax treaties in partner countries and will report on the topic.
- **Slovakia** follows a balanced approach by concluding double tax treaties that contain elements of both the OECD Model Tax Convention and the UN Model Double Taxation Convention. The latter convention is perceived as more favourable for partner countries because it puts stronger emphasis on the taxation in the source countries, which are more often the partner countries.



In addition, within the framework of the Multilateral Instrument, **Georgia** has initiated a review of its tax treaties. The result is that 35 out of 54 active treaties will be modified under the Multilateral Instrument upon its entry into effect.

5. Taxation of ODA Support

It has been common practice for development partners to request tax exemptions on their ODA support to partner countries, based on the arguments that the taxation of ODA financed support might limit the overall resources available to partner countries' development activities, and that it would be hard to obtain the necessary domestic support for the taxation of ODA flows (UN ECOSOC, 2007). There is, however, an ongoing discussion regarding whether or not development partners should continue to request tax exemptions on ODA support. From a policy coherence perspective, tax exemptions on ODA support undermine the self-financing abilities of partner countries because they directly affect domestic revenue mobilisation in these countries. This is detrimental to the high international priority that is given to the topic of domestic revenue mobilisation in partner countries.



The ATI Monitoring Survey indicates that certain ATI development partners have already given up requesting tax exemptions on ODA support. Among these are Belgium, Denmark, the Netherlands, Norway and Slovenia. While it should be noted that giving up tax exemptions is not part of the ATI Declaration, ATI development partners are still encouraged to engage in the discussion on the taxation of ODA support.

6. Domestic revenue mobilisation and green growth

The policy coherence framework has outlined the importance of promoting green growth for sustainable development. Policy coherence for green growth brings its own important challenges, some of which are also related to the area of domestic revenue mobilisation and taxation. These include the stronger focus on environmentally-related taxation as well as the elimination of environmentally harmful discrepancies in tax systems (e.g. differential treatment in the taxation of gasoline and diesel) (OECD, 2015).

While there is no doubt that many ATI members address problems pertaining to environmentally-related taxation, there is only limited feedback on this topic in the ATI Monitoring Survey.



Italy

In Italy, for example, the share of environmentally-related taxes accounted for 3.6% of the Gross Domestic Product in 2014, which is 1.1 percentage points higher than the EU average. Moreover, over recent years Italy has introduced and fostered environmentally-related tax incentives to: a) enhance the energy saving capacity of buildings and to produce renewable energy (income tax credits up to 65%) and b) invest in advanced environmental control systems used in industrial processes (so called “iper-depreciation”).



Canada

Canada has introduced measures to phase out various tax preferences for the oil, gas and mining sector and has, along with the US and Mexico, committed to phasing out all inefficient fossil fuel subsidies by 2025. Furthermore, in order to meet or exceed Canada’s climate change targets, a pan-Canadian approach to pricing carbon pollution will put in place carbon pricing in all Canadian jurisdictions by 2018. While the federal government will set a benchmark for pricing carbon pollution, Canada’s provinces and territories will be given a choice regarding how to implement carbon pricing and will also have the flexibility to manage the revenue as they see fit.



Denmark

As another example, in Denmark, green taxes on environmentally harmful consumption have become more important since the 1980s.

From the ATI partner countries’ perspective, Senegal provided feedback that it will need particular capacity building support for the taxation of extractive industries (mines and oil) as well as for environmental taxation.



Senegal



7. Other topics

As stated earlier, ATI members' feedback in the ATI Monitoring Survey covers a broad range of DRM-related topics that are, from the respondents' perspective, important for policy coherence for sustainable development. Below are two additional examples from the ATI Monitoring Survey that have not been addressed elsewhere.

Italy. According to the World Health Organization (WHO), raising tobacco taxes is among the most effective and cost-effective tobacco control interventions. In Italy, raising tobacco taxes is part of a more comprehensive tobacco control policy, which also includes enforcing a comprehensive national smoke-free law, a ban on tobacco advertising and promotion, as well as mandating graphic warning labels to appear on tobacco product packaging. However, despite progress in implementing comprehensive tobacco control policies in a growing number of countries, more work is needed, especially in low- and middle-income countries. In this context, Italy, in 2016, contributed to the WHO programme "Supporting the improvement of tobacco taxation policies in selected African countries to contribute to the attainment of SDGs".



TOBACCO TAX

European Commission. The European Commission (EC) has been among the first to support the UN Tax Committee after the conclusion of the Addis Ababa Action Agenda, in recognition of a need to further strengthen the capacity of the UN sub-committees on taxation. As a consequence, sub-committees have been organised with EC support; in addition to this, technical facilitation has been provided and the participation of members from partner countries has been co-financed. A similar level of support is being envisaged for 2017.



UN TAX COMMITTEE

Sweden. At the conference in Addis Ababa on Financing for Development, a decision was made to strengthen the UN Tax Committee of Experts in terms of resources and the number of meetings. This is now being put into practice. Sweden contributes by having an expert on this committee and by pushing for staff reinforcement in the secretariat.

c) Measuring Policy Coherence for Development

In the ATI Monitoring Survey, the ATI development partners were asked to provide examples of national indicators used to measure policy coherence for development (e.g. for monitoring SDG 17.14). The question did not refer to an internationally agreed indicator or set of indicators, but to specific indicators used by the country:

“ Does your country use any specific indicators (e.g. for monitoring the fulfilment of SDG 17.14) to assess policy coherence, especially in the area of DRM? ”

The survey results suggest that most ATI development partners do not use any specific indicators for assessing policy coherence, particularly not for policy coherence in the area of DRM. Only three ATI development partners provided examples of indicators used to assess policy coherence. These are summarised in Box 8 (see next page).




In addition, the European Commission provides impact assessments of the effect of European tax policies on partner countries. These allow for ex-ante assessments of policy proposals and can help ensure that impacts on partner countries are taken into account at an early stage of the preparation of a political initiative. Specific and operational guidance is now provided on how to systematically assess the effects of new policies on partner countries.




Box 8: Indicators for Assessing Policy Coherence



Denmark. To assess policy coherence, Denmark will report on the global indicator related to SDG17.14, but is also following the EU's reporting on PCD-related indicators via the EU Focal Point for the PCD Network.



Slovakia. As confirmed by the Statistical Office of the Slovak Republic (SO SR), there are no specific indicators in place yet. The SO SR is closely following the creation of indicators at the global (UN) and European level (Eurostat) and might, if it proves relevant, set up a national indicator at a later stage. However, this will be subject to a wider agreement on a national Agenda 2030 strategy, which has still not been prepared.



United States. The United States does not use any specific indicators to assess policy coherence. However, as a member of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD DAC), US foreign assistance undergoes a peer review every few years. The most recent Peer Review of the United States took place in 2016, and included the qualitative assessment of policy coherence for development.

First of all, the methodology for monitoring SDG 17.14 is still under preparation. According to the UN Inter-Agency Expert Group on SDG Indicators (IAEG-SDGs), the drafting of the methodology for the proposed PCSD indicator (*“Number of countries with mechanisms in place to enhance policy coherence of sustainable development”*) started in August 2016 and will be completed in June 2018. The second phase, which will include the technical review and piloting in certain countries, shall start in January 2018 and last until December 2020 (IAEG-SDGs, 2017).

There are several reasons why there has been no systematic reporting on policy coherence among the ATI development partners at this point in time.

Secondly, the above-mentioned definition of PCSD and the proposed indicator for monitoring SDG 17.14 both leave a lot of space for interpretation. There is a lack of clarity regarding which policies will fall within the scope of the PCSD indicator and whether PCSD will relate to all policies that might impact sustainable development or to aid and cooperation only (UNCTAD, 2016a). This might also explain why ATI development partners have a quite different understanding of policy coherence (in the area of DRM).

Thirdly, the broad variety of topics related to domestic revenue mobilisation and PCSD makes it virtually impossible to create a unique indicator. Some of these topics are also easier to measure than others; it may be, for example, relatively simple to assess domestic policies related to giving up tax exemptions on ODA support. However, measuring PCSD in the area of DRM might require a systematic and comprehensive impact analysis, using a “mixture” of DRM indicators at different levels (i.e., input level, output level, outcome level, and impact level).

The lack of comprehensive and comparable data gathered through indicators makes the monitoring of ATI Commitment 3 difficult. It will therefore probably be necessary to further rely on narrative contributions in future ATI Monitoring Reports. However, the findings of this report might contribute to a more common understanding of policy coherence in the area of DRM and facilitate the discussion regarding how to measure policy coherence more precisely.

4. ATI Supporting Organisations

International organisations that provide Official Development Assistance (ODA)-funded technical assistance to enhance revenue mobilisation in partner countries and that endorse the ATI objectives can join the Addis Tax Initiative as ATI supporting organisations. So far, 12 international organisations have chosen to do so (see Table 1).

The ATI supporting organisations are a highly heterogeneous group of actors, which vary considerably with respect to their scope of activities, country portfolios and modes of delivery. They include international organisations, tax administration networks, a development bank, a private foundation and others.

Although ATI supporting organisations do not sign up to the three ATI Commitments, they are nevertheless invited to contribute to furthering the objectives of the Addis Tax Initiative, for instance by supporting the outreach to non-ATI partner countries or by contributing to the coordination efforts of the ATI signatories. The ATI supporting organisations will be invited to complement the DRM Database by providing information on their DRM portfolio and their DRM-relevant capacity building activities.

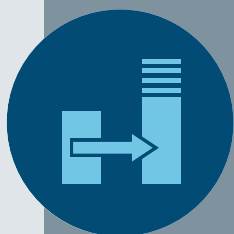
During the ATI Monitoring Survey, the ATI supporting organisations were invited to present and highlight their recent and upcoming activities to support domestic revenue mobilisation in partner countries. Out of the 12 ATI supporting organisations, five have replied to the survey: ATAF, the OECD, the IMF, WATAF and the World Bank.

Table 1:
ATI Supporting Organisations

International Organisations
International Monetary Fund (IMF)
Organisation for Economic Co-operation and Development (OECD)
Global Forum on Transparency and Exchange of Information for Tax Purposes
The World Bank
Tax Administration Networks
African Tax Administration Forum (ATAF)
Centre de rencontres et d'études des dirigeants des administrations fiscales (CREDAF – Center for Meetings and Studies of Tax Administration Leaders)
Commonwealth Association of Tax Administrators (CATA)
Inter-American Centre of Tax Administrations (CIAT)
West African Tax Administration Forum (WATAF)
Development Banks
Asian Development Bank (ADB)
Others
Bill & Melinda Gates Foundation
Center of Excellence in Finance (CEF)

5. Conclusion

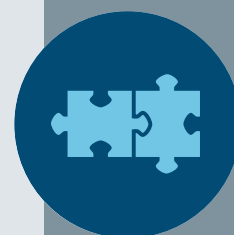
The 2015 ATI Monitoring Report draws a comprehensive picture of the current situation of revenue collection in the ATI partner countries and the support provided by the ATI development partners. The 2015 report will provide the starting point for monitoring annual progress made with respect to the ATI commitments, based on the following results:



ATI Commitment 1: The report has established the baseline for doubling the ATI development partners' ODA support to DRM/taxation until 2020. To fulfil ATI Commitment 1, the ATI development partners will need to jointly increase their support from 223.76 million USD to 447.52 million USD of gross disbursements. The narrative contributions in the ATI Monitoring Report and the country sections show that the support to domestic revenue mobilisation and taxation is of high priority for ATI development partners: Domestic strategies to scale up DRM support have already been established and ATI development partners have started to implement additional DRM projects as a direct response to the commitments made within the Addis Tax Initiative. Even though the 2015 support was targeted at the most vulnerable partner countries, there is yet scope for a more even allocation of support.



ATI Commitment 2: The analysis of DRM-relevant indicators has shown that the ATI partner countries are still lacking adequate domestic revenues to finance sustainable development: 11 out of 19 ATI partner countries still fall behind the tax-to-GDP threshold that is considered a necessary minimum to finance sustainable growth. Reforms will need to address a variety of domestic and international DRM issues, in line with the partner countries' individual capacities and their domestic priorities. The 2015 ATI Monitoring Report shows that there are indeed some common topics that have been highlighted by the ATI partner countries. These include efforts to broaden the tax base, including through more effective and efficient revenue administrations, tax regulations and procedures, as well as critical topics of international taxation. Although partner countries will have to take a leading role in the reform process, the implementation of broad-based measures to step up domestic revenue mobilisation will be demanding and calls for comprehensive capacity building support from development partners.



ATI Commitment 3: With regard to the commitment of all ATI signatories to ensure policy coherence for development, feedback on the ATI Monitoring Survey clearly shows that there is further need for discussion to develop a common understanding of the term and its implications. The principles of transparency, efficiency, effectiveness and fairness could be used as further guidelines for this discussion as they are explicitly mentioned in the ATI Declaration. These deliberations are to be closely linked to the ongoing discussions in the United Nations on finding "integrated solutions" to implement the SDGs as well as to measure SDG 17.14.

The preparation of the 2015 ATI Monitoring Report in itself is the first important milestone of the Addis Tax Initiative. It is the result of joint efforts by the ATI members to set up a governance structure and the ATI Monitoring Framework. The establishment of the DRM code 15114 as a precondition to be able to transparently monitor ODA support to DRM was preceded by intense discussions among the ATI and the OECD Working Party on Statistics. These discussions were followed by considerable efforts by the ATI development partners to recode their DRM-relevant activities so that they properly reflect their efforts to support revenue mobilisation in partner countries. Finally, a significant number of the ATI signatories took part in the ATI Monitoring Survey.

Over the next five years, the ATI Monitoring Reports will annually look at the progress made towards fulfilling the ATI commitments, both by the ATI development partners and the ATI partner countries. Complementary information will be provided in the DRM Database (► drm.taxcompact.net), which will include additional information on ODA flows in the area of DRM, possibly also from the ATI supporting organisations as well as non-ATI development partners.

The commitments made by the ATI signatory countries are ambitious. Five years to double the support provided by the ATI development partners is not a lot of time, particularly given how long it takes to re-allocate funding internally, to negotiate with partner countries and to programme DRM activities, all the while making sure that aid is well spent. The newly established DRM code will make it possible to credibly track the progress made.

Progress with regard to ATI Commitment 2 will be much harder to quantify over five years, as revenue figures and DRM systems' performance indicators might not adequately reflect improvements in such a short period of time. In general, DRM reform is a sensitive political subject that involves many stakeholders and processes and therefore takes time to show sustainable results.

However, the ATI Monitoring Report should not be reduced just to a tool to hold the ATI signatories accountable with regard to the targets they committed to when joining the Addis Tax Initiative. It will also be useful to identify opportunities to increase the ATI development partners' engagement in partner countries and to flag up possibly under-funded partner countries. It also provides an opportunity for the ATI signatories to showcase themselves, their activities and successes. Finally, it could be the basis for further discussions within the Addis Tax Initiative on how to make development partner assistance more broad-based and more effective in order to enable partner countries to more effectively mobilise their own revenues for financing development and attaining the Sustainable Development Goals (SDGs).



6. References

ATI (2015): Financing for Development Conference – The Addis Tax Initiative-Declaration. Available at: https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf

Bhattacharya, D. & Akba, M. I. (2014): Domestic Resource Mobilisation in the LDCs: Trends, Determinants and Challenges. In: Istanbul Programme of Action for the LDCs (2011–2020) – Monitoring Deliverables, Tracking Progress – Analytical Perspectives. Available at: <http://www.southernvoice.org/wp-content/uploads/2014/11/Istanbul-Programme-of-Action-for-the-LDCs-2011-2020-Analytic-Perspectives.pdf>

BMZ (2014): Good Financial Governance in German Development Cooperation – Promoting good governance in public finance. BMZ Strategy Paper 4. Available at: http://www.bmz.de/en/publications/topics/good_governance/Strategiepapier342_04_2014.pdf

European Commission (2015): Collect More – Spend Better – Achieving Development in an Inclusive and Sustainable Way. Staff Working Document. Available at: <https://ec.europa.eu/europeaid/sites/devco/files/swd-collect-more-spend-better.pdf>

German Federal Ministry of Finance (2016): G20 Presidency 2017 – Finance Track priorities. Available at: http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Press_Room/Publications/To_the_point/to-the-point-g20-presidency.pdf?__blob=publicationFile&v=14

IAEG-SDGs (2017): Work Plans for Tier III Indicators. Available at: https://unstats.un.org/sdgs/files/meetings/iaeg-sdgs-meeting-05/TierIII_Work_Plans_03_03_2017.pdf

ICTD (2016): Measuring Tax Treaty Negotiation Outcomes: the ActionAid Tax Treaties Dataset. ICTD Working Paper 47. Available at: <http://www.ictd.ac/publication/2-working-papers/99-measuring-tax-treaty-negotiation-outcomes-the-actionaid-tax-treaties-dataset>


IMF (2012): A Partial Race to the Bottom: Corporate Tax Developments in Emerging and Developing Economies. IMF Working Paper WP/12/28. Available at: <https://www.imf.org/external/pubs/ft/wp/2012/wp1228.pdf>

IMF (2016): Georgia TADAT Performance Assessment Report. Available at: http://www.tadat.org/files/Georgia_Final_PAR_2016.pdf

IMF & OECD (2017): Tax Certainty – IMF/OECD Report for the G20 Finance Ministers. Available at: <https://www.oecd.org/tax/tax-policy/tax-certainty-report-oecd-imf-report-g20-finance-ministers-march-2017.pdf>

ITC (2012): Taxation in PEFA Assessments - Findings from 26 Country Reports. Available at: https://www.taxcompact.net/documents/ITC_2012-07_Taxation-in-PEFA-Assessments.pdf

OECD (2014): Better Policies for Development 2014 - Policy Coherence and Illicit Financial Flows. Available at: <http://www.oecd.org/pcd/Better-Policies-for-Development-2014.pdf>



OECD (2015): Better Policies for Development 2015 – Policy Coherence and Green Growth. Available at:
<http://www.oecd.org/development/better-policies-for-development-2015-9789264236813-en.htm>

OECD (2016a): Better Policies for Sustainable Development 2016 – A New Framework for Policy Coherence. Available at:
https://sustainabledevelopment.un.org/content/documents/commitments/493_12066_commitment_Better-Policies-for-Sustainable-Development-2016.pdf

OECD (2016b): The List of CRS Purpose Codes. Available at:
[http://www.oecd.org/dac/stats/documentupload/2015 CRS purpose codes EN_updated April 2016.pdf](http://www.oecd.org/dac/stats/documentupload/2015%20CRS%20purpose%20codes%20EN_updated%20April%202016.pdf)

OECD (2017): DAC and CRS list of codes. Available at:
<http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-CRS-CODES.xls>

PEFA (2012): The Republic of Uganda – Central Government Public Expenditure and Financial Accountability Assessment Report. Available at:
https://pefa.org/sites/default/files/assessments/comments/UG-Sep12-PFMPR-Public_0.pdf

Rwanda Revenue Authority (2016): Rwanda Revenue Authority Compliance Improvement Plan 2016–2017. Available at:
http://www.rra.gov.rw/fileadmin/user_upload/compliance_improvement_plan_booklet_public_edit_latest.pdf

Tanzi, B. & Zee, H. (2001): Tax Policy for Developing Countries. IMF Economic Issues No. 27. Available at:
<https://www.imf.org/external/pubs/ft/issues/issues27/>


The Platform on International Collaboration in Tax (2016): Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries. Available at:
<http://pubdocs.worldbank.org/en/858011469113510187/Enhancing-the-Effectiveness-of-External-Support-in-Building-Tax-Capacity.pdf>

The World Bank (2017): Paying Taxes Methodology. Available at:
<http://www.doingbusiness.org/methodology/paying-taxes>

UN (2015a): Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda). Available at:
http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

UN (2015b): Transforming our World: The 2030 Agenda for Sustainable Development. Available at:
http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

UNCTAD (2016a): Development and Globalization – Facts and Figures 2016. Available at:
<http://stats.unctad.org/Dgff2016/DGFF2016.pdf>



UNCTAD (2016b): World Investment Report. Available at:
http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf

UNDG (2016): Creating Horizontal Policy Coherence. Available at:
<https://undg.org/2030-agenda/mainstreaming-2030-agenda/horizontal-policy-coherence/>

UNDP (2010): What will it take to achieve the Millennium Development Goals? An international assessment. Available at:
<http://www.undp.org/content/undp/en/home/librarypage/mdg/international-assessment---english-full-version.html>

UN ECOSOC (2007): Tax treatment of donor-financed projects. Available at:
http://www.un.org/esa/ffd/tax/thirdsession/EC18_2007_CRP12.pdf

UNODC & OECD (2016): Coherent policies for combatting Illicit Financial Flows. Available at:
http://www.un.org/esa/ffd/wp-content/uploads/2016/01/Coherent-policies-for-combatting-Illicit-Financial-Flows_UNODC-OECD_IATF-Issue-Brief.pdf

UN-OHRLLS (2014): State of the Least Developed Countries 2014 – Follow up of the Implementation of the Istanbul Programme of Action for the Least Developed Countries. Available at:
<https://unohrlls.org/custom-content/uploads/2014/10/State-of-the-Least-Developed-Countries-Report-2014.pdf>



Annex A

Country Pages

Development Partners



AUSTRALIA

ODA SUPPORT TO DRM IN 2015

COMMENTS:

There is no disaggregated data
available for Australia.

Total
Gross Disbursements
(2015, Mio. USD)

7.67

Total Commitments
(2015, Mio. USD)

7.67

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

One of the most significant investments in support for DRM that Australia made in the 2015–16 financial year was to the IMF's Revenue Mobilization Trust Fund (RMTF). The RMTF will deliver support to Australia's developing partner countries in the Indo-Pacific region to strengthen tax policies and administration and engage with the international tax agenda. Australia's engagement with the RMTF has been a direct result of Australia's commitment to the ATI and the requirement to identify new ways to provide development assistance to DRM in partner countries. Working through multilateral agencies with specialised skills in tax assistance is one strand of Australia's strategy to meet its ATI commitments and to improve DRM in the countries to which it provides aid.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

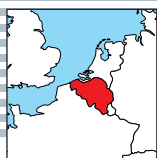
In 2016, an increase in the number of providers of assistance for DRM working in some of Australia's partner countries has been noticed, including as a result of Australian support. In recognition of this, Australia has tried to ensure that, where possible, a link between different agencies providing assistance is established to ensure that duplication is avoided and assistance can be delivered more effectively. This facilitation of information sharing has been especially useful when different agencies have been providing assistance to different elements referred to in the ATI Declaration in a country at the same time. It was found that although the topical areas of assistance can differ, there is often overlap. In some of Australia's smaller partner countries with small tax administrations, it became evident that the combination of short term assistance on specialised areas of taxation policy or administration, supported by long term more generalist advisers in country has been effective.

POLICY COHERENCE FOR DEVELOPMENT

Australia ensures policy coherence in the area of DRM both within the Department of Foreign Affairs and Trade (DFAT), and between Australian Government agencies. Within DFAT, stakeholders rely on key policy documents (including ► **Australian aid: promoting prosperity, reducing poverty, enhancing stability**, ► **Making Performance Count: enhancing the accountability and effectiveness of Australian aid**, and the ► **Framework for supporting tax policy and administration through the aid program**) to ensure that DFAT's investments in the area of DRM are well designed and internally consistent. Australia's 'Framework for supporting tax policy and administration through the aid program', was developed in collaboration with the Australian Taxation Office and the Australian Treasury. There is also strong day-to-day links with these same agencies to ensure that investments to support DRM in partner countries are consistent with Australia's domestic DRM policies and vice versa.

OUTLOOK

In 2017, Australia will continue to prioritise support for both the international tax agenda (e.g. AEOI and BEPS) as well as for domestic tax policy and administration support its partner countries. Australia will seek to identify further opportunities to support partner countries to meet their tax transparency obligations in time to meet their exchange of information timelines. Australia will also look for ways to support the domestic tax policy and administration objectives in its partner countries by providing direct support (such as through direct linkages with the Australian Taxation Office) as well as by providing funding to multilateral agencies with specialist DRM expertise to provide assistance. Australia's strategy to meet its commitment to the ATI is inextricably linked to all the assistance Australia provides to DRM.



BELGIUM

ODA SUPPORT TO DRM IN 2014

MOST IMPORTANT RECIPIENTS (2014 GROSS DISBURSEMENTS, MIO USD)



Burundi

2.65

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2014 COMMITMENTS, MIO USD)



Burundi

2.65

* ATI Partner Country

Total
Gross Disbursements¹
(2014, Mio. USD)

2.65

Total Commitments¹
(2014, Mio. USD)

2.65

¹ Belgium is using 2014
as reference year.

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

In 2016, Belgium participated with an amount of EUR 3 Mio in the Revenue Mobilization Trust Fund (RMTF) of the IMF. An additional contribution of EUR 6 Mio is currently under discussion. Those contributions complement the Belgian financial engagement of EUR 3 Mio in 2011 in the first phase of this same trust fund, which was initially known under the name *Tax Policy and Administration: Topical Trust Fund* (TPA TTF).

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

The work of the *IMF Topical Trust Fund on Tax Policy and Administration*, to which Belgium has contributed since 2011, was highly successful. For example, the average tax-to-GDP ratio for the countries of the trust fund increased from 14.5% in 2011 to 16.2% in 2015. In tax administration, there has been a visible impact, especially in the areas of strengthened organisation of tax agencies, processing functions, enforcement, and taxpayer services. In the design of the tax policy, successes have been achieved, especially in the areas of value-added taxation, international taxation and small taxpayer regimes.

POLICY COHERENCE FOR DEVELOPMENT

In terms of policy coherence for development, the Belgian government has made a clear political commitment and has created specific bodies for greater policy coherence for development. Priority themes for policy coherence for development depend, in particular, on the work of an interdepartmental committee whose priority areas of work coincide, at least, with those agreed by the European Commission: trade and finance, climate change, food security, migration, peace, and security. As for the area of DRM, it is worth mentioning the Belgian law of 12 July 2015, providing Belgian courts with more efficient legal tools with which to curtail harmful speculations by vulture funds, with the ultimate objective of making vulture fund litigation in Belgium virtually impossible. Relevant in this context is also the Belgian initiative to advocate that all donors voluntarily subject their development aid to the taxation systems of the respective partner country and to give up tax exemptions from which most donors benefit in the partner countries with which they work.

OUTLOOK

The strategy of Belgium in the field of DRM coincides largely with the general (enhancing domestic revenue mobilisation) and specific (supporting an effective, efficient, fair and transparent tax system) objective that the IMF has determined for the actions to be realised through the Revenue Mobilization Trust Fund. As for ATI Commitment 1, Belgium is likely to fulfil this engagement, as its pluriannual engagement in the period of 2017–2020 will largely be more than the financial contribution given in the first phase of the same trust fund. Belgium made in 2011 a financial contribution of EUR 3 Mio for FY2011-17. For FY2017-20, the contribution will probably be raised to an amount of EUR 9 Mio. Furthermore, the Belgian Development Agency conducted a ► **small analysis** to assess potential areas of work of the agency in DRM. The study concluded that, given the size of the Agency, the important local anchoring of most of its interventions and its experience with local development activities, the Agency would have a comparative advantage in working on local domestic revenue mobilisation. This could be in the form of specific interventions or be part of larger local development interventions. A complementary case study was carried out in Burkina Faso.



CANADA

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements
(2015, Mio. USD)

7.32

Total Commitments
(2015, Mio. USD)

4.47

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO USD)



Mali 3.0



Haiti 0.82



Viet Nam 0.70



Indonesia* 0.47

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO. USD)



Indonesia* 1.92



bilateral,
unspecified 0.36



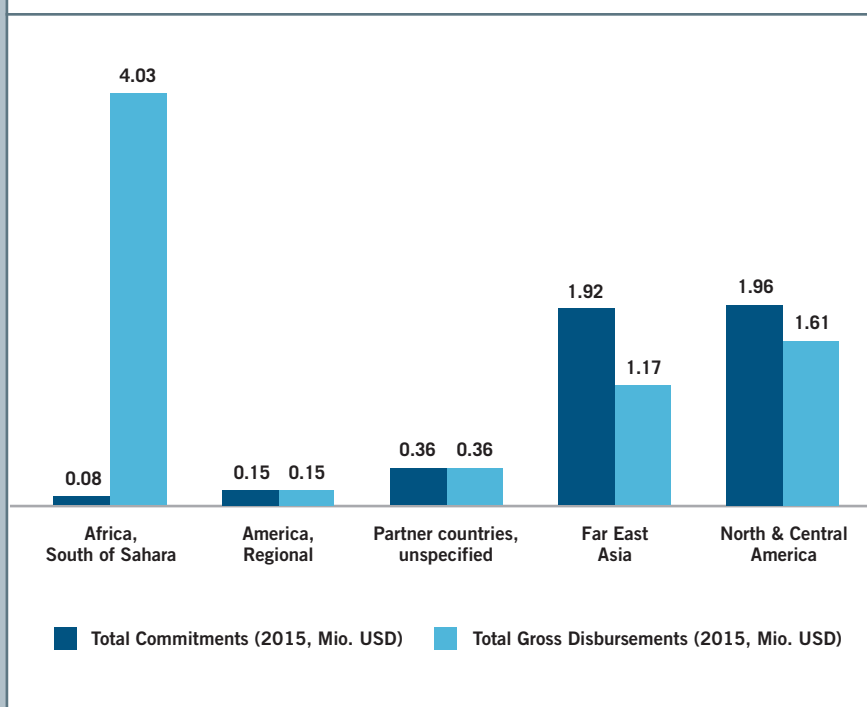
El Salvador 0.29



Guatemala 0.29

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT



DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Canada views DRM – the generation of funds from domestic resources for economically and socially productive initiatives – as an important component of the Canadian commitment to inclusive and accountable governance. Without sufficient public sector resources, combined with effective spending and reduced corruption, countries will not be able to make key investments to advance their development. For many years, Canada has provided support for increased DRM in developing countries along with assistance to combat corruption and improve public financial management. In 2015, Canada's international assistance for DRM amounted to USD 7.32 million. This support was primarily delivered through projects managed by Global Affairs development programmes in partner countries, such as Mali, Haiti, Vietnam and Indonesia. These projects aim to provide long-term sustainable capacity building to partner country governments to improve their ability to collect revenue. Since Canada signed on to the Addis Tax Initiative in 2015, Global Affairs Canada has reviewed its programming and determined that it is on track to meet the ATI commitments.

Canada is pleased to currently be serving as Co-Chair of the Addis Tax Initiative Steering Committee. The DRM assistance collectively provided by ATI members will be more effective if everyone coordinates with and learns from one another. Canada recognises the important role that multilateral cooperation has to play and for this reason Canada is a significant provider of institutional funding to many multilateral institutions, including the World Bank and IMF. Canada has encouraged these organisations to support increased DRM in developing countries and welcomes the inclusion of DRM in the 18th replenishment of the International Development Association (IDA), in addition to other important governance considerations such as anti-corruption. Canada welcomes the establishment of the Platform for Collaboration on Tax to increase cooperation and coordination between the OECD, IMF, World Bank, and UN of their capacity-building support and avoid duplicative efforts. Canada also signed onto the G20 Call to Action for Strengthening Tax Capacity in Developing Countries, which calls on member countries to support capacity development efforts with a focus on the fundamental building blocks of tax policy and administration.



In addition to the development assistance provided by Global Affairs Canada, the Canada Revenue Agency (CRA) provides peer-to-peer capacity building to developing countries. Since 2015, the CRA has made significant progress on development of a prototype Knowledge Sharing Platform for Tax Administrations (KSPTA), which is currently being deployed by early adopters, while many other countries and organisations have signalled their

intention to participate. This platform is designed to foster the practical sharing of tax knowledge and expertise in a cost-effective and sustainable way. As global commitment to tax capacity building has increased since 2015, Canada has used its leadership role in the OECD Forum on Tax Administration (FTA) Capacity Building Network to ensure that it contributes to improved coordination, reduced duplication and generation of efficiencies in how support is provided, while fostering practical collaboration between tax administrations and a growing number of players.

In addition to its support to regional and international organisations, which is captured in this report, the Canada Revenue Agency also hosts study tours and engages in other peer-to-peer support. Such assistance cannot be fully captured in financial terms, since it is provided as in-kind support.



SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

Since 2013, Canada has contributed to strengthen natural resource taxation in Tanzania through its support to the Tanzania Minerals Audit Agency (TMAA) and the Tanzania Extractives Industries Transparency Initiative (TEITI). Canada is supporting TMAA's role to monitor and audit mining operations to ensure that information collected on the revenues, tax and royalty payments, assets, and operating expenses of mining companies is accurate and complete, to make accurate information on the minerals produced and exported more readily available, and to improve the monitoring and auditing of the environmental practices of mining companies. Canada is also supporting the Government of Tanzania in its effort to comply with the global Extractive Industries Transparency Initiative (EITI) standards to increase transparency and accountability in the extractive sector and raise public awareness of revenues from this sector.

As a member and supporter of multiple regional tax organisations, the Canada Revenue Agency has supported efforts to share knowledge and lessons between regional organisations. It recently organised a workshop bringing together Caribbean members of the Inter-American Center of Tax Administrations (CIAT) and the Commonwealth Association of Tax Administrations (CATA) to discuss risk assessment approaches and techniques. Since the workshop, an online community of practice has been established on the KSPTA.

POLICY COHERENCE FOR DEVELOPMENT

In line with an increasing focus on DRM as a development issue, the Government of Canada has increased its inter-departmental cooperation in order to ensure a coherent approach. Steps taken include more regular and systematic consultation of the relevant departments as well as consultation with Canada's missions abroad as the government prepares its list of intended exchange partners under the Common Reporting Standard (CRS). Work is ongoing to assess whether additional measures are needed in support of a whole of government approach to DRM.

Canada is actively engaged in coordinated multilateral efforts to address base erosion and profit shifting (BEPS) and to increase transparency through the automatic exchange of information between tax authorities. Since 2016, the Government of Canada has enacted legislation to require country-by-country reporting for large multinational enterprises; is applying revised international guidance on transfer pricing; participated in international work to develop a multilateral instrument to streamline the implementation of treaty-related BEPS recommendations, including addressing treaty abuse, and is currently determining with which options to proceed; and, is undertaking spontaneous exchanges with other jurisdictions of certain tax rulings.

Canada is committed to implementing the international standards set by the Financial Action Task Force (FATF) to combat money laundering and terrorist financing. In February 2014 regulations came into force that strengthen customer due diligence obligations (CDD) in Canada's anti-money laundering and anti-terrorist



financing regime. In September 2016, the Government introduced a legislative proposal that would amend federal corporate laws to expressly prohibit the issuance of bearer shares and bearer share warrants. In order to meet or exceed Canada's climate change targets, a pan-Canadian approach to pricing carbon pollution will put in place carbon pricing in all Canadian jurisdictions by 2018. While the federal government will set a benchmark for pricing carbon pollution, Canada's provinces and territories will be given a choice in how to implement carbon pricing and will also have the flexibility to manage the revenues as they see fit.

Furthermore, Canada, along with the U.S. and Mexico, has committed to phase out all inefficient fossil fuel subsidies by 2025 and encourages all G20 countries to do the same. Canada has made consistent progress towards this commitment and has implemented a number of measures to phase out various tax preferences for the oil and gas and mining sectors.

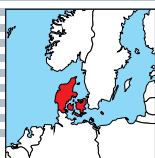
OUTLOOK

Canada's new approach to international assistance will be grounded in the feedback it received from an International Assistance Review in 2016, engaging 15,000 people and partners online and through more than 300 consultations across 65 countries. The results of these consultations were summarised in a ► **"What We Heard" report** published online in December 2016. DRM is an important component of governance, alongside improved public financial management and anti-corruption. Canada views its commitment to the Addis Tax Initiative as being consistent with recommendations received through the International Assistance Review.

In 2017, Global Affairs Canada will continue supporting country-to-country DRM capacity building, primarily in Africa (Mali, Benin, Tanzania) and in the Americas (Caribbean, Haiti). The CRA will also continue its role as the executing agency for the delivery of bilateral Global Affairs Canada-funded programmes in Haiti and Benin.

Furthermore, the CRA will undertake a number of activities to support partner country participation in the BEPS inclusive framework. It has indicated its interest to participate in the proposed Twinning Programme in technical areas related to treaties or taxation of multinational enterprises. The CRA has also indicated its intent to provide an expert for three BEPS-related learning events. The CRA will continue its sponsorship of the OECD Forum on Tax Administration's Large Business and International Programme, which is focusing its efforts on supporting implementation of country-by-country reporting, including by developing countries. Over the course of 2017, in partnership with the OECD Global Relations Programme and the Tax Inspectors Without Borders Initiative, CRA is planning a 'proof of concept' that will serve as guidance on how to effectively leverage the KSPTA to extend the reach of capacity building work and foster coordination.

In order to strengthen efforts to combat international tax evasion and avoidance, Canada has committed to implement the common reporting standard (CRS) for the automatic exchange between national tax authorities of information on financial accounts held by non-residents. Canada's legislation to implement the Common CRS beginning July 1, 2017 has received Royal Assent. This will allow the first exchanges of information to take place in 2018, in line with the G20's call on all relevant countries to implement the standard by 2018.



DENMARK

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements
(2015, Mio. USD)

7.12

Total Commitments
(2015, Mio. USD)

6.99

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO. USD)



Mozambique 4.09



Ghana* 1.80



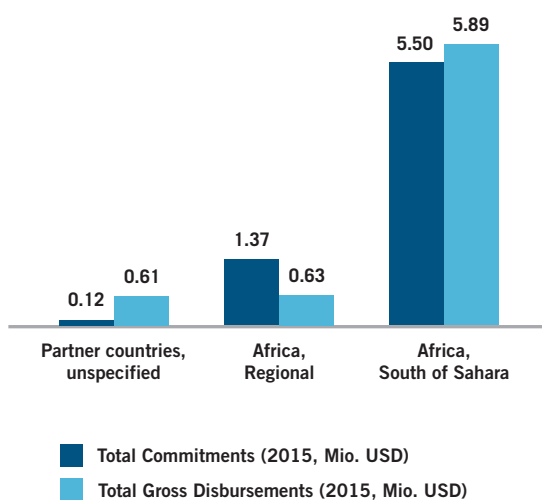
Africa,
regional 0.63



bilateral,
unspecified 0.61

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT



MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO. USD)



Ghana* 3.72



Mozambique 1.78



Africa,
regional 1.37



bilateral,
unspecified 0.12

* ATI Partner Country

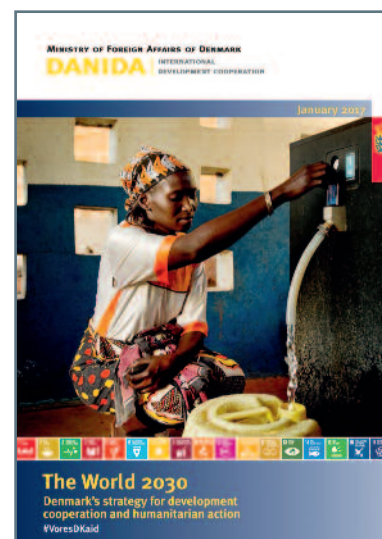
COMMENTS:

The CRS code 15114 has to cover a broad range of aspects of "tax and development" activities, but without specifying more concretely which activities to include and which not. This has resulted in the fact that a number of Danish activities that, among others, had/have a focus on, for instance, PFM, tax system modernisation, dialogue with civil society, or enforcing tax legislation have not been reported under CRS code 15114 but other CRS codes. This is also due to the fact that the process and criteria of how to identify a (share of a) project to be reported under this code have not been regulated or clearly defined. With Denmark's commitment in the ATI framework, this aspect will be given more focused attention to be sure that future reporting is done more carefully.

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

In light of the continuously growing focus on DRM in the follow-up to the Addis Ababa conference on financing for development and the 2030 Agenda, the most significant development regarding Denmark's engagement in DRM in partner countries since 2015 has been the specific focus on tax and development in:

► Denmark's Strategy for Development Cooperation and Humanitarian Action



Paragraph 6.5 on

“Mobilisation of the developing countries’ own national resources – tax” is copied hereunder:

“ Denmark will contribute actively to international initiatives that can help realise the Addis Ababa Agreement on Financing for Development. Denmark will make a point of strengthening and enhancing the effectiveness of the developing countries’ national and local tax systems with a view to enabling the countries, to an increasing extent, to mobilise their own resources with a view to realising the Sustainable Development Goals and create equal opportunities for all. This will particularly be the case in the poor, more stable developing countries with functioning public systems.

Focus will also include combating tax havens and illegal capital flows, international economic crime, terrorist financing and anti-corruption policies. These are priorities which we also seek to promote in EU initiatives. Denmark sees the partner countries’ tax systems as part of follow-up on the Sustainable Development Goals concerning strong institutions and good governance: A social contract between authorities and citizens and a society where no one is left behind, where there is increased accountability, transparency, anti-corruption and economic management of and within the authorities. Where relevant, we will involve the Danish tax authorities in the cooperation.

”

In Ethiopia, Denmark provides support to capacity building of Ethiopian authorities such as the Attorney General's Office, Financial Intelligence Centre and police units to enable them to fight economic crime, including illicit financial flows, money laundering and terrorism financing, with DKK 10 Mio from Denmark's Peace and Stabilisation Fund. The collaboration includes a number of actors in the private and public sectors and aims to improve Ethiopia's capacity to counter, investigate and prosecute economic crime as well as strengthen the country's role in regional and international collaboration against money laundering.

Danish funds have directly supported the strengthening of Ethiopia's regulatory and strategic framework, which is creating an important foundation on which the many different authorities can cooperate and coordinate better in areas such as investigation and prosecution of financial crime. For example, Ethiopia recently finalised its first National Risk Assessment and, based on this, consequently developed a National Action Plan. Danish support has also contributed to the development of a counter-terrorism financing and anti-money laundering manual for investigators and prosecutors aimed at providing a shared platform and guidelines from which to work.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

MORE INFORMATION
ON GREEN TAXES
CAN BE FOUND AT:

► <http://www.skm.dk/skattetal/statistik/generel-skattestatistik/skattetryk-for-groenne-afgifter-1970-2017>
(in Danish)

POLICY COHERENCE FOR DEVELOPMENT

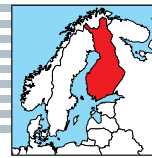
As a member of the EU, Denmark supports the application of Policy Coherence for Development (PCD) in the framework of EU policies, as embedded in the Lisbon Treaty. Denmark supports a strong focus on PCD both in the EU's general follow-up on the 2030 Agenda and in the new European Consensus on Development. The impact assessment process including the assessment of impact on developing countries via the Better Regulation toolbox is an important instrument in this regard.

Since 2014, Denmark has had an action plan on policy coherence for development in place. This action plan was replaced in March 2017 by the incorporation of the concept of PCD in the action plan for Denmark's national and international follow-up on the 2030 Agenda. With this new 2030 action plan, a mechanism for the assessment of impact of new legislative and policy initiatives on development countries and global development is introduced. One specific measure adopted already in 2012 is the waiver of tax exemptions on goods and services procured in the host country for specific development activities in all Danish priority countries.

Environmentally related taxation ("green taxation") is a measure that has already been implemented in Denmark since the 1980s and has ranged from 3.6% to 4.7% of GDP in the last 15 years. To assess policy coherence, Denmark will report on the global indicator related to SDG17.14, but is also following the EU's reporting on PCD-related indicators via the EU Focal Point for PCD network.

OUTLOOK

In implementing the strategy for Denmark's Strategy for Development Cooperation and Humanitarian Action, the Ministry of Foreign Affairs has reserved an additional DKK 10 Mio for new activities on DMR to be rolled out in 2017. With the new strategy laying out Denmark's general approach towards supporting DRM in partner countries, the ambition is to work towards achieving ATI Commitment 1.



FINLAND

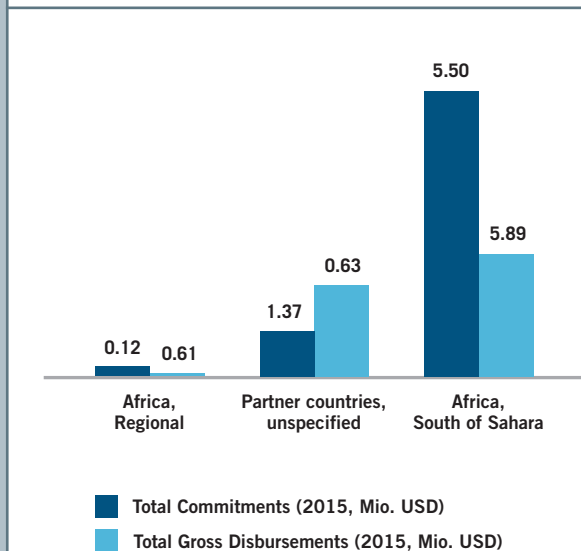
Total
Gross Disbursements
(2015, Mio. USD)

4.54

Total Commitments
(2015, Mio. USD)

7.13

REGIONAL DISTRIBUTION OF SUPPORT



ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO USD)



bilateral,
unspecified 1.92



Tanzania 1.33



Zambia 1.11



Kenya* 0.12

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO USD)



Somalia 4.44



Zambia 1.44



bilateral,
unspecified 0.95



Africa,
regional 0.19

* ATI Partner Country

COMMENTS ON DATA PRESENTED:

Finland's core support for the ATAF (EUR 255k) is missing. That may be due to the fact that it is multilateral aid (and the OECD/DAC considers all multilateral aid "sector unallocable"). Finland's DRM-relevant projects are identified by the main purpose of the activity. If a project has DRM (15114) as a main purpose code (each project can have 1–3 purpose codes), the project disbursements are included in the DRM figures in full. On the other hand, there may be projects that have DRM as a secondary purpose, but those projects have been omitted from the total DRM figures. Find Finland's projects here:

► <http://formin.finland.fi/public/default.aspx?nodeid=48023&contentlan=2&culture=en-US>

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Finland supports its partner countries and regions extensively in promoting the objectives of the ATI. Alongside strengthening taxation capacity, Finnish development cooperation emphasises governments' accountability towards citizens and domestic businesses, as well as the use of higher tax revenues for better public services, particularly for the poorest sections of the population. In bilateral cooperation, domestic revenue mobilisation is a vital part of the dialogue with partner countries. Capacity building of civil society in developing countries is supported via international non-governmental organisations and funds are provided for research based on public data on illicit financial flows as well as analyses of their effects on the economies of developing countries.

Finnish Tax Administration has assisted the Namibian Large Tax Payers' Office (LTO) to take the first steps towards a modern LTO, by providing the LTO with techniques and practices on client management, risk analysis, client communications and large business auditing practices. The Finnish Tax Administration also assisted the LTO to commence open dialogue with stakeholders, such as tax advisory community as well as starting cooperation with the ministry of mines, a key source of knowledge and expertise for the tax administration as well. Familiarising the LTO staff to key concepts of international taxation and transfer pricing as well as to focal sources of information in this area has been a major input for the development of the LTO. Through this work the Namibian LTO will have the capabilities to assess the volume of tax risks related to international corporate taxation and transfer pricing with regard to large businesses. Moreover, the LTO will be ready to identify risky companies and potential audit targets, and to investigate some key areas through audit activity taking certain positions and defending those positions.

To strengthen developing countries' taxation capacity and its effectiveness, Finland moreover finances research based on reliable data on illicit financial flows, and analyses on their impacts on developing countries. Furthermore, Finland supports country-specific research with the aim of finding potential solutions to illicit and uncontrolled financial flows.

A good example is the report ► **Illicit Financial Flows from Developing Countries: 2004–2013** — published in December 2015 that provides estimates of illicit financial flows out of the developing countries during this 10-year period.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

POLICY COHERENCE FOR DEVELOPMENT

In 2016, Finland published the ► **Action Programme on Tax and Development**, which aims to strengthen domestic revenue mobilisation in partner countries for the whole of society and in a comprehensive manner. The action programme's objectives require policy coherence for development. Cooperation between the Ministry for Foreign Affairs, the Ministry of Finance, the Tax Administration and the Ministry of Employment and the Economy is important in both OECD and EU tax-related decisions with global impact.

OUTLOOK

Finland's Action Programme on Tax and Development has defined the following goals for 2017–2018:

Firstly,

international cooperation has achieved and implemented revised international tax rules, e.g. to establish corporations' country-by-country tax reporting and to reduce tax evasion, tax avoidance and corruption.

Secondly,

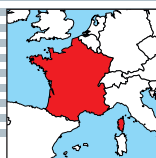
partner countries' domestic revenue mobilisation and taxation capacity has been strengthened: tax administrations and other institutions connected to the use and supervision of state assets (e.g. parliament, customs, judicial system, bodies supervising use of state assets) have been developed or reformed.

Thirdly,

in partner countries, civil societies' awareness and knowledge of the link between taxation and public services have increased, and the ability to hold governments accountable for increasing tax revenues and using them for public services has improved.

Fourthly,

reliable country-specific research and analysis of illicit financial flows and solutions to curb them exist, as well as evidence of the effectiveness of measures aimed at building taxation capacity.



FRANCE

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements
(2015, Mio. USD)

5.69

Total Commitments
(2015, Mio. USD)

5.81

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO USD)



Wallis and
Futuna 2.19



bilateral,
unspecified 0.81



Comoros 0.46



Senegal* 0.43

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO USD)



Wallis and
Futuna 2.19



bilateral,
unspecified 1.03



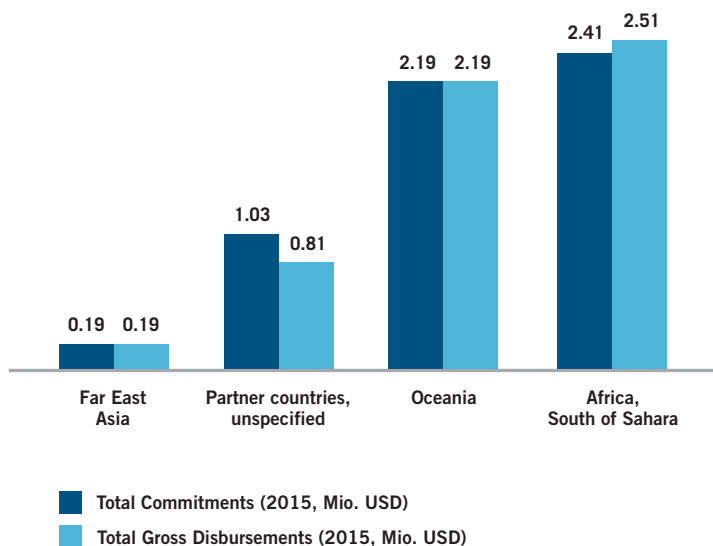
Comoros 0.46



Senegal* 0.43

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT



DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Since 2015, France has entirely renewed its institutional framework to increase the efficiency of its technical assistance delivery to DRM in developing countries. Firstly, the French bilateral development bank (AFD) is now empowered to fund bilateral projects on DRM, using both grants and loans. Secondly, France has launched a new TA-providing agency, Expertise France, which aims at maximising the use of French public expertise, particularly by merging previously distinct agencies. Thirdly, the French Ministry of Foreign Affairs and the Ministry of Finance have launched an inter-ministerial task force to develop a new strategy and action plan on tax and development. This strategy will be France's strategic tool with which to implement the Addis Ababa Action Plan and the Addis Tax Initiative.


France has also made contributions to several multilateral TA programmes on DRM: (i) it continues to support the IMF's regional TA centres: the AFRITACs and METAC; (ii) it takes part in the IDA-18 (IDA, International Development Association) replenishment, which includes a governance pillar covering DRM.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

France supported CREDAF's 2016 task force on natural resource taxation in order to develop a new operational guide which identifies best practices and evidence-based responses to specific challenges of French-speaking sub-Saharan African countries. It will be presented during CREDAF's annual meeting in May 2017, during which France and the WBG will organise regional consultation meetings on DRM. France has actively contributed to the African Initiative of the Global Forum on Transparency and Exchange of Information (EoI) for Tax Purposes. It directly funded the creation of EoI units in Cameroon, Senegal, Burkina Faso and Mauritania. The pragmatic approach used by Global Forum teams perfectly fits these countries' needs and capacities, by designing tailor-made solutions for low-income countries. France now closely monitors to what extent its partner countries will send and process information requests.

POLICY COHERENCE FOR DEVELOPMENT

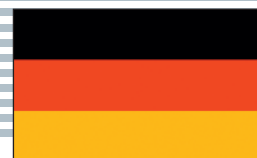
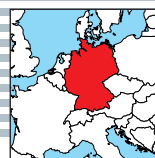
For France, policy coherence is essential. It lies behind the "tax and development" inter-ministerial task force, and the cross-government strategy on which it is working, covering all major public-sector actors. Already, the mainstreaming of DRM in several government policies is being put in place. In France's institutional framework, the Ministry of Finance is already involved in bilateral and multilateral development policies, which makes cooperation easier.



Important measures have also been taken to fight corruption and international tax evasion at national, EU and OECD levels. The automatic exchange of information (AEOI) will become effective in September 2017 with over 50 countries and more than 40 additional countries in September 2018. A registry of beneficial owners is being set up in France, as well as country-by-country reporting. Major anticorruption measures have been implemented, particularly with the 2016 “Sapin2” Anticorruption Act, targeting both national and international corruption.

OUTLOOK

France’s new strategy on tax and development currently developed by the inter-ministerial task force is expected to be available by autumn 2017. It will be underpinned by several key principles, in agreement with the Addis Ababa Action Plan, including: (i) promoting wider tax bases, the reduction of the informal sector, improved tax collection, the fight against corruption, transparent tax systems, and the use of modern payment techniques to improve both collection and government spending; (ii) focusing on countries most in need, especially in sub-Saharan Africa, with a tailor-made country-by-country approach, particularly to ensure that basic DRM objectives are met (e.g. tax collection, anti-corruption) in partner countries; (iii) ensuring effective coordination between international organisations in the provision of DRM TA, through joint work programmes, based on each organisation’s comparative advantages; (iv) as much as possible, encouraging the use of ODA to catalyse additional resource mobilisation from other sources, both public and private, in order to support improved tax collection, for example, as well as promoting innovative sources, financing mechanisms and public–private partnerships.



GERMANY

Total
Gross Disbursements
(2015, Mio. USD)

32.79

Total Commitments
(2015, Mio. USD)

31.72

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO. USD)



bilateral,
unspecified 5.55



Ghana* 1.96



Malawi* 1.91



Zambia 1.52

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO. USD)



Rwanda* 4.30



DR Congo 3.33



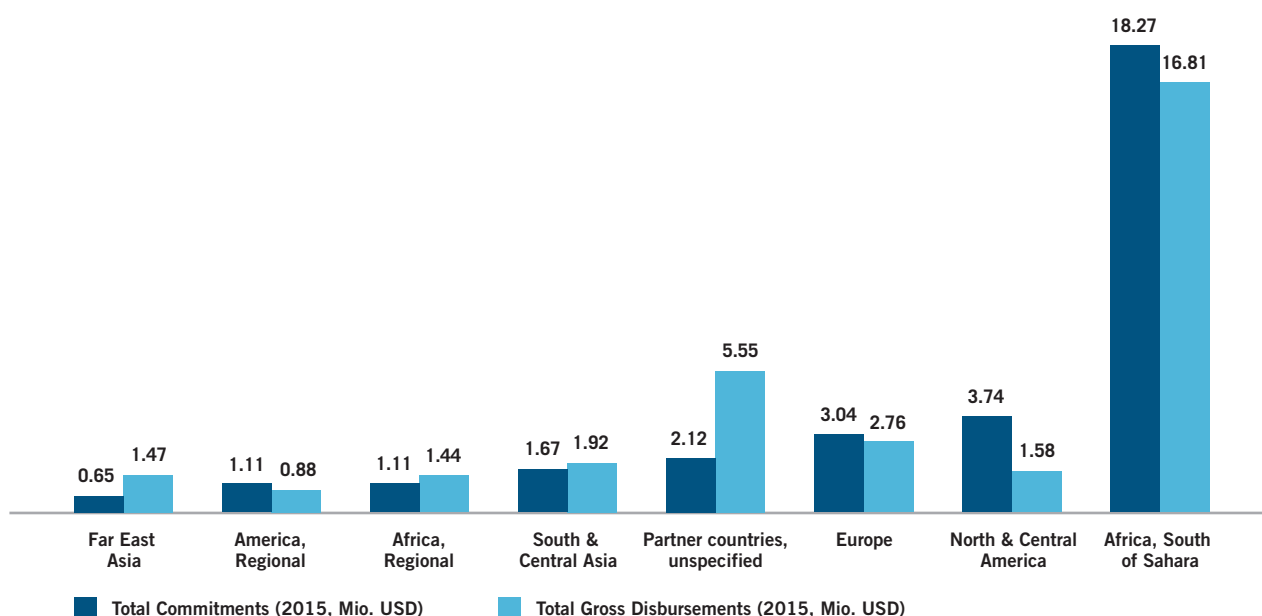
Benin* 2.77



Zambia 2.77

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT



DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Germany has an increased and high-level political will to promote DRM in developing countries and the topic is visible to an extensive degree. Strengthening DRM is also part of Germany's efforts during its G20 presidency and plays an important role in German development cooperation's newly established position paper called ► **"A Marshall Plan with Africa"**.

When the ATI was launched, the Federal Ministry for Economic Cooperation and Development (BMZ) asked all German embassies of partner countries with projects in the field of Good Financial Governance (GFG) to promote the ATI membership. In preparation for government consultations and negotiations between Germany and its partner countries, it is always being verified whether ATI membership should be suggested to the partner.

In order to accelerate political commitment, Germany has established an "early mover" programme that sets incentives and provides developing countries with additional funds for quick support on SDG implementation and DRM reforms. DRM-related projects were given priority in the selection process.

Apart from that, Germany is financing the International Tax Compact (ITC), which was set up by the (BMZ). Among other tasks, the ITC hosts the Secretariat of the ATI.


Within the project "Regional resource governance in fragile states of West Africa", which is implemented in Côte d'Ivoire, Guinea, Liberia, and Sierra Leone, German development cooperation supported the installation of an inspection unit in Liberia's tax administration that is specialised in the mining sector. A tax audit on an iron ore producer resulted in an additional charge of USD10,743,561.

Furthermore, Germany is preparing to implement pilots for the Automatic Exchange of Information (AEOI) with Georgia and in Africa (together with ATAF). These pilots would comprise professional, logistical and organisational support to identify measures and capacity development needs for the implementation of the AEOI standard.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

POLICY COHERENCE FOR DEVELOPMENT

The German Federal Ministry of Finance (BMF) and the Federal Ministry for Economic Cooperation and Development (BMZ) work closely together when it comes to measures in the area of DRM, e.g. in the fields of fighting tax evasion, double taxation agreements and the increase of foreign direct investment (FDI) by German companies.



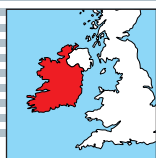
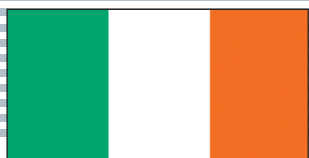
Another example of policy coherence can be found in the fight against illicit financial flows (IFF). In this regard, BMZ, BMF, the Federal Ministry of the Interior (BMI) (including the Federal Criminal Police Office (BKA)), the Federal Ministry of Justice and Consumer Protection (BMJV) (including the Federal Office of Justice (BfJ)), the Federal Ministry for Economic Affairs and Energy (BMWi) and the Federal Foreign Office (AA) ensure policy coherence. The objective of this project is to improve conditions for the inter-sectorial, interstate and interregional fight against illicit financial flows both in developed and in developing countries. Pilot cases are being implemented in Kenya, Peru, Bosnia and the MENA region. In Kenya, Germany supports a multi-agenda taskforce of different financial investigation authorities, such as the tax authorities and the anti-corruption agency, which pursues the facilitation of interagency cooperation. As a result, Kenya has experienced significant freezing and seizing of assets arising from crime. Germany supports capacity development of investigators, prosecutors, and enhances courts' appreciation of the relevant laws in combating corruption and anti-money laundering. As a result, a sharp rise in the conviction rate of economic crime has been observed.

OUTLOOK

For its G20 presidency (2016/2017), Germany made the cooperation with countries in Africa one of its top priorities. In this context, at the G20 Africa Conference the Africa Academy for Tax and Financial Crime Investigation in Kenya, one of Germany's African partner countries, will be launched. The first pilot training will take place at the end of June 2017. Also in the course of the G20 presidency, a workshop on tax certainty is being developed that will support the training of tax officials in Africa on this topic on a technical level, as to ensure that tax systems have the clarity and stability needed to generate sufficient tax revenues and also to attract investors. Furthermore, Germany will host the ITC/ATI Tax and Development Conference in June 2017.

Germany pursues a holistic Good Financial Governance (GFG) approach that integrates domestic resource mobilisation and the effective use of financial resources. Apart from public revenues and expenditures, financial audit also plays an important role. In addition to technical support, political economy aspects (e.g. political will, political steering capacity, and policy coherence) are also addressed in the approach. At present, Germany supports around 30 projects worldwide with regard to GFG and taxation. About 40 additional projects integrate the mobilisation of domestic resources in their programme (e.g. projects in the areas of decentralisation, governance of natural resources, trade facilitation). The GFG projects have a total volume of approx. EUR 115 Mio, which averages to approx. EUR 33 Mio per year in technical cooperation and EUR 47 Mio (or EUR 14 Mio per year) in financial cooperation. In most projects, DRM plays a significant role.

Cooperation exists on three different levels: on the country level, by strengthening capacities for fair, efficient and transparent tax administrations and tax systems; on the regional level, by strengthening regional tax networks that help to pool developing countries' interests and give them a stronger voice within the international tax debate (German development cooperation, for example, significantly contributed to the development of regional tax networks ATAF and CIAT); on the international level, by promoting the awareness of developing countries' interests in international fora set up to reform global tax policies.



IRELAND

ODA SUPPORT TO DRM IN 2015

COMMENTS:

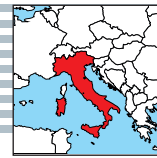
There is no disaggregated data
available for Ireland.

Total
Gross Disbursements
(2015, Mio. USD)

0.33

Total Commitments
(2015, Mio. USD)

0.33



ITALY

**Total
Gross Disbursements
(2015, Mio. USD)**

0.61

**Total Commitments
(2015, Mio. USD)**

0.61

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO USD)



**South
America,
regional**

0.37



Somalia

0.20



Albania

0.05

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO USD)



**South
America,
regional**

0.37



Somalia

0.20



Albania

0.05

* ATI Partner Country

COMMENTS:

In 2015, Italy provided a contribution to the Customs Cooperation Fund of the World Customs Organization (WCO CCF). The WCO CCF exists to support the delivery of technical assistance and capacity building to WCO Member Customs administrations in developing and least developed countries for purposes of reform and modernisation. However, the contribution was not taken into account in ATI reporting as the current methodology for DRM flows covers only bilateral ODA, while this transaction is a core contribution to a multilateral organisation.

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

In 2016, Italy worked to ensure a framework for monitoring the progress towards meeting ATI commitments. A coordination mechanism among the Italian Agency for Development Cooperation, the Ministry of Finance and other concerned institutions was set up. Its aim is to collect and exchange information on provision of development assistance to DRM and to get an overview of activities and forms of collaboration, including technical workshops, exchange of expertise, and training, also identifying specific components in DRM-related activities within larger development cooperation programmes, as well as to share knowledge, experience and good practice, aiming to promote synergies and ensure coherence.

In particular, this exercise was conducted through: i) mapping of initiatives in the area of DRM funded in previous years and in 2015 (baseline year) by the Italian Development Cooperation and other relevant institutions (such as the Department of Finance within the Ministry of Finance or the National Agency of Revenues); ii) collecting information on implemented, ongoing and planned activities; iii) reporting to the OECD-DAC using DRM code 15114; iv) including the DRM sector with specific reference to ATI commitments in the three-year Strategic Development Cooperation Planning Document for the 2016–2018 period.

In the context of the Global Forum on Transparency and Exchange of Information, Italy has partnered with Albania since 2015 to implement an AEoI pilot project based on a peer-to-peer knowledge transfer to support Albania's compliance with its commitment to starting automatic exchange of information on financial accounts for tax purposes (the common reporting standard, CRS) by the end of 2018. The Italian contribution consists mainly in transferring its longstanding experience in this field in the form of supporting technical and ruling implementation of the CRS, consulting and training Albanian tax officials (classes and on-the-job). In this respect, Italy would like to share the following lessons learned: (a) The actual commitment of the partner country is crucial to the cooperation being effective and (b) preliminary activities before the commencement of the cooperation project need to be focused and limited in time in order not to lose "momentum".

Moreover, in 2015, always in the framework of the Tax Inspectors Without Borders initiative, Italy concluded a cooperation agreement with Albania for the deployment of an Italian transfer pricing expert to the Albanian Tax Administration for a one-year period, carrying out a "learning by doing" approach to dealing with complex international tax matters. The successful outcome of the project is the result of the commitment of the working group composed of Italian and Albanian tax officials.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE



POLICY COHERENCE FOR DEVELOPMENT

Italy is committed to pursuing policy coherence for development (PCD) in all areas. The law that reformed the Italian Development Cooperation in 2014 attaches high priority to PCD. The law establishes an Inter-ministerial Committee for Development Cooperation – chaired by the President of the Council of Ministers – aimed at ensuring coordination of development policies and programmes as well as coherence of domestic policies with the objective of development cooperation.

As an example of policy coherence in the area of DRM, raising tobacco taxes is an area in particular need of attention. According to the World Health Organization (WHO), raising tobacco taxes is among the most effective and cost-effective tobacco control interventions. In Italy, raising tobacco taxes is part of a more comprehensive tobacco control policy, which also includes enforcing a comprehensive national smoke-free law, a ban on tobacco advertising and promotion, as well as mandating graphic warning labels to appear on tobacco product packaging. However, despite progress in implementing comprehensive tobacco control policies in a growing number of countries, more work is needed, especially in low- and middle-income countries. In this context, Italy in 2016 contributed to the WHO programme “Supporting the improvement of tobacco taxation policies in selected African countries to contribute to the attainment of SDGs”.

Furthermore, Italy has a high level of environmentally related taxes: 3.6% over GDP in 2014, 1.1 percentage points higher than the EU average. In recent years, Italy has introduced and fostered environmentally related tax incentives to: a) enhance energy-saving capacity of buildings and produce renewable energy (Personal Income Tax (PIT) and Corporate Income Tax (CIT) tax credits up to 65%); b) invest in advanced environmental control systems in industrial processes (so-called “iper-depreciation”, in which the reference value for depreciation is increased by 150%).

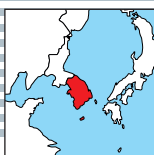
OUTLOOK

Following the inclusion of the DRM sector among the priority thematic areas and sectors of intervention in the three-year ► **Strategic Development Cooperation Planning Document** for the 2016–2018 period, Italy worked in two directions, at internal and external levels, to identify initiatives to be possibly included for funding in the yearly development cooperation Financial Plan for 2016.

On the one hand, Italy informed its embassies and local development cooperation offices about the ATI principles and commitments and requested them to activate and to find out the interests of partner countries towards the ATI, as well as their specific needs and expectations in the area of DRM, with particular regard to priority countries for the Italian Development Cooperation. In this respect, the active involvement of partner countries in the ATI, which is crucial in order for the partner countries to really benefit from the ATI and to be able to cater to their needs, remains a challenge.

In parallel, while collecting data and information in the area of DRM, Italy tried to identify specific areas of intervention and DRM-related topics in which Italy has excellence, expertise, knowhow and an added value to offer.

The priority areas of intervention for 2017 are tax information exchange (including automatic exchange of information), transfer pricing, and tax revenue administration (i.e. raising tobacco taxes).



KOREA

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements
(2015, Mio. USD)

3.50

Total Commitments
(2015, Mio. USD)

0.35

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO. USD)



Uzbekistan 2.07



Rwanda* 1.08



Ecuador 0.12



Thailand 0.07

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO. USD)



Ecuador 0.12



Thailand 0.07



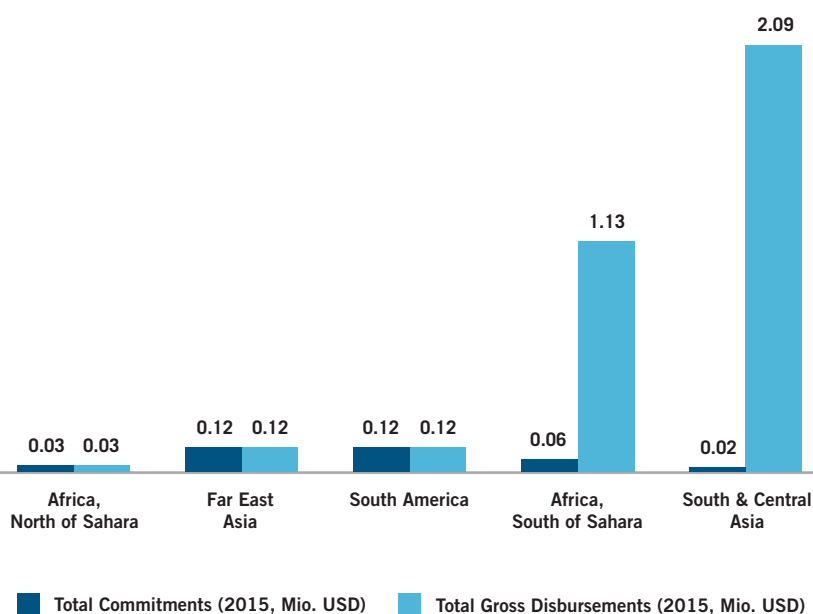
Indonesia* 0.05

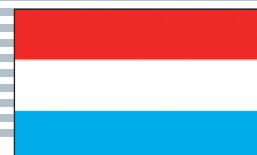


Zimbabwe 0.01

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT





LUXEMBOURG

Total
Gross Disbursements
(2015, Mio. USD)

0.48

Total Commitments
(2015, Mio. USD)

0.48

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO USD)



bilateral,
unspecified 0.28



El Salvador 0.20

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO USD)

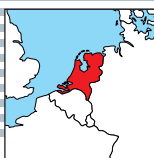


bilateral,
unspecified 0.28



El Salvador 0.20

* ATI Partner Country



THE NETHERLANDS

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements
(2015, Mio. USD)

3.13

Total Commitments
(2015, Mio. USD)

3.25

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO USD)



bilateral,
unspecified 1.74



Ghana* 1.12



Africa, South
of Sahara
(regional) 0.27

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO USD)



bilateral,
unspecified 3.25

* ATI Partner Country

COMMENTS ON DATA PRESENTED:

Two programmes have been added, both of which do have a substantial tax component, but do not appear under 15114 in the DAC data due to technical difficulties in the Dutch internal reporting system.

The Netherlands do use a different methodology monitoring their aid flows. Therefore, the data presented above may deviate from the data presented on their own aid flow monitoring website:

► www.openaid.nl which is based on IATI data and does not allow for aid flow amounts to be fragmented.

(Main) Implementing Agencies:
Ministry of Foreign Affairs

► www.minbuza.nl

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

The Netherlands is one of the initiators of the ATI. In line with ATI Commitment 1, the Netherlands has decided to double its activities in technical cooperation on tax and DRM until 2020. In 2015, the Netherlands organised the ► **international tax conference 'Pay your taxes where you add the value'**. Moreover, it has taken steps to increase its bilateral assistance in the field of tax and customs – through the Netherlands Tax and Customs Administration and the Amsterdam-based International Bureau of Fiscal Documentation (IBFD). It is also increasing its contributions to multilateral organisations active in this field, such as the IMF. In 2015, the Netherlands proactively approached Liberia, which had just joined the ATI, and started to collaborate in 2016.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

In 2016, the International Bureau of Fiscal Documentation conducted a successful specialised training course on offshore entities, wherein participants from several African countries examined in workshops the risks of cross-border tax leakages through the use of offshore companies and other entities by multinationals in low tax jurisdictions and how to fix these leakages (through domestic legal measures, updating tax treaties with such tax havens (if already signed) and using exchange of information facilities).

In the Palestine Territories, the Netherlands helped to design a practical property valuation system to be used as a basis for local taxation of housing in an effort to strengthen decentralised revenue mobilisation.

POLICY COHERENCE FOR DEVELOPMENT

From January 2016, the Netherlands gave up asking for tax exemptions on VAT and import tax for goods and services procured under ODA in programmes with governments. The Netherlands also offered 23 developing countries, with which it has a tax treaty, to renegotiate the treaty and add anti-abuse provisions. Revised or new tax treaties have been signed with six countries already and more are in negotiation. Progress on policy coherence is reported annually to parliament. The Netherlands monitors closely to what extent it is able to increase disbursements for technical cooperation in the area of DRM. This includes the monitoring of the number of staff trained and advice provided to tax offices and the effects this has on the organisation.

OUTLOOK

In 2017, the Netherlands will intensify bilateral cooperation, among others, in Ethiopia, Ghana, Indonesia, Liberia and Uganda. Furthermore, ongoing IBFD training/advice on dealing with tax planning structures and tax treaties will continue in several African countries. The Netherlands is increasing its support to major IMF Trust Funds (RMFT and MNRW), and will continue to support the OECD/BEPS and ATAF. The Netherlands is open to additional requests for support from (preferably) its partner countries.



NORWAY

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements
(2015, Mio. USD)

13.73

Total Commitments
(2015, Mio. USD)

14.09

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO. USD)



Tanzania* 5.00



Zambia 3.56



bilateral,
unspecified 3.01



Mozambique 1.81

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO. USD)



Mozambique 7.44



Tanzania* 6.08



Zambia 0.47



Africa, South
of Sahara
(regional) 0.08

* ATI Partner Country

COMMENTS ON DATA PRESENTED:

In addition to the data above, Norway provides DRM-related support in development through partnerships and funding that is not only or mainly DRM, but also may be related predominantly to macro, PFM, transparency and accountability and reported to the OECD DAC. NORAD is continuing to work on identifying areas where the bulk of the work is DRM-related but where the code assigned may still be something else. This may slightly affect the robustness of the data.

Moreover, Norway is still in a process of reviewing certain elements of the portfolio regarding DRM-relevant projects. Currently, the projects and the assistance listed are mainly focusing on the following categories: i) core government tax administration and policy, ii) civil society work on DRM related, in particular, to transparency and accountability, iii) applied research in the field of DRM and IFF. Different channels and instruments are utilised. Elements of DRM-related work found within PFM reform programmes supported by Norway have, thus far, not been included, but can be significant in some countries. Similarly, DRM aspects of anti-corruption work are not included either, and some support related to projects working on IFF similarly (e.g. Global Financial Integrity, the WB StAR initiative).

Some of these are as follows:

QZA-11/1080 – Mobilizing for tax justice, NOK 3.7 Mio (2015 disbursement); QZA-14-006 – TRF Media and transparency on financial flows and petroleum revenue, NOK 7.45 Mio (2015 disbursement); QZA-14-0054 – NRGi petroleum management 2014-16, NOK 4.5 Mio (2015 disbursement); QZA – Global Witness: The natural resource curse, NOK 2.4 Mio (2015 disbursement); GLO-09/749 – IMF cooperation 2010-15, NOK 3 Mio (2015 disbursement). In total, this is NOK 21 Mio higher than the 2015 disbursement under the DRM code. This is in addition to the NOK 110.751 Mio that is already registered in the submitted data for 2015 that you have reflected in the material sent to us. If this should be included, it would bring the new total to NOK 131.801 Mio (2015 disbursement).

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Norway's most significant development thus far is a political commitment to developing a strategy with instruments and targets for how to double Norwegian development assistance to DRM in partner countries by 2020. NORAD is leading in this work at a technical level through the new Policy Director of Tax. Simultaneously, and on an operative level, a working group at the Norwegian Tax Directorate will deliver a report with recommendations regarding how institutional cooperation in the area of tax administration in partner countries can be strengthened. Thus far, the overall DRM-funding trend for Norway in 2016 was below the ATI commitments (approx. USD 4.7 Mio). This is partially due to the very strong increase in DRM funding from 2011 to 2015 (from an estimated USD 2.9 Mio to above USD 13 Mio), but this is expected to be reversed in 2017 and to increase in coming years.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

Over several years, Norwegian technical assistance and institutional cooperation in the field of tax audit of multinational companies made key contributions to two major court rulings in 2016 regarding transfer pricing arrangements in the mining sector in Zambia and Tanzania. In Zambia, the result was a tax reassessment of an additional USD 47 Mio (► www.zambia-weekly.com/article/mopani-to-pay-zra-k452m), whereas in Tanzania the tax reassessment was an additional USD 120 Mio (► www.ippmedia.com/news/top-gold-miner-wary-magufulis-tax-crackdown). This shows the importance of assisting partner countries over time in improving audit and enforcement capacity. It also underlines the necessity to increasingly link generic training and workshops on transfer pricing and audit to concrete work processes and follow up through on-the-job assistance, towards the solution of cases and the establishment of legal precedence within jurisdictions with limited codification and experience in the field of international tax.

POLICY COHERENCE FOR DEVELOPMENT

Norway is committed to working towards improved policy coherence in the area of DRM and development. In 2015, Norway removed tax exemptions on bilateral aid to developing country governments, and encouraged other countries to follow. In 2016, NORAD initiated an independent study of Norwegian tax treaties in developing countries, following the discussions in the OECD BEPS project and the ActionAid-LSE-ICTD work and reports on the topic. Norway continues to fund and support numerous civil society and research initiatives on tax, illicit financial flows, transparency and accountability. Norway also participates actively and supports the work within the OECD, IMF, WB, UN and other international organisations in this respect. At a national level, it has introduced country-by-country reporting and has committed to the introduction of a beneficial ownership registry.

OUTLOOK

In 2017, Norway will outline, in more detail, its priorities and priority instruments to DRM in the developing world. It expects to reverse the declining funding trend from 2016. The majority of the DRM development assistance will continue to be delivered through bilateral programmes in Zambia, Tanzania and Mozambique, with an overall emphasis on tax administration. Norway has increased its programming through relevant IMF Trust Funds on DRM and is considering closer partnerships with the World Bank and the OECD. Norway also has significant programming on DRM through the Oil for Development Programme, as well as through support to civil society. The Norwegian country strategy regarding the doubling of support to DRM until 2020 will be finalised later in 2017.



SLOVAKIA

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, THOUSAND USD)



Mongolia 21.08



bilateral,
unspecified 2.22

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, THOUSAND USD)



Mongolia 21.08



bilateral,
unspecified 2.22

* ATI Partner Country

Total
Gross Disbursements
(2015, Thousand USD)

23.30

Total Commitments
(2015, Thousand USD)

23.30

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Since 2015, Slovakia has intensified its focus on cooperation in DRM. Until then, the Ministry of Finance of the Slovak Republic (MoF SR) provided development assistance primarily in public finance management (budgeting, accounting, macro-fiscal analysis, etc.), while assistance in tax issues was limited to ad-hoc expert missions or study visits with a minor, longer-term impact (e.g. with Mongolia). Although PFM initiatives are being continued, the ATI commitments have pushed Slovakia to engage more in DRM topics. In 2016, the MoF SR provided assistance to the Ministry of Finance and Prices of Cuba and the Cuban National Office for Tax Administration (ONAT), based on a mutually agreed action plan on tax administration legislation, AEoI, tax revenue forecasting, etc. The efforts on Cuba were complemented by other small knowledge-sharing events with other countries on DRM held in 2016. Although the MoF SR has not been implementing any specific project or longer-term cooperation with LDCs, one of the MoF SR core tax experts has been actively involved (in his free time) in sharing his knowhow in several LDCs, such as Rwanda or Tanzania, as well as cooperation with the ATAF (African Tax Administration Forum). Slovakia plans to build upon his unique experience in order to meet its ATI commitments.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

Slovak experts have been involved in the work of the UN Committee of Experts on International Cooperation in Tax Matters and, specifically, the Subcommittee for Extractive Industry Taxation. The Ministry of Finance of the Slovak Republic hosted the meeting of the Subcommittee in Bratislava in July 2015. Hereby, one of the Slovak experts – Tomas Balco – has authored a tax policy guidance note on Tax Treaty Issues in Extractive Industry Taxation, which was approved in the plenary session in autumn 2016 and will be published as part of the Handbook on the Taxation of Extractive Industries in Developing Countries in October 2017. Slovak experts also work on the preparation of a guidance note on Transfer Pricing issues in Extractive Industry Taxation.

POLICY COHERENCE FOR DEVELOPMENT

Slovakia has been following its practice of concluding tax treaties, which are based on a combination of the OECD Model Tax Convention as well as on specific provisions of the UN Model Tax Convention. In doing so, Slovakia provides more balanced allocation of taxing rights than does the pure OECD model. There are no specific indicators in place to monitor policy coherence for development. The Statistical Office of the Slovak Republic is closely following the creation of indicators at the global (UN) and European (Eurostat) levels and might, if relevant, set up a national indicator at a later stage. However, this will be subject to a wider agreement on a national Agenda 2030 strategy which has still not been prepared.

OUTLOOK

As an emerging development partner, Slovakia has lower financial and expert capacities than do more mature donor countries or institutions. A general overview of Slovak ODA can be gained via its Medium-term ODA Strategy 2014–2018, which is available at: ► <http://www.slovakaid.sk/sk/node/514>. Even though Slovakia does not have a specific strategy on DRM, it aims to diversify its DRM portfolio and ideally bring to life a new initiative/project through which its tax experts could share their knowledge and extensive experience (recently also enhanced thanks to Slovak Presidency of the Council of the EU). Given the abovementioned limits, Slovakia intends to build new partnerships (preferably longer-term) and to pool expert capacities and funds with other ATI donor countries. Slovakia will strive to widen its development cooperation portfolio by concentrating even more on DRM as well as on LDCs. The ATI and ATI Catalogue should incentivise these efforts and enable partner countries to see benefits of the Slovak expertise. Immediate plans for 2017 include the continuation of assistance to Cuba.



SLOVENIA

No ODA support to DRM in partner countries reported for 2015

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Due to Slovenia's membership in the ATI, more attention has been paid to DRM and to how development cooperation with Slovenia's partner countries in the field of DRM could be strengthened.

Slovenia has had sustainable cooperation with Macedonia and Bosnia and Herzegovina in anti-corruption issues as well as efficient law enforcement. In general, technical assistance and good governance have had a prominent role in Slovenia's development cooperation, enabling an environment for business and investment and, thereby, fostering domestic revenue mobilisation.

In cooperation with the OECD and the Center of Excellence in Finance, Slovenia held a successful workshop and experience sharing on Auditing Multinational Enterprises to Detect and Address BEPS Concerns (7–11 November 2016), which was attended by participants from South East Europe and Israel. The workshop was based on a weeklong case study, complemented by technical lectures, for participants to not only gain background information but also learn by conducting a case study.

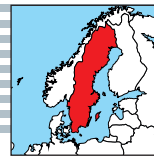
SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

POLICY COHERENCE FOR DEVELOPMENT

Slovenia does not exempt its ODA-funded projects from taxation in partner countries. In the future, additional emphasis shall be placed on the topic with close cooperation between the Ministry of Foreign Affairs and the Ministry of Finance.

OUTLOOK

More attention shall be paid to the enabling environment for business in the future (in line with the Addis Ababa Action Plan to mobilise private investments for development), as well as to developing additional programmes/projects (to those already implemented in the South East Europe region by the Center of Excellence in Finance) for partner countries, specifically targeting DRM.



SWEDEN

Total
Gross Disbursements¹
(2014, Mio. USD)

1.74

Total Commitments¹
(2014, Mio. USD)

17.41

ODA SUPPORT TO DRM IN 2014

MOST IMPORTANT RECIPIENTS (2014 GROSS DISBURSEMENTS, MIO USD)



Kosovo

1.242



Kenya*

0.493

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2014 COMMITMENTS, MIO USD)



Kenya*

10.669



Kosovo

6.730



Former
Yugoslav
Republic of
Macedonia

0.124

* ATI Partner Country

¹ Sweden is using 2014
as reference year.

COMMENTS ON DATA PRESENTED:

As the SIDA launched a new planning system in early 2016, it was not possible to implement the new code (15114) in the planning systems. The SIDA's contribution to 15114 was therefore made manually by a tax specialist at the SIDA. There might be contributions at the SIDA that have smaller elements of DRM.

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Sweden sees domestic resource mobilisation as an inherent part of strengthening national ownership and responsibility for the development process, building democratic institutions and promoting inclusive development. Poor tax design, weak public administration, capital flight and tax evasion undermine domestic resource mobilisation to finance many necessary long-term investments. Sweden will contribute to strengthening domestic resource mobilisation in low- and middle-income countries. In addition, countries should be encouraged to implement international taxation agreements and reduce the use of inefficient tax incentives.

Sweden considers work on capacity building carried out by both various international organisations and countries of major importance, and supports this important work through activities financed by the Swedish International Development Cooperation Agency (SIDA) and carried out by the Swedish Tax Agency (STA)¹.

The STA has experience in institutional cooperation within developing countries and within countries in transition. The STA has 30 years of experience in long-term engagements with tax authorities, mainly in Africa, Asia and Europe. There are currently 5–6 projects ongoing. A few new projects have started since 2015, e.g. in Mozambique and Cambodia. Compared to 2014, turnover has increased by approximately 40%.

A tax system in which everyone contributes their share is a precondition for the Swedish model. Tax evasion and tax avoidance are the causes of a large shortfall in tax revenues for Sweden as well as for other countries. Therefore, in 2016, the Minister for Finance launched an ► "Action plan to counteracting tax evasion, tax avoidance and money laundering". Tax evasion affects developing countries in particular, and an important part of international work in this area is that of enhancing opportunities for such countries to counteract tax evasion, tax avoidance and money laundering. This also means including more countries in the global standards for transparency and exchange of information.

The main areas in the ongoing projects in the STA are Risk Management, Taxpayer Service and Change/Transformation. The working method is primarily that of "capacity building" and learning by doing, with experts from the STA working in close collaboration with local teams and experts. Of utmost importance is the ownership by local top management, for sustainability after the project ends.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

¹ The SIDA is an independent authority under the Ministry for Foreign Affairs and the STA is an independent authority under the Ministry of Finance.

POLICY COHERENCE FOR DEVELOPMENT

Efforts to combat tax evasion and tax avoidance must continue both at international level and at national level. The Swedish Government is giving priority to a lot of actions to counteract tax evasion, tax avoidance and money laundering. One action is to look into introducing automatic exchange of information on beneficial owners. The Swedish Government will strive for global implementation of a register which will contain information on beneficial owners of companies and trusts, i.e. individuals who exercise control over a legal entity or arrangement through ownership or other interests. At the conference in Addis Ababa on Financing for Development, a decision was made to strengthen the UN Committee of Experts in terms of resources and the number of meetings. This is now being put into practice. Sweden contributes by having an expert in this committee and by pushing for staff reinforcement in the secretariat. The STA focus is mainly on increasing efficiency, change management/transformation, strengthening competence in different areas and improving processes and procedures within the tax administration.

OUTLOOK

Generally, the Swedish International Development Cooperation Agency (SIDA):

- 1) Through programmatic multi-donor efforts, such as general budget support or a World Bank-administered multi-donor trust fund, where improved taxation is a theme. Taxation would be reflected in the performance assessment framework associated with the support. There also might be complementary support for capacity development in taxation in parallel with the programmatic support. In such cases, Sweden tends to give support that is not earmarked.
- 2) Through “twinning”, where the SIDA supports cooperation between the STA and its sister institution in the partner country.

The SIDA's approach to strengthening taxation, or any essential public function, typically includes the following elements:

- Partner ownership and leadership
- A broad understanding of the context and then focusing on strategically important tasks
- Long-term commitment
- Flexible support
- Focusing broadly on capacity – the ability to fulfil its mission and steer the organisation towards fulfilling future challenges
- Considering capacity at the individual, organisational and institutional levels
- Capacity development is therefore more than just technical assistance or training
- Building on existing capacity

The Swedish Tax Agency (STA) aims to "double up" the development cooperation efforts by 2020, compared with 2014. The STA is only using its own staff from Head Office, Departments and Regions as experts in the project. The SIDA is instructed to report how it is working towards the Addis Tax Initiative goal of doubling its support from 2015 to 2020 for capacity development in taxation.

For Sweden, supporting capacity building in developing countries is of major importance. To carry out this work as effectively as possible, it is important to improve coordination of the various stakeholders. To strengthen this work, Sweden is looking for possibilities to host an international conference on capacity building concerning taxation.



SWITZERLAND

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements
(2015, Mio. USD)

5.75

Total Commitments
(2015, Mio. USD)

7.81

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO. USD)



Indonesia* 1.87



bilateral,
unspecified 1.33



America
(regional) 0.63



Ghana* 0.50

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO USD)



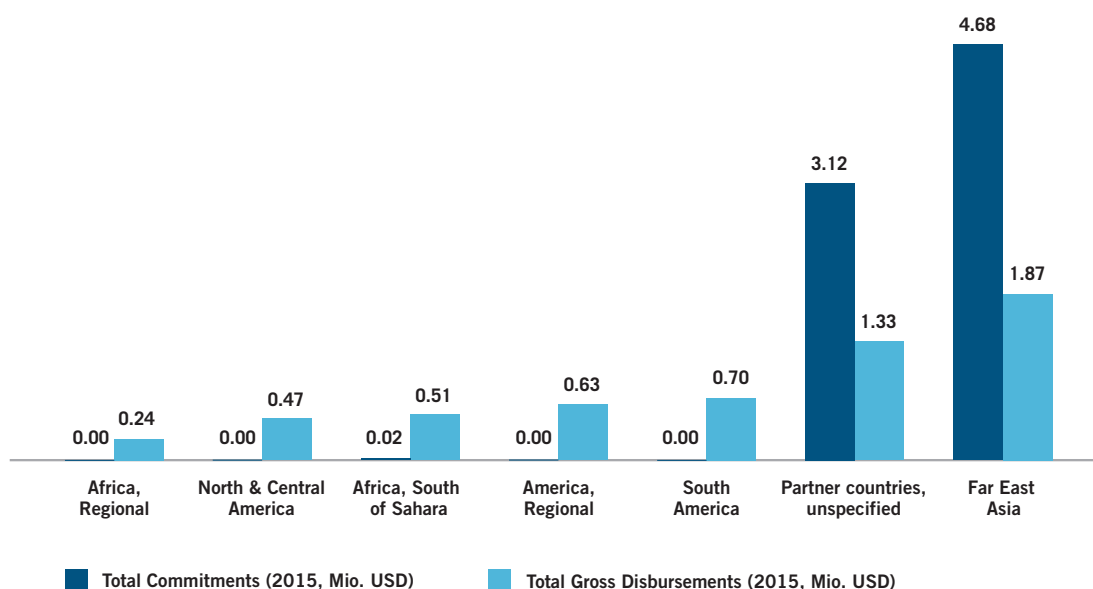
Indonesia* 4.68



bilateral,
unspecified 3.12

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT



DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

Since 2015, Switzerland has approved several bilateral, regional and global initiatives with the aim of further strengthening its engagement in the DRM area in accordance with ATI membership. At the bilateral level, seven new programmes have been launched, namely in Burkina Faso, Ghana, Colombia, Peru, Serbia, Albania, and Macedonia. At the regional level, a financial contribution to the African Tax Administration Forum for the period of 2017–2020 has been approved. With regard to global initiatives, contributions to the IMF Revenue Mobilization Trust Fund (RM-TF) and the Managing Natural Resource Wealth Trust Fund (MNRW-TF) have been renewed.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

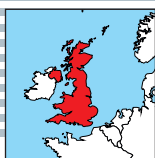
An independent evaluation of the State Secretariat for Economic Affairs SECO Tax and Development Portfolio that was conducted in 2015 highlighted main good practices and lessons learned. Among them, the following are worth mentioning: 1) the need to pay more attention to the medium- and long-term impacts of international tax reforms on investment and economic development, and 2) the importance of making greater use of thorough country capacity needs assessments, which would inform a more realistic and adequate project design.

POLICY COHERENCE FOR DEVELOPMENT

Apart from the DRM portfolio, which includes initiatives aimed at reducing tax evasion in developing countries, Switzerland supports combatting illicit financial flows through the funding of several bilateral and multilateral programmes in the area of Anti-Money Laundering and Combatting the Financing of Terrorism, such as the IMF Anti-Money Laundering/Combating the Financing of Terrorism Trust Fund (AML/CFT) and the UNODC Global Programme against Money Laundering. In order to develop global standards for the good governance of oil, gas and mineral resources, the SECO also supports the Extractive Industry Transparency Initiative (EITI).

OUTLOOK

Switzerland will maintain a clear focus on domestic taxation while including technical assistance and training on international tax issues such as transfer pricing, BEPS and exchange of information. The domestic dimension will remain a priority, since an effective tax administration and a consistent tax policy framework are prerequisites for improving the international tax policy framework.



UNITED KINGDOM

ODA SUPPORT TO DRM IN 2014

Total
Gross Disbursements¹
(2014, Mio. USD)

41.20

Total Commitments¹
(2014, Mio. USD)

22.09

MOST IMPORTANT RECIPIENTS (2014 GROSS DISBURSEMENTS, MIO USD)



Afghanistan 9.86



Nigeria 7.00



Burundi 4.94



Multilateral
Organisations 3.31

* AT1 Partner Country

MOST IMPORTANT RECIPIENTS (2014 COMMITMENTS, MIO USD)



Zambia 6.03



Tajikistan 3.95



Rwanda* 2.64



Myanmar 2.47

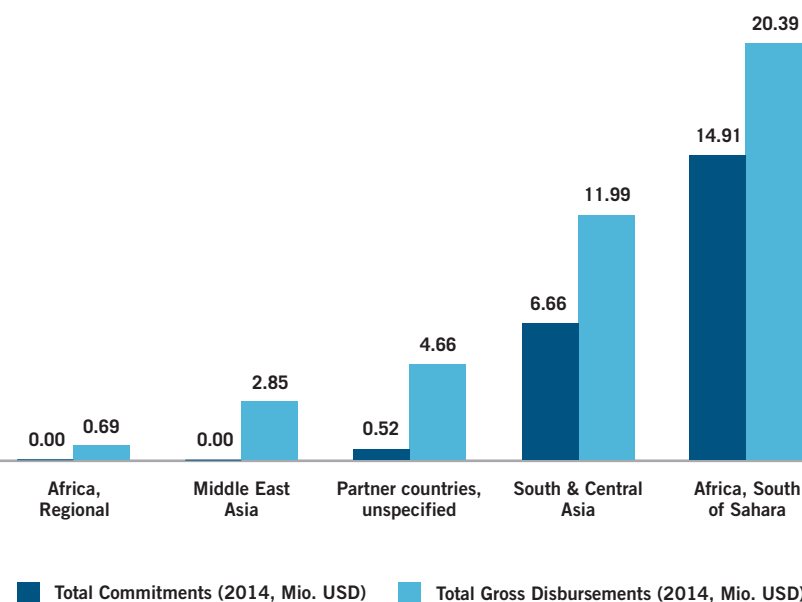
* AT1 Partner Country

¹ The UK is using 2014 as reference year.

COMMENTS ON DATA PRESENTED:

The UK has included disbursements for UK programme components that have not been identified as tax programmes in the DAC data. By doing so, the GBP figure in the DFID analytics system has been calculated to USD by using the exchange rate USD1.6464/GBP1, which is the same as was used in the DAC return for 2014.

REGIONAL DISTRIBUTION OF SUPPORT



DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

The UK takes a 'whole of Government' approach to delivering tax capacity assistance across the three government institutions that deliver support – the Department for International Development (DFID), HM Treasury and HM Revenue and Customs (HMRC). To help to facilitate this approach the UK has developed "Tax Capacity Building: A Strategic Framework for HM Government Engagement" which sets out how a 'whole of government approach', and identifies how UK Government partners will work cohesively to design, deliver and evaluate effect capacity building programmes (see below for further details).

The UK wants to ensure that global tax capacity building is as effective as possible. In 2016, through the G20, the Platform for Collaboration on Tax (PCT), comprised of the IMF, World Bank, OECD and UN, was commissioned to produce a report and make recommendations as to how global tax capacity can be made as effective as possible. The subsequent report, which was endorsed by G20 Finance Ministers in July 2016, included recommendations to develop the concept of Medium Term Revenue Strategies (MTRSs) for revenue authorities, which will support comprehensive reform plans for revenue authorities.

In May 2017, to further develop these recommendations, the UK, in partnership with the PCT, hosted a Tax and Development Conference. The event was well attended, attracting revenue authority heads from eight partner countries and officials from donor countries and international organisations. The Conference provided an opportunity to develop the concept of Medium Term Revenue Strategies with developing countries, as well as the report's recommendations on diagnostic tools and donor coordination.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

One of the biggest advances in international tax policy over the last five years has been a concerted effort to tackle international tax evasion and avoidance. The UK has been at the forefront of these efforts in the G20 and OECD, to promote exchange of information and Base Erosion and Profit Shifting (BEPS) negotiations and to ensure that developing countries are able to take part in international tax discussions and implement these new international tax standards. Since the launch of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) in 2016 developing country engagement in the BEPS project has deepened, enabling greater participation of countries on an equal footing in setting standards, monitoring BEPS issues and creating demand for capacity building and support.

DFID's Tax Transparency Programme (TTP), which funds the OECD, Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) and the World Bank, is designed to assist developing country tax authorities implement international standards of exchange of information on request and to tackle multinational transfer pricing. At the last annual review has been estimated that the programme of support has helped developing countries to generate over USD 275 Mio. in extra revenue.



SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

The UK also provides direct assistance on international tax through experts based in HMRC. They are supporting Ghana and Pakistan to deliver pilots implementing Automatic Exchange of Information (AEOI) standards and are providing transfer pricing audit assistance through the OECD's Tax Inspectors Without Borders programme. In addition the UK has seconded an audit expert to the African Tax Administration Forum (ATAF) to assist the OECD's work on implementing transfer pricing legislation.

One of the key lessons learnt of work on international tax is that reforms should be effectively sequenced with broader capacity building work to improve domestic tax systems. Proposals for Medium Term Revenue Strategies, and a cross-border diagnostic tool, in the Platform for Collaboration on Tax's 2016 report will improve the ability of a developing country to take a holistic and context specific approach to tax system reform and ensure the UK is, and other donors are, able to effectively sequence capacity building support.

POLICY COHERENCE FOR DEVELOPMENT

The UK supports measures, which enhance policy coherence. Through bribery and corruption convictions of individuals and companies in the UK by the National Crime Agency, approximately GBP 170 Mio. of assets stolen from developing countries are being restrained, confiscated or returned.

Since the G8 Summit in 2013, the UK has led and championed the beneficial ownership agenda, launching in 2016 its own public register of company beneficial ownership to help detect and deter the use of UK companies for illicit activity, including tax evasion, in any country. A key component in the design of the register was the easy access to information by developing country authorities and civil society. The Register already has over 190 million entries of company beneficial ownership.

At the London Anti-Corruption Summit in May 2016 the UK agreed to a global declaration stating that: corruption should be exposed; the corrupt should be pursued and punished; those who have suffered from corruption should be fully supported; corruption should be driven out wherever it exists.

The UK Government will be using existing mechanisms to implement the Sustainable Development Goals, including for ensuring policy coherence. Through the UK's Whole of Government approach, DFID and HM Treasury work together to pursue joint tax and development policy goals.



OUTLOOK

The UK Government is committed to providing tax capacity assistance in partner countries. This approach, primarily shared by DFID, HM Treasury and HMRC is facilitated, and underpinned, by a strategic framework. The provisions set out in the framework ensure that development experts and tax technical experts are able to work effectively together to design, deliver and evaluate tax capacity building programmes. HM Government partners will conduct regular structured joint analyses to develop a shared understanding of the scope and scale of the need for capacity development to inform future engagement on tax and development activities.

In practice, the UK's priority over 2017 will be to understand how it can best meet its ATI commitments and add value to the DRM initiatives globally. The UK will assess where existing centrally managed and bi-lateral programmes could be scaled up or where further initiatives could be explored.



UNITED STATES

Total
Gross Disbursements
(2015, Mio. USD)

36.79

Total Commitments
(2015, Mio. USD)

26.88

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO. USD)



Philippines* 9.24



Afghanistan 7.44



Tunisia 3.86



Haiti 2.78

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO. USD)



Afghanistan 10.20



Haiti 2.78



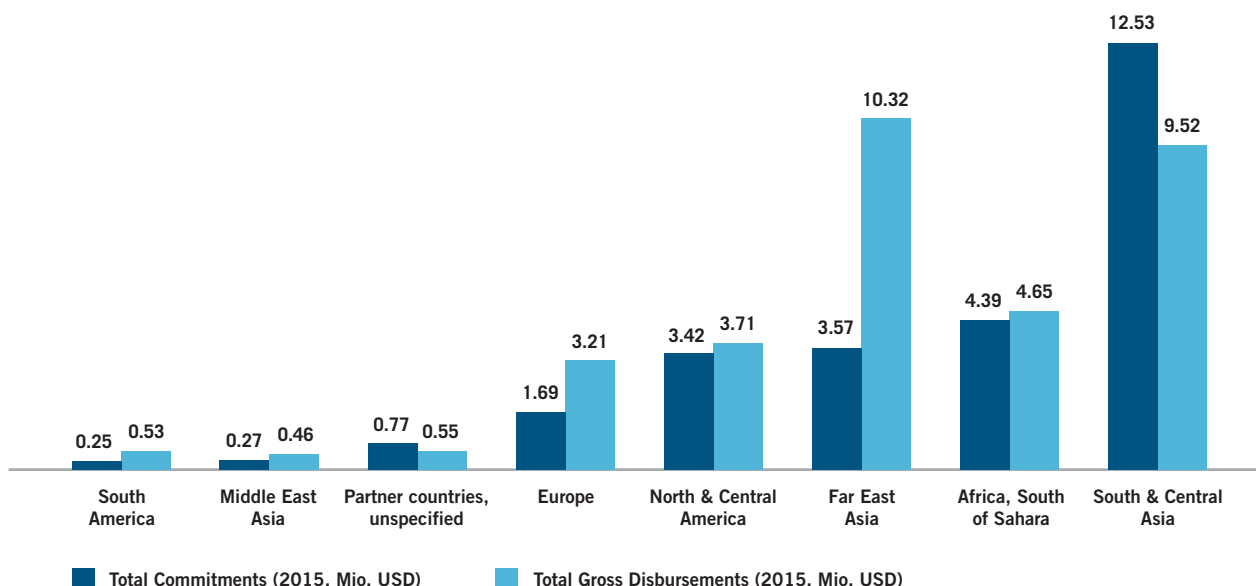
Philippines* 2.48



South Sudan 1.09

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT



DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

In endorsing the ATI, the U.S. government pledged to substantially increase its support for DRM through activities funded and implemented by the U.S. Department of the Treasury, the U.S. Agency for International Development (USAID), and the Millennium Challenge Corporation (MCC).

Accordingly, since 2015 the U.S. has intensified efforts to meet the needs of partner countries that demonstrate the capacity and the political will to sustainably improve DRM. To this end, the government's 2017 budget request included USD 33.5 Mio for the Treasury's Office of Technical Assistance (OTA), a USD 10 Mio increase over the 2016 financial year. In addition, since 2015 the MCC has launched new DRM assistance in Guatemala, and the USAID has initiated or scaled up DRM programming in several countries, including Afghanistan, Albania, Jordan, Liberia and, most recently, Uganda. In keeping with the spirit of the Financing for Development agenda from which the ATI was conceived and launched, the USAID in 2016 also launched a pilot initiative that works with several partner countries to develop DRM programmes that target not only increases in revenues, but also more and better spending of those revenues to help countries fulfil their commitments to the Sustainable Development Goals (SDGs). This new initiative reflects the commitment of the U.S. government as a whole to work more intensively with partner countries to improve both the collection of public resources and the use of those resources in delivering important development outcomes.

Lastly, the U.S. has also embraced new instruments, such as the Tax Administration Diagnostic Assessment Tool (TADAT), as a means of forging a common strategy and roadmap to help partner countries to strengthen domestic tax capacity. The U.S. has led or participated in more than a dozen multi-donor assessment missions – including assessments in Armenia, Ethiopia, Jamaica, Jordan, Kenya, Liberia, Paraguay, the Philippines, Rwanda, Tanzania, Uganda, and Zambia – and is using TADAT findings to help partner countries to develop detailed action plans to strengthen their tax administration systems. The TADAT, like the ATI itself, has become an important basis for collective action and for the scale-up of DRM cooperation in a manner that is well coordinated and responds to countries' most pressing DRM needs.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

The U.S. Treasury has provided support for natural resource taxation in Tanzania and Guyana and on-the-job mentoring for transfer price audit in Ukraine, Tanzania, Mongolia and Cambodia. Assuring transfer price compliance requires sophisticated audit skills combined with specialised knowledge. This is best achieved with a combination of classroom and hands-on mentoring. In Ukraine and Mongolia, Treasury mentoring was complementary to training provided by other donors.

In partner countries with a weak tax administrative structure (Afghanistan, Iraq), excise taxes or non-tax public revenue may be the most effective way in which to raise needed, new revenue in a manner that ensures a high degree of taxpayer compliance. After a period of stagnation and decline of Afghanistan's domestic revenue during 2013–14, tax administration enforcement measures and rising non-tax revenue brought major improvements to the Afghan government's overall revenue performance during 2015–16 — with non-tax revenue now accounting for more than 20% of the total (vs. less than 10% in 2014).

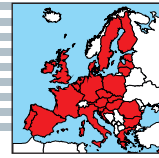


POLICY COHERENCE FOR DEVELOPMENT

The U.S. has taken a number of actions to address base erosion and profit shifting (BEPS). The Treasury and the Internal Revenue Service (IRS) have issued and finalised regulations implementing country-by-country reporting. The Treasury and the IRS have also announced that the IRS will sign bilateral competent authority arrangements for exchange of country-by-country reports. The U.S. already has updated its Model Tax Treaty to include many provisions to mitigate the stateless income problem that was at the root of BEPS. It has also taken a leadership role in the Forum on Tax Administration in connection with the MAP Forum, including participating in the first round of peer reviews on dispute resolution, which are currently underway, in order to promote more effective dispute resolution among countries. The U.S. has no harmful tax practices, and the IRS has exchanged tax rulings with affected countries.

OUTLOOK

In 2017, the U.S. will prioritise DRM assistance to countries that demonstrate sustained commitment to DRM cooperation and that have a credible, medium-term DRM strategy. This includes a number of partner countries that have endorsed the ATI and others that have set ambitious, national-level plans and targets for improving DRM and achieving the Sustainable Development Goals (SDGs).



Total
Gross Disbursements
(2015, Mio. USD)

37.27

Total Commitments
(2015, Mio. USD)

34.22

EU INSTITUTIONS

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT RECIPIENTS (2015 GROSS DISBURSEMENTS, MIO. USD)



bilateral,
unspecified 13.52



Oceania,
regional 5.99



Europe,
regional 4.36



Africa,
regional 2.38

* ATI Partner Country

MOST IMPORTANT RECIPIENTS (2015 COMMITMENTS, MIO. USD)



bilateral,
unspecified 15.47



Oceania,
regional 6.65



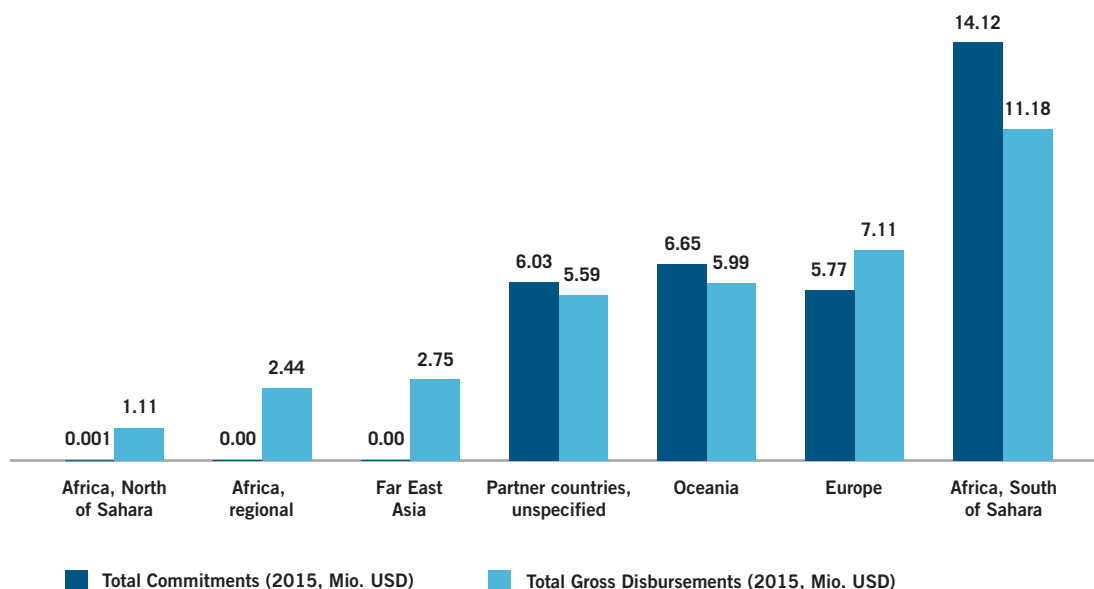
Serbia 2.99



Europe,
regional 2.73

* ATI Partner Country

REGIONAL DISTRIBUTION OF SUPPORT



COMMENTS ON DATA PRESENTED:

The European Commission uses a holistic approach in its support to Domestic Revenue Mobilisation. As outlined in the Collect More – Spend Better strategy, it considers DRM to be part of a broad definition of public finance management (PFM) that covers both, revenue and expenditure management. As a consequence, many of its support and capacity development actions, notably at bilateral level, follow the same comprehensive approach. It is therefore often difficult if not impossible to separate and differentiate sub-activities on DRM within a broader support programme on PFM reform.

The new DAC reporting code at the OECD has been introduced in 2016 in the midst of the ongoing reporting exercise on 2015. As a consequence, it has not been possible for the European Commission to provide with a full and comprehensive picture of its support to DRM, since many activities are part of the comprehensive portfolio of PFM. In this light it might be useful to know that the European Commission provided support to PFM reform in developing countries (including DRM) in 2015 to the amount of EUR 93 million (disbursements) and EUR 60 million (commitments).

DOUBLING SUPPORT TO DRM IN PARTNER COUNTRIES

The EU has consistently shown leadership on good governance in tax matters and promoted the principles of transparency, information exchange and fair tax competition, which are now gaining traction worldwide. In terms of development policy, the Commission's approach to DRM has been outlined in the 'Collect More – Spend Better' Staff Working Document from 2015¹. This document presents a holistic approach that addresses both the revenue and expenditure side of Domestic Public Finance.

At the global level, the Commission collaborates mostly but not exclusively with the four Institutions that form the *Platform for Collaboration on Tax* (IMF, WB, UN and OECD)². The EU supports the G20/OECD initiatives on *Base Erosion and Profit Shifting* (BEPS) and *Exchange of Information* (EOI).

It also promotes the involvement of partner countries in international forums and standard setting processes, such as the BEPS Action Plan and its inclusive framework, to ensure that partner countries' concerns can be taken into consideration.

¹ <https://ec.europa.eu/europeaid/sites/devco/files/swd-collect-more-spend-better.pdf>

² <http://www.oecd.org/tax/platform-for-collaboration-on-tax.htm>

- In addition, the EU collaborates with the OECD on the Revenue Statistics Initiative³, which focuses on the production of reliable and comparable data pertaining to revenue mobilisation.
- Furthermore, the EU provides assistance to the UN Tax Committee⁴ with the objective of enabling the participation of partner countries in its sub-committees.
- In collaboration with Germany, the EU supports the work of the International Tax Compact (ITC), which includes assistance to the Secretariat of the Addis Tax Initiative (ATI).
- The EU is engaged in a tripartite initiative together with the OECD and World Bank to support partner countries, notably through capacity building, to prevent profit-shifting through miss-use of transfer pricing by transnational corporations.
- In the context of the DEVCO – IMF Strategic Partnership Framework⁵, EU efforts to mobilise domestic revenue are promoted through the technical assistance provided by IMF topical trust funds, which benefit from a substantial financial EU contribution and political support at the highest level. The Revenue Mobilization Trust Fund⁶ provides direct assistance to partner countries in strengthening their tax policies and administrations. Adopting a similar approach, the Management of Natural Resource Wealth Programme⁷ focuses on revenue mobilisation in natural resource rich countries.
- The EU has worked closely with the IMF and other partners on the development and roll out of the Tax Administration Diagnostic Assessment Tool⁸ (TADAT). TADAT is already playing a critical role as a tax administration assessment instrument which will be highly complementary to the overall PFM assessment instrument, the PEFA.
- Another important topic is promoting the transparency of revenue coming from the exploitation of natural resources. The EU is strongly engaged in the promotion and implementation of the Extractive Industries Transparency Initiative⁹ (EITI) Standard. The EITI has helped to discourage corruption and tackle illicit financial flows by disclosing information about the revenue coming from extractive industries. Support for countries which are implementing the EITI Standard is provided by the World Bank through the Extractives Global Programmatic Support¹⁰ (EGPS) Multi-Donor Trust Fund, with an important EU financial contribution.

At the regional level, the EU supports, through the Pan African Programme, regional network organisations in Africa such as the *African Tax Administration Forum*¹¹ (ATAF), the *African Organisation of Supreme Audit Institutions* (AFROSAI), the *Collaborative African Budget Reform Initiative* (CABRI) and the *African Public Accounts Committees* (AFROPAC) through a joint programme with Germany.

³ – revenue statistics in Africa (<https://www.oecd.org/tax/revenue-statistics-in-africa-9789264253308-en-fr.htm>)
– revenue statistics in Asia (<http://www.oecd.org/tax/revenue-statistics-in-asian-countries-2016-9789264266483-en.htm>)
– revenue statistics in LAC (<http://www.oecd.org/ctp/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm>)

⁴ <http://www.un.org/esa/ffd/ffd-follow-up/tax-committee.html>

⁵ <https://myintracomm.ec.europa.eu/dg/devco/notice-board/Pages/20161220c.aspx>

⁶ <https://www.imf.org/external/np/ins/english/rmtf.htm>

⁷ <http://www.imf.org/en/Capacity%20Development/trust-fund/MNRW-TTF>

⁸ <http://www.tadat.org/>

⁹ <https://eiti.org/>

¹⁰ <http://www.worldbank.org/en/programs/egps>

¹¹ <http://www.ataftax.org/en/Pages/default.aspx>

All these actions take place in the international sphere and are complementary to the EU direct assistance provided to developing countries through budget support and through bilateral technical assistance programmes in support to the reform of economic governance.

In addition, collaboration is sought with the *Inter-American Centre for Tax Administrations*¹² (CIAT) and the *Centre de Rencontres et d'Etudes des Administrations Fiscales*¹³ (CREDAF).

At the regional level, it is worth noting that the IMF manages regional technical assistance centres¹⁴ (RTACs) that are supported by the EU and provide, among other things, targeted technical assistance in tax reform.

The dual nature of DRM (domestic reforms and wide ranging global tax governance processes) does make it necessary to address this matter not exclusively as a development issue. Hence, a broader, holistic approach through economic diplomacy is required that is cognizant of the broader implications of revenue mobilisation reforms, including policy coherence for development.

SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

SUPPORT FOR THE PARTICIPATION AND INCLUSION OF PARTNER COUNTRIES IN THE INTERNATIONAL TAX GOVERNANCE AGENDA

Support for the UN tax committee: The European Commission has been among the first to support the UN tax committee after the conclusion of the Addis Ababa Action Agenda on financing for development, in recognition of a need to further strengthen the capacity of the UN sub-committees on taxation. As a consequence, sub-committees have been organised with the European Commission's support; in addition to this, technical facilitation has been provided and the participation of members from partner countries has been co-financed. A similar level of support is being envisaged for 2017.

Support for the OECD action 'BEPS in Developing Countries': The Base Erosion Profit Shifting (BEPS) project was endorsed at the end of 2015. Whilst partner countries have been progressively involved in the process, it is only through the 'Inclusive Framework' that all countries have been able to participate in the BEPS governance modality on an equal footing. The EC's support for the BEPS in developing countries initiative is a contribution to the OECD; indeed, the aim of this support is to facilitate: effective participation of partner countries in BEPS standard setting; the effective implementation by partner countries of the BEPS package of minimum standards, and other priority actions for partner countries; enhanced legislative, organisational and human resource capabilities in

¹² <https://www.ciat.org/?lang=en>

¹³ <http://credaf.org/fr/actualites/>

¹⁴ <http://www.imf.org/en/About/Factsheets/Sheets/2016/07/27/17/12/Regional-Technical-Assistance-Centers>



SUCCESS STORIES & EXAMPLES OF GOOD PRACTICE

EUROPEAN COMMISSION COOPERATION WITH THE IMF ON THE TAX ADMINISTRATION DIAGNOSTIC ASSESSMENT TOOL (TADAT)

The European Commission has been actively involved in the technical development of the tool with the IMF and the donor community, the organisational set-up of the trust fund, and the TADAT Secretariat. In 2016, as part of the Strategic Partnership Framework between the European Commission and the IMF, a EUR 2 million contribution to the TADAT multi-donor trust fund was signed off on. The EC is committed to promoting TADAT assessments in partner countries, and particularly among EU budget support countries.

POLICY COHERENCE FOR DEVELOPMENT

Policy Coherence for Development (PCD) is a priority area for the Commission. Mechanisms and procedures designed to avoid contradictions and build synergies have continued to improve over the years, both at Commission and Member State level. This principle applies equally to the Impact of European Tax Policies on partner countries. Impact Assessments allow for ex-ante assessments of policy proposals and can help ensure that impacts on partner countries are taken into account at an early stage of the preparation of a political initiative. Specific and operational guidance is now provided on how to systematically assess the effects of new policies on partner countries. The External Taxation Strategy clearly states that negative spill-overs from EU tax policies on partner countries must be avoided – the Commission is committed to this.

OUTLOOK

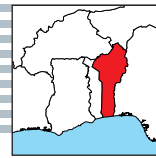
Support for DRM remains a priority for the European Commission in its development cooperation. This has been reconfirmed by the European Commission Communication for a new European Union development policy – namely the European Consensus on Development – which identifies DRM as an essential driver of sustainable growth and development. In the area of DRM, cooperation focuses on intensified engagement in supporting the reform of (1) the domestic aspects of tax policy and administration, including issues related to revenue collection at customs and (2) better participation of partner countries in global tax governance forums (e.g. Global Forum on Transparency and Exchange of Information and Inclusive Framework for the Base Erosion Profit Shifting (BEPS) project) and the implementation of these new global standards.

At the global level, the European Commission is continuing its cooperation with 'global players', as identified through the 'Platform for the Collaboration on Tax', notably the IMF, OECD, WBG and the UN. A number of actions have already been identified and are being implemented, as outlined above. In 2017, the European Commission is intensifying its work with the aforementioned partners in areas related to international tax governance as well as revenue from natural resources, support for tax policy and administration reform. Similarly, at the regional level, the European Commission continues to support, through the Pan African Programme, to regional network organisations in Africa as well as CIAT and the IMF RTACs.

While DRM has already played an important role in the design of previous budget support operations, the new global context, together with the relevance of DRM as a key contributor to financing the achievement of the sustainable development goals (SDGs), makes it necessary to further strengthen the position of DRM in the design of future budget support operations.

Annex B

Country Pages Partner Countries



BENIN

Total
Gross Disbursements¹
(2015, Mio. USD)

1.81

Total Commitments¹
(2015, Mio. USD)

2.77

14.7%
Tax-to-GDP ratio
in 2015

Source:
► IMF 2016 Article IV
Consultation

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



Germany* 1.37



Canada* 0.44

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



Germany* 2.77

* ATI Development Partner

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

Note:
The feedback from Benin on recent reform steps and progress achieved could unfortunately not be included in this print version, but will be available online later on.

Tax revenues, by source
(% of GDP) (2015):
Disaggregated data not available

► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2014

C+

Transparency of taxpayer obligations and liabilities

C+

Effectiveness of measures for taxpayer registration and tax assessment

D+

Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

► DOING BUSINESS, EASE OF PAYING TAXES (2015)

PAYMENTS
(number per year)

57

TIME
(hours per year)

270

TOTAL TAX RATE
(% of profit)

57.4

POSTFILING INDEX
(0 – 100)

48.9

Regional ranking (sub-Saharan Africa):

37 / 48

Overall ranking:

173 / 190

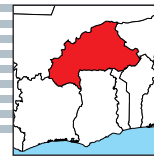
► GLOBAL COMPETITIVENESS REPORT (2015/16)

Effect of taxation on incentive to work:

4.0 / 7 (Rank 52 / 140)

Effect of taxation on incentive to invest:

2.5 / 7 (Rank 135 / 140)



BURKINA FASO

Total
Gross Disbursements
(2015, Mio. USD)

0.98

Total Commitments¹
(2015, Mio. USD)

2.16

14.2%
Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

ODA SUPPORT TO DRM IN 2015

Assessment planned for
October 2017



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



Germany* 0.74



France* 0.20



Japan 0.02



Switzerland* 0.02

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



Germany* 1.94



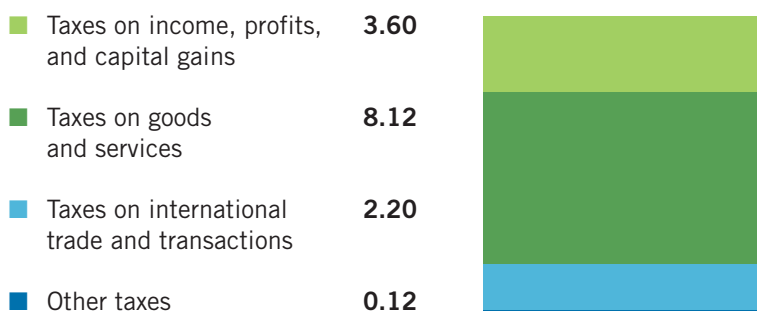
France* 0.20



Japan 0.02

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS



NATIONAL INDICATORS TO MEASURE PROGRESS ON DRM:

Burkina Faso uses the following indicators in the Economic and Financial Sector Policy (POSEF) for DRM:

- (1) Tax revenue-to-GDP ratio (15.46% in 2015 and 15.85% in 2016)
- (2) Domestic tax revenue collection ratio (percentage of billed taxes collected) (89.99% in 2015 and 95.40% in 2016)
- (3) Success rate in meeting revenue collection goals by department (General Tax Department – DGI; Customs Department – DGD; and Treasury and Public Accounts Department – DGTCP)
- (4) Rate of increase in domestic tax revenue

► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2014

B	Transparency of taxpayer obligations and liabilities
B	Effectiveness of measures for taxpayer registration and tax assessment
D+	Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

► DOING BUSINESS, EASE OF PAYING TAXES (2015)

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
45	270	41.3	48.9

Regional ranking (sub-Saharan Africa): **27 / 48**
Overall ranking: **150 / 190**

GLOBAL COMPETITIVENESS REPORT: Not available

COMMENTS ON PEFA INDICATORS:

- 1) Transparency of taxpayer obligations and liabilities: the tax authorities make every effort to communicate any new fiscal measures adopted as widely as possible. Additionally, regularly updated tax information bulletins published by the tax authorities and tax consultancy firms ensure a certain degree of transparency with regard to taxpayer obligations. However, the lack of a general taxation code affects the country's rating for this component, as does the time taken to respond to taxpayer requests for information, which needs to be reduced. It is worth noting, however, that for the segments that account for over 90% of tax revenue, the transparency of obligations is practically guaranteed, as enterprises receive notifications advising them of their tax obligations from the time they are registered with the department for large enterprises or the department for medium-sized enterprises.
- 2) With regard to the effectiveness of measures for taxpayer registration and tax assessment, further efforts are required.
- 3) As for effectiveness in the collection of tax payments, the situation shown in the table is the result of the combined effects of the political crisis experienced by the country in 2015 and the declining price of gold, which has been the country's main export good in recent years.

RECENT REFORM STEPS

In 2015, tax authorities of Burkina Faso implemented taxpayer segmentation in order to improve VAT compliance by combating revenue loss in the small-enterprise segment. However, the unstable situation affecting the country in 2014 and 2015 meant that the effects of this sweeping administrative measure did not register until 2016. Worth noting are the recent revenue collection strategies implemented, with the adoption of urgent quick-win measures, including the following:

- Strengthened monitoring of tax billing and collection operations;
- Strengthened tax management with regular updating of the taxpayer database and close monitoring of the main taxes (VAT, corporate tax, etc.);
- Special annual spot-check operations;
- Improvement of the tax compliance spot-check database, by inputting all VAT returns and centralising and analysing the main customer lists;
- Organisation of tax research and investigation operations at major construction sites and mines, focusing particularly on taxpayers filing credit or 'nil' VAT returns.

PROGRESS ACHIEVED

With regard to domestic revenue mobilisation, the General Tax Department has seen an increase in its capital funds and the funds appropriated in the context of the implementation of its priority action programme.

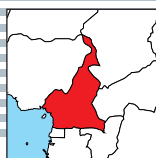
The General Tax Department has been improved, with the establishment of a second department for medium-sized enterprises, which is responsible for companies reporting an annual pre-tax turnover of XOF 50 million or more, and the creation of a tax research and investigation department.

OUTLOOK: DRM PRIORITIES IN 2017

The main challenges for 2017 are to:

- Mobilise the tax revenues required by the Finance Act, amounting to XOF 1.315.495.336.000 for the tax year 2017, of which XOF 720,688 billion is assigned to the General Tax Department;
- Operationalise the standardised billing procedure introduced in the country by the Finance Act in 2014;
- Promote international tax cooperation by carrying out exchanges of information;
- Conduct a tax survey in the country's political and economic capitals (the two largest cities);
- Realise the adoption of a general taxation code.

Burkina Faso's DRM strategy is set out in programme 3 of the Economic and Financial Sector Policy (POSEF), which is to be aligned with the new development framework, the National Economic and Social Development Plan (PNDES). The first step in the DRM strategy is to ensure effective management of the taxpayer registry. To this end, tax surveys will be conducted to identify and register as many taxpayers as possible. Emphasis will also be placed on monitoring compliance with taxpayer filing and payment requirements, with tax reminders systematically sent out to taxpayers in arrears, and the implementation of enforcement measures. These steps will be accompanied by awareness-raising activities to improve tax morale and voluntary compliance. A cornerstone of this strategy is that of quick-win measures, with a focus on spot checks.



CAMEROON

ODA SUPPORT TO DRM IN 2015



Assessment undertaken in 1st Quarter 2017

13.9%
Tax-to-GDP ratio in 2015

Source:
► IMF 2015 Article IV Consultation Reports

Total Gross Disbursements¹
(2015, Thousand USD)

495.96

Total Commitments¹
(2015, Thousand USD)

34.12

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, THS USD)



Germany* 438.54



France* 27.73



Korea* 6.39

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► IMF 2015 ARTICLE IV CONSULTATION REPORTS

Taxes on income, profits, and capital gains	4.40
Taxes on goods and services	6.90
Taxes on international trade and transactions	2.30
Other taxes	0.20



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, THS USD)



France* 27.73



Korea* 6.39

* ATI Development Partner

INDICATORS USED TO MEASURE DRM IN CAMEROON:

The economic growth index is the main indicator used by Cameroon to measure progress in the domain of domestic revenue mobilisation. This can be expounded by the fact that the higher the index, the more viable the economy, which entails the creation of businesses and its subsequent impact on revenue mobilisation. Thus, for illustrative purposes, an economic growth index is presumed to move alongside the target set for domestic revenue mobilisation. As such, statistical progression on the targets defined by the Ministry of Finance in comparison to actual realisation of tax yield (non-oil revenue) reflects progress made in revenue collection.

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
44	630	57.7	48.4
Regional ranking (sub-Saharan Africa):		41 / 48	
Overall ranking:		180 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	4.1 / 7 (Rank 42 / 140)
Effect of taxation on incentive to invest:	3.2 / 7 (Rank 100 / 140)

RECENT REFORM STEPS

The Tax Administration of Cameroon has, in recent years, undertaken certain strides to boost its domestic revenue mobilisation in order to mitigate losses due to the fall of prices of raw materials in the world market and because of trade liberalisation, which has greatly impacted upon custom revenue. Three types of measures have been put in place to increase revenue collectability:

- FIRSTLY:** legislative measures put in place are streamlining or rationalisation of the tax incentive schemes; generalisation of withholding taxes; institution of pre-filled tax returns; enactment of transfer pricing legislation; and the extension of Cameroon's tax treaties network (bilateral and multilateral tax treaties).
- SECONDLY:** administrative measures include partial automation of the tax system (electronic payments and filing); reorganisation of services (creation of the Medium Taxpayers' Office, segmentation of tax-payers according to category); restructuring of frontline services (front and back office with the creation of a Customer Care Unit); and creation of a Transfer Pricing Unit, which is yet to be operational.
- THIRDLY:** in an effort to align the tax system with internationally agreed standards in matters concerning tax transparency and tax evasion and fraud, Cameroon acceded to the OECD Global Forum on Transparency and Exchange of Information for tax purposes, thereby signing the Multilateral Convention on Mutual Assistance in Tax Matters. Cameroon is equally a member of the Inclusive Framework so as to monitor and implement Base Erosion and Profit Shifting (BEPS) recommendations.

Furthermore, in order to circumvent some loopholes in tax legislation, Cameroon translates some of the BEPS deliverables into domestic law. In doing so, Cameroon is almost set to sign the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.

It is worth noting that as a signatory of the OECD Multilateral Convention on Mutual Assistance in Tax Matters, and with an Exchange of Information Unit, Cameroon will subsequently sign the Competent Authority Agreement to trigger Automatic Exchange of Information. However, for the moment the jurisdiction is only versed with exchange of information upon request.

Cameroon recently underwent an evaluation carried out by the International Monetary Fund by using the Tax Administration Diagnosis Assessment Tool (TADAT), though still pending is a final report with recommendations for ameliorations regarding tax administration.

The progress achieved by Cameroon in the area of domestic revenue mobilisation in the last two years can be illustrated by the constantly increasing targets set for the Directorate General of Taxation by the Ministry of Finance. There has been significant progression in the amount of domestic revenue mobilisation. As a matter of fact, internal revenue collection for 2015 stood at FCFA 1400 billion; in 2016, over FCFA 1600 billion was awaited by the tax administration. Moreover, for 2017, an estimated FCFA 1700 billion is expected from the tax office.

There is a clear political will in Cameroon to enhance domestic revenue mobilisation. Tax bills tabled at Parliament are, in general, adopted with practically no amendments and the Cameroonian government ratifies nearly all international tax agreements. It can be noted that more than two thirds of the running budget of the government is funded by tax revenues.

**PROGRESS
ACHIEVED**

POLICY COHERENCE FOR DEVELOPMENT

Cameroon has embarked upon the rationalisation of tax incentive schemes for development and the country's developmental objectives. Moreover, Cameroon has also initiated the extension of its tax treaty network to attract more foreign direct investment.

OUTLOOK: DRM PRIORITIES IN 2017

Some specific challenges encountered by the tax administration pertain to, firstly, the fight against the informal sector, secondly, insufficient full automation of all tax procedures, and, thirdly, international tax evasion and avoidance.

For 2017, the main priorities of the Directorate General of Taxation are to establish a fully integrated tax management system (complete computerisation), to further simplify tax procedures, and to foster capacity building in the area of transfer pricing. Regarding challenges related to tax issues referred to in the Addis Tax Initiative declaration, it can be noted that Cameroon is among the African countries which have undertaken efforts to adapt strides taken at the international level domestically in order to preserve erosion of the tax base. Nevertheless, like most developing countries, Cameroon is facing some difficulties in fully adopting all recommendations related to Base Erosion and Profit Shifting (BEPS), Automatic Exchange of Information (AEOI), tax evasion and tax avoidance.

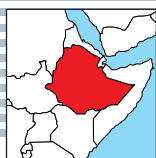
Though Cameroon has the intention to sign the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, much is still to be done with regard to the full understanding, interpretation and operation of such strides.

Presently, Cameroon is still investing in exchange of information upon request with its newly created Exchange of Information. Thus, automatic exchange of information is envisaged within the next year, as equipment and capacity on such a matter have to be developed first.

Talking of tax evasion and tax avoidance, Cameroon has shortcomings regarding the fight against aggressive tax planning mechanisms deployed by multinational enterprises, especially in the domain of transfer pricing. Not only does Cameroon need to subscribe to an internationally recognised for database, but capacity for transfer pricing audits has to be enhanced as well.

ADDITIONAL SUPPORT FROM DEVELOPMENT PARTNERS IS NEEDED IN THE FOLLOWING AREAS:

- full automation of the tax system
- capacity building on transfer pricing auditing techniques
- assistance with Tax Inspectors Without Borders



ETHIOPIA

ODA SUPPORT TO DRM IN 2015



Assessment undertaken
in April 2016

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, THS USD)



Canada* 117.34



Korea* 6.23



Japan 5.09

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, THS USD)



EU
Institutions* 1679.04



Korea* 6.23



Japan 5.12

* ATI Development Partner

Total
Gross Disbursements¹
(2015, Thousand USD)

128.66

Total Commitments¹
(2015, Thousand USD)

1690.39

13.5%
Tax-to-GDP ratio
in 2015

Source:
► IMF 2016 Article IV
Consultation

Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2015

- A** Transparency of taxpayer obligations and liabilities
- B** Effectiveness of measures for taxpayer registration and tax assessment
- D+** Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

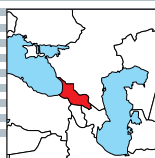
Tax revenues, by source (% of GDP) (2015):
Disaggregated data not available

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
30	306	38.6	90.6
Regional ranking (sub-Saharan Africa):		20 / 48	
Overall ranking:		89 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	3.7 / 7 (Rank 82 / 140)
Effect of taxation on incentive to invest:	3.6 / 7 (Rank 68 / 140)



GEORGIA

ODA SUPPORT TO DRM IN 2015



► Assessment undertaken in May 2016

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO. USD)



United States* 0.21



EU Institutions* 0.35

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



United States* 0.14

* ATI Development Partner

NATIONAL INDICATORS TO MEASURE PROGRESS ON DRM:

The IMF has recently conducted a Revenue Administration Gap Analysis Program (RAGAP) mission, aimed at assessing a revenue administration's effectiveness in collecting taxes. The results of the tax gap analyses will be used by Georgia as an indicator to measure progress.

In addition, after having undertaken a TADAT assessment in 2016, Georgia plans to conduct a second assessment in 2020 to evaluate the implementation of its multi-year reform strategy.

23.8%
Tax-to-GDP ratio in 2015

Source:
► Government Finance Statistics

Total Gross Disbursements¹
(2015, Mio. USD)

0.56

Total Commitments¹
(2015, Mio. USD)

0.14

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	9.71
Taxes on goods and services	13.81
Taxes on international trade and transactions	0.22
Other taxes	0.08



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2013

A	Transparency of taxpayer obligations and liabilities
A	Effectiveness of measures for taxpayer registration and tax assessment
D+	Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
5	270	16.4	87.2
Regional ranking (Europe & Central Asia):		4 / 25	
Overall ranking:		22 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	4.8 / 7 (Rank 15 / 140)
Effect of taxation on incentive to invest:	4.8 / 7 (Rank 13 / 140)

RECENT REFORM STEPS

In 2016, Georgia undertook a TADAT assessment with the assistance of the IMF. The Performance Outcome Report is used as a guiding document for further reforms in order to increase the efficiency of tax administration as well as to plan further technical assistance projects. Georgia decided to publish the report; it is available ► [here](#). Georgia also started transfer pricing audit in practice, which should guarantee the prevention of profit shifting.

Georgia is actively participating in the BEPS project. On 14 June 2016, Georgia joined the Inclusive Framework on BEPS and became a member of its Steering Group. On 30 June 2016, Georgia signed the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports.

Georgia is also represented in various BEPS Working Groups. Within the Multilateral Instrument (MLI) framework, Georgia has initiated a review of its tax treaties. As a result, 35 out of 54 active treaties will be modified under the MLI upon its entry into effect. In addition, Georgia has come up with a set of reservations as well as notifications and options with regard to its Covered Tax Agreement, which were communicated to the OECD Secretariat.

The first multi-year strategy of the Georgian Revenue Service was adopted, defining its goals and priorities. The main goal of this strategy is to increase voluntary tax compliance. In 2016, the Georgian tax administration also increased its audit resources and capacities.

The strategy is available here:

► http://rs.ge/common/get_doc.aspx?id=9923 (in Georgian).

**PROGRESS
ACHIEVED**

GOOD PRACTICE

The Tax Risk Management division of the Georgian Revenue Service (GRS) uses special risk software which operates on the basis of 40 implemented criteria. High-risk taxpayers are selected by the software on a quarterly basis. In cooperation with experts from the IMF, a compliance strategy was adopted by the GRS that identifies several risk groups and target groups.

POLICY COHERENCE FOR DEVELOPMENT

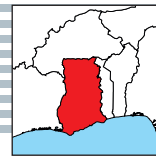
Georgia is actively working on BEPS issues, especially with regard to the implementation of the four minimum standards.

OUTLOOK: DRM PRIORITIES IN 2017

Georgia is preparing a detailed strategic plan for the implementation of the BEPS project, drafting of respective pieces of legislation as well as the process of BEPS implementation itself. In addition, the 2017 goals are to increase the quality and efficiency of tax auditing (including transfer pricing and international taxation issues), and to enhance Georgian expertise and awareness, concerning BEPS and AEoI processes.

Georgia has a DRM strategy as part of the PFM Strategy. The 2014–2017 PFM Strategy is publicly available, but only in Georgian. The ► **Public Finance Management Reform Policy Vision 2009–2013** is also available in English. At this stage, Georgia is in the process of adopting a new strategy concerning PFM.

Furthermore, Georgia is about to launch a new project with the IMF aiming to address issues identified by the TADAT and ensure coherent development of Georgian tax administration, by strengthening its core functions as well as structures to ensure mobilisation of revenue and increase voluntary tax compliance.



GHANA

Total
Gross Disbursements¹
(2015, Mio. USD)

6.47

Total Commitments¹
(2015, Mio. USD)

8.00

17.7%
Tax-to-GDP ratio
in 2015²

Source:
► IMF 2014 Article IV
Consultations

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

ODA SUPPORT TO DRM IN 2015

Assessment undertaken
in May 2017



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



Denmark* 1.80



Germany* 1.96



The Netherlands* 1.12



United Kingdom* 1.08

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► IMF 2014 ARTICLE IV CONSULTATIONS

Taxes on income, profits, and capital gains	8.50
Taxes on goods and services	6.20
Taxes on international trade and transactions	2.90
Other taxes	0.20



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2013

C+	Transparency of taxpayer obligations and liabilities
C	Effectiveness of measures for taxpayer registration and tax assessment
D+	Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

NATIONAL INDICATORS TO MEASURE PROGRESS ON DRM:

Tax-to-GDP ratio

² The provisional figure for Tax-to-GDP ratio in 2015 according to Ghana Ministry of Finance is 15.8%.

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



United Kingdom* 4.25



Denmark* 3.72



Switzerland* 0.02



Korea* 0.01

* ATI Development Partner

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
33	224	32.2	37.9
Regional ranking (sub-Saharan Africa):		16 / 48	
Overall ranking:		122 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	4.3 / 7 (Rank 31 / 140)
Effect of taxation on incentive to invest:	3.8 / 7 (Rank 53 / 140)

RECENT REFORM STEPS

As part of the modernisation and harmonisation of its tax laws and tax administration, Ghana has recently passed and implemented its Income Tax Act, 2015 (Act 896), Customs Act, 2015 (Act 891) and Revenue Administration Act, 2016 (Act 915). Furthermore, regulations of the Income Tax Act, Value Added Tax Act and Customs Act have been passed. Regulations of the Revenue Administration Act are in preparation.

Ghana also signed the Multilateral Competent Authority Agreement in 2015, thereby committing itself to starting Automatic Exchange of Information (AEOI) in September 2018. Ghana has also developed a draft Bill that will ensure smooth implementation of AEOI. The Bill is awaiting Cabinet approval and passage in Parliament.

Joining the Inclusive Framework on BEPS is under consideration at the Ministry of Finance. Meanwhile, Ghana's Double Taxation Convention with the Netherlands has been reviewed to cater to some BEPS issues. The Convention is currently awaiting Cabinet approval and Parliamentary ratification.

The Income Tax Act, 2015, among other things, broadened the assessable income to include income of a person irrespective of the source of the income. The Revenue Administration Act has made it mandatory for taxpayers to use a Taxpayer Identification Number to access some governmental and other services. In 2015, approval was given for the implementation of the Ghana National Single Window, which aims at reducing the time and cost of doing business, while improving government revenue through the harmonisation and simplification of international trade processes and procedures.

**PROGRESS
ACHIEVED**

OUTLOOK: DRM PRIORITIES IN 2017

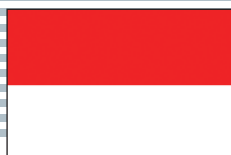
Ghana's DRM strategies are enshrined in various tax laws. The Ghana Revenue Authority (GRA) also has the 2015–2017 Strategic Plan, which focuses on enhancing tax revenue generation and administration modernisation. Current challenges and reform priorities include:

1. Passing an Act that will compel reporting financial institutions to collate and reporting financial information of account holders to the Revenue Authority for the purposes of AEOI on time;
2. Commence full implementation of the excise tax stamp Act, 2013 (Act 873) to boost revenue collection and curtail under-invoicing and smuggling;
3. Electronic Point of Sales devices will be deployed by the third quarter of 2017 to ensure that VAT collections are monitored on a real-time basis by the GRA;
4. Signing on to the BEPS project under the Inclusive Framework and securing financial and technical assistance for the implementation of the Action Points;
5. Improve Transfer Pricing audit: The Revenue Authority is adopting new tax assessment and revenue mobilisation strategies with the assistance of Tax Inspectors without Borders, African Tax Administration Forum (ATAF) and West African Tax Administration Forum (WATAF);
6. Institute the following measures to broaden the tax base
 - a. Complete the rollout of the Geographic Positioning System Project which is currently being deployed on a pilot phase to identify potential taxpayers and to register them to pay taxes;
 - b. Use of third party information such as GIFMIS data on payments, Data from regulatory bodies such Financial Intelligence Centre, EOCO etc., to identify new taxpayers and for further assessment purposes; and
 - c. Fully implement the TIN system under the Tax Administration Act. Interface the GCMS data with TRIPS to identify importers without tax files.
7. Improve Classification and Valuation at the Customs Technical Bureau;
8. Improve Control of Exemptions and Concessions;
9. Improve Control of Bonded Warehouses and Free Zones Operations;
10. Conduct Structured Post Clearance Audit;
11. Inadequate capacity on transfer pricing issues,
12. Inadequate capacity in Double Taxation Conventions negotiations, and concessions and contracts negotiations,
13. Development of an incentive policy; and
14. Tracking of electronic and mobile transactions.

“

Ghana's fiscal deficit for 2017 is a challenge. Tax revenue has to grow by not less than 28%. Any suggestions will be welcome.

”



INDONESIA

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements¹
(2015, Mio. USD)

3.65

Total Commitments¹
(2015, Mio. USD)

7.20

11.9%
Tax-to-GDP ratio
in 2015 (prel. est.)

Source:
► IMF 2016 Article IV
Consultation

Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

Note:
The feedback from Indonesia on recent
reform steps and progress achieved
could unfortunately not be included in
this print version, but will be available
online later on.

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO. USD)



Switzerland* 1.87



Germany* 0.81



Canada* 0.47



Korea* 0.05

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO. USD)



Switzerland* 4.68



Canada* 1.92



Germany* 0.55



Korea* 0.05

* ATI Development Partner

TAX REVENUES, BY SOURCES (% OF GDP) (PREL. EST. 2015) ► IMF 2016 ARTICLE IV CONSULTATION

Taxes on income, profits, and capital gains	5.2
Taxes on goods and services	4.9
Taxes on international trade and transactions	0.3
Other taxes	1.5



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2012

B	Transparency of taxpayer obligations and liabilities
C+	Effectiveness of measures for taxpayer registration and tax assessment
C+	Effectiveness in collection of tax payments

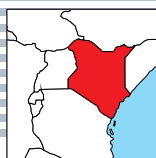
A = internationally recognised level of good performance
D = performance is below the basic level

► DOING BUSINESS, EASE OF PAYING TAXES (2015)

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
43	221	30.6	76.5
Regional ranking (East Asia & Pacific):		21 / 25	
Overall ranking:		104 / 190	

► GLOBAL COMPETITIVENESS REPORT (2015/16)

Effect of taxation on incentive to work:	4.0 / 7 (Rank 40 / 140)
Effect of taxation on incentive to invest:	4.1 / 7 (Rank 31 / 140)



KENYA

ODA SUPPORT TO DRM IN 2015



Assessment undertaken
in November 2016

16.4%
Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Total
Gross Disbursements¹
(2015, Mio. USD)

4.73

Total Commitments¹
(2015, Mio. USD)

0.12

Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO. USD)



Sweden 3.56



Germany* 0.62



United Kingdom* 0.33

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO. USD)



Finland* 0.11



Germany* 0.01

* ATI Development Partner

NATIONAL INDICATORS TO MEASURE PROGRESS ON DRM:

There are key performance indicators that are monitored and reported on a monthly basis which measure progress in attaining the set annual revenue targets. These include the actual weekly, monthly and quarterly revenue collections against respective targets.

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	8.18
Taxes on goods and services	6.43
Taxes on international trade and transactions	1.62
Other taxes	0.18



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2012

B+	Transparency of taxpayer obligations and liabilities
B	Effectiveness of measures for taxpayer registration and tax assessment
D+	Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
31	195.5	37.4	32.1
Regional ranking (sub-Saharan Africa):		14 / 48	
Overall ranking:		125 / 190	

The Kenyan government has taken deliberate measures to ensure that Kenya achieves position 50 in the Ease of Paying Taxes indicator by 2019. The interim goal for this year is to be in the top 100.

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	3.7 / 7 (Rank 75 / 140)
Effect of taxation on incentive to invest:	3.6 / 7 (Rank 71 / 140)

RECENT REFORM STEPS

Recent reform measures include establishment of Regional Audit Centres, measures to expand the tax base, and establishment of an Integrated Customs Management System as well as a Regional Electronic Cargo Tracking System.

Furthermore, the Kenyan government has enacted several tax laws: the Tax Procedures Act, the Tax Appeals Tribunal Act, as well as income tax amendments to incorporate payment of a simplified Rental Income Tax and Rental Income Tax Amnesty.

Kenya has simplified filing and payment of taxes through the iTax system. The Kenyan Revenue Authority rolled out an online payment module for Stamp Duty and Capital Gains Tax, which will foster the collection of revenue on behalf of county governments. Further automation and legislation have passed which are aimed at combating tax evasion.

**PROGRESS
ACHIEVED**

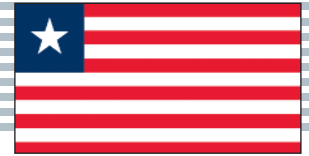
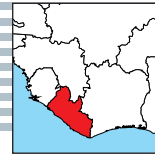
POLICY COHERENCE FOR DEVELOPMENT

Kenya plans to overhaul and modernise the Income Tax Act to be in line with the country's development agenda.

OUTLOOK: DRM PRIORITIES IN 2017

Kenya continues to combat tax evasion and tax avoidance through auditing, automated case selections for compliance checks and auditing as well as legislative measures. Focus is also being put on the taxation of high-net-worth individuals and BEPS.

Kenya follows a DRM Strategy referred to as "Revenue Enhancement Initiatives", which covers a three-year period (from 2015/16 to 2017/18).



LIBERIA

Total
Gross Disbursements¹
(2015, Mio. USD)

2.11

Total Commitments¹
(2015, Mio. USD)

0.43

18.5%
Tax-to-GDP ratio
in 2015

Source:
► 2016 Article IV
Consultation

ODA SUPPORT TO DRM IN 2015

► Assessment undertaken
in June 2016



Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

NATIONAL INDICATORS TO MEASURE PROGRESS ON DRM:

Currently, Liberia is using compliance and revenue growth indicators. It plans to develop direct, measurable indicators linked to its fully costed DRM Strategy that is envisaged to be completed by October 2017.

Tax revenues, by source (% of GDP) (2015):
Disaggregated data not available

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



United
States* 2.11

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



United
States* 0.43

* ATI Development Partner

► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2016

- B** Transparency of taxpayer obligations and liabilities
- B** Effectiveness of measures for taxpayer registration and tax assessment
- D+** Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
33	139.5	45.9	96.8
Regional ranking (sub-Saharan Africa):		18 / 48	
Overall ranking:		72 / 190	


Liberia has contributed to some of the constraints with regard to “Doing Business”. The Liberia Revenue Authority (including the Ministry of Commerce and all other relevant agencies, e.g. the private sector) has established a National Business Reform Committee. The committee meets regularly and has increased policy dialogue to improve the Liberia Doing Business indicator.

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	4.0 / 7 (Rank 48 / 140)
Effect of taxation on incentive to invest:	3.9 / 7 (Rank 42 / 140)

RECENT REFORM STEPS

Liberia has been taking various measures to increase DRM. With regard to legislation, Liberia passed in December 2016 different amendments that included (but are not limited to) the introduction of an excise tax on airtime usage, an increase in the excise tax rate in the sin sector, as well as an increase in the Excise Tax and Goods Tax (GST) rate to commence the migration to ECOWAS Value-Added Tax (VAT). Furthermore, Liberia adopted the ECOWAS Common External Tariff (CET) and started working on the migration to VAT, as mandated by ECOWAS, establishing a policy strategy and an implementation committee for its adoption. Liberia accessed the World Trade Organization (WTO).



With regard to tax administration, Liberia has established an enterprise, the Transformation and Modernisation Division, to manage the transformation of Liberia Revenue Authority (LRA) systems and people. It has implemented a 5-year Corporate Strategic Plan, a 3-year MOU with the USAID (which focuses on strengthening the administration of domestic taxes under a project called RG3, which aims at ensuring sustainable domestic resource mobilisation), and a 2-year MOU with the EU for technical assistance to the Customs Department. Herewith, the focus is on ensuring the sustainable transformation of Customs through technical capacity building. Furthermore, Liberia established a national committee through an Executive Order (EO) issued by the President Committee to manage the implementation of national commitments made under the WTO accession. Finally, Liberia has held three local & regional dialogues aimed at gathering citizens' views on taxation, tax administration, and also sensitising citizens to their civil duty to pay taxes and the related benefits.

It is worth noting that the LRA requested and conducted a TADAT assessment in 2016. Based on the results of the TADAT, a transformation and modernisation plan was established. In this plan, the results of benchmarking of the LRA undertaken by the RG3 project and a "Health Check" of the Customs operations undertaken by the World Customs Organization (WCO) are also included.

PROGRESS ACHIEVED

The Ministry of Foreign Affairs published in The Gazette a Transfer Pricing Regulation and Practice Note, which incorporated the Local and Master File Provisions of Action Point 13 of BEPS in the Transfer Pricing Regulation. Moreover, the Ministry signed the Statement of Intent to ascend to the ATAF Agreement on Mutual Assistance on Tax Administration Matters, and the Consummation with the AFDB for funding of tax compliance audits in the natural resource sector as well as the manufacturing and agriculture sectors.

Furthermore, Liberia established the Exchange of Information (EoI) for Tax Purposes Office and developed the EoI manual. In addition, it is partnering with TIWB to undertake Tax Compliance Audits in the natural resource sector. In this respect, one audit is currently underway. Liberia commenced the process for the introduction of a vanilla version of the e-system for tax payment and filing. The LRA has also conducted and completed four regional stakeholder consultations for gathering citizens' views to feed into the DRM Strategy, an important bottom-to-top input. Finally, the government of Liberia, through the National Investment Commission and the Ministry of Commerce and Industries, is rolling out a Special Economic Zone Initiative and the establishment of an industrial park and National Investment Guide and Sector Investment strategies drafted for agriculture to diversify and increase national revenue.



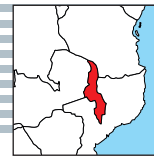
POLICY COHERENCE FOR DEVELOPMENT

In order to ensure policy coherence, all tax policy proposals are channelled through the Ministry of Finance and Development Planning.

OUTLOOK: DRM PRIORITIES IN 2017

Liberian challenges for 2017 are tax evasion and tax avoidance due to gross under-declaration and smuggling by taxpayers and logistical constraints, e.g. WAN/LAN and limited automation to empower the LRA in its drive to strengthen voluntary and legal compliance.

Liberia will continue to focus on tax legislation and tax administration in order to mobilise domestic resources. A country's priority is to complete a Domestic Resource Mobilisation Strategy and implement the plan with full costing. In this regard, assistance is needed in the provision of automated tools (strengthening WAN/LAN, system uptime), infrastructure and essential logistics to assist in facilitating compliance and improving the Doing Business and other relevant indicators. Further priorities of the country are to increase hard support for the LRA, hold a National Revenue Summit, and improve the use of e-systems in order to increase accessibility to analysis of taxpayers' information and modernisation of systems and tools. Thus, tax reform laws will be submitted to the legislature with the goal of including beneficial ownership, access to banking information by the LRA and a New Customs Code (as promised under the WTO accession). Those laws and administrative procedures are also required to ensure Liberia's passage to the next round of the OECD Peer Review.



MALAWI

Total
Gross Disbursements¹
(2015, Mio. USD)

2.18

Total Commitments¹
(2015, Mio. USD)

0.37

15.2%
Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

ODA SUPPORT TO DRM IN 2015

Assessment undertaken
in May 2015



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



Germany* 1.91



United States* 0.26



Korea* 0.01

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



United States* 0.36



Korea* 0.01

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	7.38
Taxes on goods and services	6.32
Taxes on international trade and transactions	1.44
Other taxes	0.001



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2011

B	Transparency of taxpayer obligations and liabilities
D+	Effectiveness of measures for taxpayer registration and tax assessment
NR	Effectiveness in collection of tax payments: not Rated

A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS
(number per year)

35

TIME
(hours per year)

177.5

TOTAL TAX RATE
(% of profit)

34.5

POSTFILING INDEX
(0 – 100)

63.4

Regional ranking (sub-Saharan Africa):

12 / 48

Overall ranking:

102 / 190

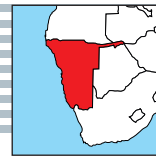
► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:

3.4 / 7 (Rank 106 / 140)

Effect of taxation on incentive to invest:

2.8 / 7 (Rank 128 / 140)



NAMIBIA

Total
Gross Disbursements¹
(2015, Mio. USD)

0.00

Total Commitments¹
(2015, Mio. USD)

0.00

33.1%
Tax-to-GDP ratio
in 2015

Source:
► IMF 2015 Article IV
Consultation

ODA SUPPORT TO DRM IN 2015

Assessment undertaken
in May 2016



Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

TAX REVENUES, BY SOURCE (% OF GDP) (2015 EST.) ► IMF 2015 ARTICLE IV CONSULTATION

Taxes on income, profits, and capital gains	12.73
Taxes on goods and services	8.49
Taxes on international trade and transactions	11.84
Other taxes	0.16



► Public Expenditure and Financial Accounting (2015):
Not publicly available

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS
(number per year)

27

TIME
(hours per year)

302

TOTAL TAX RATE
(% of profit)

20.7

POSTFILING INDEX
(0 – 100)

79

Regional ranking (sub-Saharan Africa):

9 / 48

Overall ranking:

74 / 190

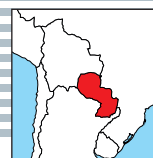
► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:

4.3 / 7 (Rank 27 / 140)

Effect of taxation on incentive to invest:

4.1 / 7 (Rank 33 / 140)



PARAGUAY

Total
Gross Disbursements¹
(2015, Mio. USD)

430.67

Total Commitments¹
(2015, Mio. USD)

574.50

12.6%
Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

ODA SUPPORT TO DRM IN 2015

Assessment undertaken
in November 2014



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



United
States* 424.21



Japan 6.46

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	2.72
Taxes on goods and services	8.57
Taxes on international trade and transactions	1.16
Other taxes	0.18



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



United
States* 568.00



Japan 6.50

* ATI Development Partner

► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2016



Revenue administration

Accounting for revenue

A = internationally recognised level of good performance
D = performance is below the basic level

NATIONAL INDICATORS TO MEASURE PROGRESS ON DRM:

Paraguay's National Development Plan 2030 uses the tax burden, which concerns total tax revenues received as a percentage of GDP, as an indicator to measure progress in the area of DRM. The tax authority SEC also monitors its improvement in the area of DRM, as SET revenue per GDP, as shown in the table below. An indicator of public financial management (PFM) is established in the Fiscal Responsibility Act (see paragraph on policy coherence).

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
20	378	35.0	10.2
Regional ranking (Latin America & Caribbean):		15 / 32	
Overall ranking:		153 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	4.4 / 7 (Rank 22 / 140)
Effect of taxation on incentive to invest:	5.0 / 7 (Rank 11 / 140)


RECENT REFORM STEPS

Recent reform steps in Paraguay include legislative changes, participation in international initiatives, and administrative measures.

1

With regard to changes in legislation, the rules on income tax and value added tax (VAT) in the agricultural sector have been changed in order to encourage formalisation and increase tax collection in this sector. The introduction of the new agricultural income tax (IRAGRO) has been a success, recording in the first 2.5 years (2014–2016) a tax-levy increase of 134.5%. In order to promote free competition and ensure tax compliance, a price adjustment mechanism has been established for export transactions involving goods with publicly known international prices. Moreover, a three-track processing mechanism has been introduced through which tax credit refund claims are instantly allocated to one of three tracks (green, yellow or red) in the computerised tax management system, depending on the taxpayer's classification in the taxpayer risk index (IRC). This makes prompt tax credit refunds possible.

Progress has also been made in achieving beneficial ownership transparency to modernise and strengthen the rules governing the operation of Paraguay's financial system, by creating a register of shareholders of financial institutions set up in the country and providing the disclosure of transfers of shares exceeding a percentage to be determined by the Central Bank of Paraguay.



2 In addition to the legislative measures taken, Paraguay is also participating in several international initiatives. In January 2017, Paraguay became a member of the OECD Development Centre. In April 2016, Paraguay announced its intention to join the Inclusive Framework on BEPS for the implementation of measures to combat base erosion and profit shifting. As a result, Paraguay actively participates in regional seminars with the aim of analysing and incorporating minimum standards into domestic legislation. Paraguay has also expressed its interest in becoming a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. An inter-institutional group was therefore set up, including representatives of the Central Bank of Paraguay, the Treasury's Legal Service and the Finance Ministry's State Undersecretariat of Economy and State Undersecretariat of Taxation. The group was tasked with preparing a survey report on the country's current situation from a legislative and administrative perspective in order to address the challenges involved in making the exchange of information for tax purposes operational.

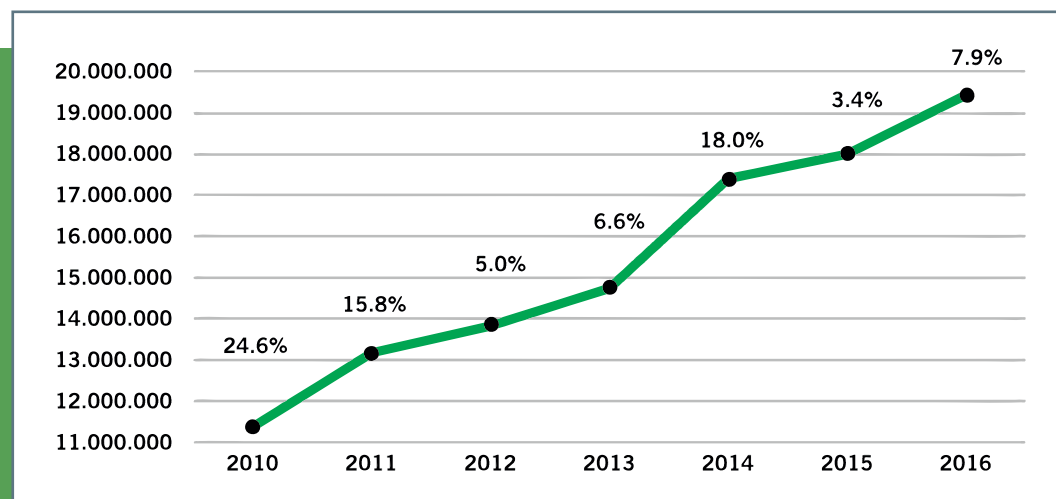
3 The Paraguayan tax authority also implemented substantial improvements in customer service and assistance mechanisms for taxpayers, which aimed at promoting voluntary tax compliance. Examples of administrative measures include a technical overhaul of the computerised tax management system "Marangatu", as well as significant process improvements, e.g. online filing. Extensive efforts were made to enhance taxpayer customer service. To improve scrutiny procedures, a national annual tax scrutiny plan (PNACT) was formulated and implemented. In cooperation with the United States Department of the Treasury's Office of Technical Assistance (OTA), the SET Audit Manual was prepared and basic/specialised audits for certain economic sectors and corruption detection and prevention capacities were strengthened.

In 2014, a TADAT assessment was piloted in the Finance Ministry's State Undersecretariat of Taxation (SET). Opportunities for improvement included the risk assessment process, which was in an early stage of development; (automated) cross-checking of personal income tax data; and the lack of a requirement for employers to withhold part of employees' income tax from their wages. The SET has made substantial improvements in these areas over the last year.

PROGRESS ACHIEVED

The progress achieved through Paraguay's recent reform measures has translated into significant increases in tax revenues (Figure 1). The sustained increase in tax revenue has been largely due to the head-on attack on tax evasion and the new technological resources introduced by the SET, which facilitate tax compliance by taxpayers and have significantly improved the effectiveness of tax compliance checks. Moreover, the number of tax compliance checks has been increased substantially in the last two years. From 2014 to 2016, there was an increase of determined liabilities of 195.1% (in 2014, 384,783 liabilities were determined (in millions of PYG); in 2016, 1,135,643). The implementation of a series of measures resulted in a significant reduction in the tax gap for VAT: in 2005, the VAT gap was 55.3%, whereas in 2014, it stood at 30.9%. Progress was also made in enhancing fairness of the tax system. The share of indirect taxes decreased from 62% in 2014 to 58% in 2016. Furthermore, the number of taxpayers increased from 566,252 in August 2013 to 724,997 in December 2016, an increase of 28%.

Figure 1:
Total Tax Revenue, in Millions of PYG, Percentage Change (SET-DNA)



POLICY COHERENCE FOR DEVELOPMENT

In order to align the efforts in the area of DRM with a sound fiscal policy, the Fiscal Responsibility Act (No. 5098/2013) was passed. The Act aims to ensure prudent management of public finances to guarantee fiscal sustainability and macroeconomic stability in the medium term. The Finance Ministry has been strongly committed to ensuring compliance with fiscal rules and this commitment is reflected in the preparation and presentation of the annual government budget.

Since 2015, when the Fiscal Responsibility Act came into force, draft budgets submitted to Congress have complied with the limits established by law. The fiscal balance for 2016 was in strict compliance with the Fiscal Responsibility Act, showing an accumulated deficit of PYG 2.2 billion, which was 1.4% of GDP. This is clear proof of the government's commitment to complying with the limits established in the Act, not only in the approval of the budget, but also in its implementation. The deficit recorded for 2016 was entirely due to public investment, which, with an unprecedented nominal increase of 20.4%, rose to a record high (2.9% of GDP).

► **Paraguay's National Development Plan 2030** (in Spanish) is a strategy document designed to coordinate action by line departments of the Executive Branch and with different levels of government, civil society, the private sector and, where necessary, the Legislative and Judicial Branches.

The National Development Plan is based on three strategic directions: firstly, poverty reduction and social development, secondly, inclusive economic growth, and, thirdly, a meaningful role in the world arena. These strategic directions and the related crosscutting areas are shown in the figure below.

Figure 2:
Paraguay's National Development Plan 2030 (source: SET)

CROSSCUTTING AREAS				
STRATEGIC DIRECTIONS	Equal Opportunities	Efficient and Transparent Public Management	Spatial Planning Sustainability	Environmental
Poverty Reduction and Social Development	Equitable social development	Quality social services	Participatory local development	Appropriate, sustainable habitat
Inclusive Economic Growth	Employment and social security	Competitiveness and innovation	Regionalisation and economic diversification	Development of environmental capital
Meaningful Role in the World Arena	Equal opportunities in a globalised world	Attraction of investment and foreign trade and enhancement of country's image	Regional economic integration	Sustainable global habitat

In line with the National Development Plan 2030, the tax authority has formulated its ► **Strategic Plan 2014–2018**. Its vision is to become one of the most innovative and efficient institutions in Latin America. The tax authority has the mission to collect taxes with integrity, efficiency and transparency, helping taxpayers to comply with their obligations by ensuring constant service innovation and management excellence, with a view to making every citizen a responsible and committed taxpayer. To achieve this, a series of directions and objectives have been set, which are explained in detail in the ► **Strategic Plan 2014–2018**. Accordingly, the Finance Ministry's Strategic Plan (in Spanish) can be found ► [here](#).

The Public Finance Report of the Republic of Paraguay (in Spanish) and the Central Government's Financial Performance Report (in Spanish) are available online as well.

OUTLOOK: DRM PRIORITIES IN 2017

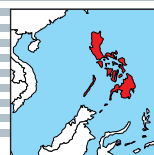
The challenges that Paraguay is currently facing are, firstly, to reduce the tax gap in order to continue increasing tax revenue and achieve an efficient, progressive and fair tax system. To this end, tax compliance checks by economic sector are increasing and taxpayer customer service is being improved to promote voluntary compliance. The second challenge is to incorporate the minimum standards established in the Inclusive Framework on BEPS into domestic legislation, bring legislation in line with the Global Forum's recommendations in order to begin making the changes required for effective implementation of the exchange of information, and meet the OECD Development Centre's requirements. Moreover, strengthening the national tax system is an important challenge, as is training tax officials in tax scrutiny and compliance techniques with the goal of ensuring ongoing improvement of compliance checks for all taxes, particularly corporate income tax.

Consequently, the priorities defined for 2017 are to:

- Implement electronic invoicing;
- Create the Tax Intelligence Centre;
- Strengthen the tax system and improve tax fairness in Paraguay, particularly with regard to personal income tax;
- Provide training for the effective detection and monitoring of aggressive tax planning strategies and the development of skills for negotiating agreements to avoid international double taxation;
- Obtain assistance in the use and application of statistical and econometric software (SPSS, Stata or EViews) in estimates and the analysis of standards within the framework of the OECD's international tax initiatives – the Global Forum and the Inclusive Framework on BEPS;
- Increase tax compliance checks by economic sector;
- Implement the register of shareholders and beneficial owners.

Support is needed in the following areas:

- training in the negotiation skills required to establish international double taxation agreements;
- training in the detection of aggressive tax planning consistent with the recommendations of the Inclusive Framework on BEPS and the OECD;
- changes in legislation to have a domestic effect on the requirements of the Global Forum on Transparency and Exchange of Information for Tax Purposes;
- training in best practices for the exchange of information for tax purposes;
- creation of the Tax Intelligence Centre;
- estimation of the income tax gap;
- application of statistical and econometric software tools;
- strengthening of the tax system to achieve greater tax fairness in Paraguay, particularly in relation to personal income tax.



THE PHILIPPINES

Total
Gross Disbursements¹
(2015, Mio. USD)

9.28

Total Commitments¹
(2015, Mio. USD)

2.51

13.6%
Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

ODA SUPPORT TO DRM IN 2015

Assessment undertaken
in December 2015



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



United
States* 9.24



Japan 0.04

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



United
States* 2.48



Japan 0.04

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	6.36
Taxes on goods and services	3.96
Taxes on international trade and transactions	2.76
Other taxes	0.62



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2016



Revenue administration

Accounting for revenue

A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS
(number per year)

28

TIME
(hours per year)

185.5

TOTAL TAX RATE
(% of profit)

42.9

POSTFILING INDEX
(0 – 100)

49.8

Regional ranking (East Asia & Pacific):

16 / 25

Overall ranking:

99 / 190

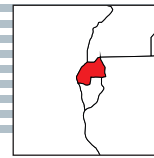
► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:

4.0 / 7 (Rank 46 / 140)

Effect of taxation on incentive to invest:

3.6 / 7 (Rank 72 / 140)



RWANDA

Total
Gross Disbursements¹
(2015, Mio. USD)

3.81

Total Commitments¹
(2015, Mio. USD)

4.89

14%

Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	5.73
Taxes on goods and services	7.16
Taxes on international trade and transactions	1.10
Other taxes	0.00



► Public Expenditure and Financial Accounting (2015):
Not publicly available

ODA SUPPORT TO DRM IN 2015

Assessment undertaken
in August 2015



MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)

	Germany*	1.51
	Korea*	1.08
	United Kingdom*	1.02
	United States*	0.20

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)

	Germany*	4.30
	United Kingdom*	0.30
	United States*	0.29
	Korea*	0.01

* ATI Development Partner

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS
(number per year)

29

TIME
(hours per year)

124

TOTAL TAX RATE
(% of profit)

33

POSTFILING INDEX
(0 – 100)

83.3

Regional ranking (sub-Saharan Africa):

5 / 48

Overall ranking:

59 / 190

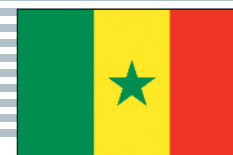
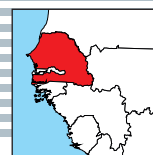
► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:

4.9 / 7 (Rank 14 / 140)

Effect of taxation on incentive to invest:

4.1 / 7 (Rank 27 / 140)



SENEGAL

Total
Gross Disbursements¹
(2015, Mio. USD)

0.61

Total Commitments¹
(2015, Mio. USD)

1.50

19.8%

Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

ODA SUPPORT TO DRM IN 2015

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO USD)



France* 0.43



Germany* 0.18

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO USD)



Germany* 1.07

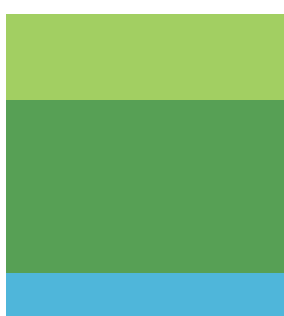


France* 0.43

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	5.39
Taxes on goods and services	10.96
Taxes on international trade and transactions	2.82
Other taxes	0.34



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2011

B	Transparency of taxpayer obligations and liabilities
B	Effectiveness of measures for taxpayer registration and tax assessment
D+	Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

NATIONAL INDICATORS TO MEASURE PROGRESS ON DRM:

The main indicator used by Senegal is the amount of tax revenue collected. In analysing data, Senegal's tax departments are diligent in distinguishing between the part of the increase attributable to the economic climate and the part due to our efforts to improve tax compliance and legislative measures.

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
58	441	45.1	54.3
Regional ranking (sub-Saharan Africa):		39 / 48	
Overall ranking:		174 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	4.0 / 7 (Rank 50 / 140)
Effect of taxation on incentive to invest:	3.5 / 7 (Rank 86 / 140)

RECENT REFORM STEPS

Senegal has taken a number of reform measures to enhance domestic revenue mobilisation. For instance, the ceiling for the minimum corporate lump sum tax (l'impôt minimum forfaitaire des sociétés, IMF) has been lowered from XOF 20 million to XOF 5 million; stamp duty rates have also been reduced. Tax scrutiny has been strengthened to improve compliance, with better targeting of likely non-compliant taxpayers. Improved monitoring of tax compliance already resulted in a fall in non-compliance for tax deducted at source on pay from 20% in 2012 to 7.8% in 2016 (Large Enterprises Unit, CGE). Furthermore, enforcement officers (who will carry out the same work as that of bailiffs) have been recruited. Closer monitoring of tax revenue has been ensured by means of regular meetings with the accounting network of the General Directorate of Taxes and Government Property (DGID).

On the legislative front, Senegal took steps in 2013 to modernise the tax system with the introduction of a new taxation code, which seeks to:

- rationalise tax expenditure, with the establishment of transparent tax incentive measures;
- simplify tax rules and regulations;
- lower tax rates and increase tax fairness.

Measures have also been taken to reform the organisational structure of tax administration services, establishing a clear separation between functional and operational departments.



PROGRESS ACHIEVED

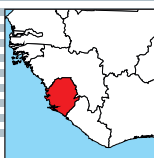
The reforms undertaken, as well as the favourable macroeconomic trends of the last three years, have contributed to an increase in revenues: the General Directorate of Taxes and Government Property (DGID) has recorded a sharp rise in budgetary revenues collected, which showed an average increase of 12.7% between 2014 and 2016.

OUTLOOK: DRM PRIORITIES IN 2017

In 2017, Senegal plans to reform its tax legislation on transfer pricing and interest deductibility to bring it in line with rules on Base Erosion and Profit Shifting (BEPS). Senegal also plans to sign the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, particularly with regard to improper use of tax treaties and artificial avoidance of permanent establishment status.

With respect to tax administration, Senegal plans to take the following measures:

- Creation of a specialised team to deal with transfer pricing.
- Renewal of its assistance programme as part of the 'Inspectors without Borders' initiative.
- Exchange information under the Convention on Mutual Administrative Assistance in Tax Matters (MAAC), which came into force in Senegal in December 2016.
- Organisational reform of the DGID, with a focus on improving taxpayer segmentation.
- Implementation of a project to create a tax database.
- Extension of electronic tax filings and payment to all CGE (Large Enterprises Unit) taxpayers.
- Creation of a taxpayer call and support centre delivering near-free services.
- Update of the tax base and collection management software.
- Interconnection between the different financial administrations: Tax – Customs – Treasury.



SIERRA LEONE

ODA SUPPORT TO DRM IN 2015



Assessment undertaken
in August 2016

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO. USD)



**United
Kingdom*** 1.25

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO. USD)



**United
Kingdom*** 3.27

* ATI Development Partner

9.7%
Tax-to-GDP ratio
in 2015

Source:
► IMF 2016 Article IV
Consultation

Total
Gross Disbursements¹
(2015, Mio. USD)

1.25

Total Commitments¹
(2015, Mio. USD)

3.27

Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

TAX REVENUES, BY SOURCE (% OF GDP) (2015, EST.)

► IMF 2016 ARTICLE IV CONSULTATION

Taxes on income, profits, and capital gains	4.00
Taxes on goods and services	3.70
Taxes on international trade and transactions	1.50
Other taxes	0.60



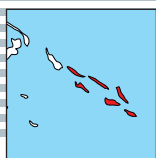
► Public Expenditure and Financial Accounting (2014):
Not publicly available

► DOING BUSINESS, EASE OF PAYING TAXES (2015)

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
34	343	31.0	94.5
Regional ranking (sub-Saharan Africa):		21 / 48	
Overall ranking:		87 / 190	

► GLOBAL COMPETITIVENESS REPORT (2015/16)

Effect of taxation on incentive to work:	3.7 / 7 (Rank 87 / 140)
Effect of taxation on incentive to invest:	3.4 / 7 (Rank 94 / 140)



SOLOMON ISLANDS

ODA SUPPORT TO DRM IN 2015

Total
Gross Disbursements¹
(2015, Mio. USD)

2.18

Total Commitments¹
(2015, Mio. USD)

0.00

29.8%

Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO. USD)



New Zealand 2.18

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO. USD)

No commitments reported
for 2015

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	10.69
Taxes on goods and services	6.55
Taxes on international trade and transactions	12.25
Other taxes	0.00



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2012

D+

Transparency of taxpayer obligations and liabilities

C

Effectiveness of measures for taxpayer registration and tax assessment

D+

Effectiveness in collection of tax payments

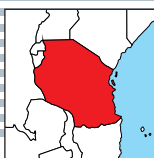
A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
34	80	32.0	99.1
Regional ranking (East Asia & Pacific):		10 / 25	
Overall ranking:		39 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Not available



TANZANIA

ODA SUPPORT TO DRM IN 2015



Assessment undertaken in February 2016

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO. USD)



Norway* 5.00



United Kingdom* 4.25



Finland* 1.33



Canada* 0.39

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO. USD)



Norway* 6.08



United Kingdom* 4.66



United States* 0.39

* ATI Development Partner

10.9%
Tax-to-GDP ratio
in 2015 (proj.)

Source:
► Government
Finance Statistics

Total
Gross Disbursements¹
(2015, Mio. USD)

11.62

Total Commitments¹
(2015, Mio. USD)

11.13

Source:
OECD DAC Statistics

¹ These figures do not include assistance provided within regional projects or support provided by non-DAC development partners.

TAX REVENUES, BY SOURCE (% OF GDP) (2015) ► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	4.01
Taxes on goods and services	5.59
Taxes on international trade and transactions	0.93
Other taxes	0.09



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2013

B	Transparency of taxpayer obligations and liabilities
C	Effectiveness of measures for taxpayer registration and tax assessment
B+	Effectiveness in collection of tax payments

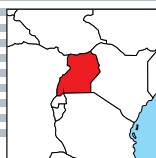
A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
53	195	43.9	47.9
Regional ranking (sub-Saharan Africa):		29 / 48	
Overall ranking:		154 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	3.1 / 7 (Rank 119 / 140)
Effect of taxation on incentive to invest:	3.2 / 7 (Rank 101 / 140)



UGANDA

ODA SUPPORT TO DRM IN 2015



Assessment undertaken
in August 2015

10.2%
Tax-to-GDP ratio
in 2015

Source:
► Government
Finance Statistics

Total
Gross Disbursements¹
(2015, Mio. USD)

1.86

Total Commitments¹
(2015, Mio. USD)

0.01

Source:
OECD DAC Statistics

¹ These figures do not include
assistance provided within regional
projects or support provided by
non-DAC development partners.

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 GROSS DISBURSEMENTS, MIO. USD)



Germany* 1.41



United
Kingdom* 0.44



Korea* 0.01

* ATI Development Partner

MOST IMPORTANT DEVELOPMENT PARTNERS (2015 COMMITMENTS, MIO. USD)



Korea* 0.01

* ATI Development Partner

TAX REVENUES, BY SOURCE (% OF GDP) (2015)

► GOVERNMENT FINANCE STATISTICS

Taxes on income, profits, and capital gains	3.32
Taxes on goods and services	5.71
Taxes on international trade and transactions	1.12
Other taxes	0.05



► PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTING 2012

A	Transparency of taxpayer obligations and liabilities
B	Effectiveness of measures for taxpayer registration and tax assessment
C+	Effectiveness in collection of tax payments

A = internationally recognised level of good performance
D = performance is below the basic level

► **DOING BUSINESS, EASE OF PAYING TAXES (2015)**

PAYMENTS (number per year)	TIME (hours per year)	TOTAL TAX RATE (% of profit)	POSTFILING INDEX (0 – 100)
31	195	33.5	78.4
Regional ranking (sub-Saharan Africa):		10 / 48	
Overall ranking:		75 / 190	

► **GLOBAL COMPETITIVENESS REPORT (2015/16)**

Effect of taxation on incentive to work:	3.6 / 7 (Rank 88 / 140)
Effect of taxation on incentive to invest:	3.2 / 7 (Rank 106 / 140)

Annex C

Info Pages Supporting Organisations



ATI Supporting Organisation:

African Tax Administration Forum (ATAF)

RECENT AND CURRENT ACTIVITIES IN SUPPORT OF DRM IN PARTNER COUNTRIES

ATAF's recent work has given rise to a number of exciting and innovative developments that will have a long-lasting impact and which will serve to increase the effectiveness of tax administration on the African continent. Among the most important are the huge leaps forward made in the research, training and capacity building spheres; these spheres are related to the implementation of initiatives that will bear fruit for ATAF members for many years to come.


ATAF has continued its efforts to host technical events aimed at improving the skills of African tax officials and promoting an African perspective in the dialogue on tax and compliance in various forums on the regional and global stage. It has underlined its commitment to promoting governance and effective tax administration in support of the efficient mobilisation of domestic resources; the purpose of this is to spur economic growth and development in its member countries and on the African continent as a whole.

The main highlights and achievements of 2015 are:

- The successful launch of the annual congress of the ► African Tax Research Network in Cape Town, South Africa, in September 2015. A total of 159 participants from 21 countries attended the congress, at which 48 papers were presented. The objective of the network is to create a bridge between and stimulate African tax officials and academics while fostering research, expertise and collaboration pertaining to tax and revenue issues that are relevant to African countries.
- The inaugural ATRN Research Methods and Dissemination Workshop took place from 3rd to 6th November 2015, in Addis Ababa, Ethiopia, and it targeted junior to mid-career researchers working in the area of taxation and development. Fifteen (15) researchers from different

African countries attended this first edition. The workshop sought to strengthen their research capacity and enable them publish and communicate their key research findings to broader policy audiences. Out of this workshop, 15 research papers were published in the 2015 ATRN Working Paper Series.

- The hosting of the second ATAF ► International Conference on Tax Matters in Africa (ICTA) in Lomé, Togo in October 2015; the conference focused on issues related to tax compliance and limiting illicit financial flows.
- The inaugural ATAF Innovation Awards were presented during the ICTA. A total of 21 entries were received, of which 16 met the threshold for assessment. After an adjudication process presided over by a panel of eminent judges, the inaugural winners were announced, and are listed below:
 - 1) Kenya in the customer initiatives category for its mobile payment platform geared towards enquiries and payment of taxes; the platform is ideal for small and micro enterprises.
 - 2) Uganda in the staff initiatives category for its internally driven leadership development programme.
 - 3) Mauritius in the revenue initiatives category for its VAT retail lottery aimed at ensuring compliance through taxpayer ‘policing’.
- The successful conclusion of the ► Executive Master’s in Taxation (EMT) programme by the first group of 27 Anglophone students and the expansion of the programme to Francophone students.
- Compilation of the inaugural editions of two ground-breaking publications, the ► African Tax Outlook (ATO) and the ATAF/OECD/AU ► Revenue Statistics in Africa; both publications provide valuable data on the tax and revenue of participating countries and put forth a solid platform for analysis and regional comparisons. The first edition of the ATAF’s ATO publication brought together valuable, practical and relevant descriptive and analytical work on tax issues for the period of 2010–2015 from 15 countries while the Revenue Statistics in Africa contained internationally comparable revenue data for eight African countries. The 2nd ATO edition will cover respectively 21 countries.
- The hosting of the ATAF High Level Conference on ICT, which was attended by over 120 delegates from 19 countries; the conference provided a technology-related networking platform – a critical enabler for tax administrations.



Further, ATAF is delivering technical assistance in the area of international taxation. In partnership with the OECD and the Work Bank Group, this assistance has focused on transfer pricing and other Base Erosion and Profit Shifting (BEPS)-related issues such as exchange of information, tax treaties, compliance risk management, tax audit and natural resource taxation.

A key element of these programmes is that the priorities are set by the member countries, based on their specific needs. However, the structure of each programme is broadly similar and usually includes:

- **Assistance with reviewing existing legislation and regulations on transfer pricing, interest deductibility and any other legislation relating to profit shifting (including regulations concerning documentation, penalties, information gathering, and Pricing Agreements (APAs)).**
- **Assistance with the design of an administrative and governance framework within the tax administration for the conduct, management and oversight of transfer pricing audits.**
- **Assistance with the design of a risk assessment process to identify high-risk transfer pricing transactions.**
- **Assistance with the arrangement of inward and outward secondments of tax officials through the Tax Inspectors Without Borders (TIWB) initiative, which is aimed at addressing specific issues as they are identified.**

Furthermore, over a period of 2–3 years, a series of workshops have been organised with tax administrations to build effective international tax auditing skills with a particular focus on transfer pricing.

Several ATAF member countries have enacted or are in the process of enacting new or revised legislation relating to transfer pricing, interest deductibility, permanent establishment and capital gains tax. These rewrites of the legislation are being exclusively drafted by the ATAF. The new rules are aligned with international standards and best practice, including taking into account recent OECD/G20 BEPS outcomes. This helps to create more effective tax regimes that both protect the country's tax base from profit shifting strategies used by certain multinational companies, and provide a more certain and transparent investment climate.

New organisational structures are being introduced in certain member countries and improved risk assessment processes are in place in a number of member countries through the use of the ATAF Transfer Pricing Risk Assessment Tool. Effective risk assessment is crucial when it comes to ensuring that tax administrations fully utilise their transfer pricing expertise on the highest risk transactions. Focusing on such transactions also reduces the compliance burden on taxpayers. ATAF is also providing support to its members regarding the BEPS Inclusive Framework and on signing the Multilateral Instrument (MLI). This includes advice and support regarding the implementation of the minimum standards for the Inclusive Framework and advice on the options contained in the MLI.

At the country level for example, ATAF, in cooperation with the International Centre for Tax and Development (ICTD), undertook a ► tax compliance study in Rwanda and used the study results to recommend policy that supports DRM. The study was presented to the Rwanda Minister of Finance.

More generally, ATAF is influencing the global standard-setting processes of the OECD through the ATAF Cross Border Taxation Technical Committee (“Technical Committee”). In 2015, ATAF input received by the OECD Committee on Fiscal Affairs and Working Parties led to significant changes in some of the BEPS outcomes that were identified as high priority issues by members. Examples of these include the wording in the OECD Transfer Pricing Guidelines on the pricing of commodity transactions, and the definition of permanent establishments in Article 5 of the OECD Model Tax Convention (also adopted in the ATAF Model DTA).

Furthermore, the Technical Assistance programmes (see above) not only provide a direct benefit to the recipient member country, but also provide ATAF with very valuable information on the challenges faced in Africa with regard to addressing international tax avoidance strategies and in implementing the global tax standards.

These global standards are often extremely complex and adaptation may be required to meet the specific challenges faced by African countries. ATAF is already taking steps to meet these challenges through the development of technical tools such as the ATAF Model Double Taxation Agreement and an approach to drafting transfer pricing legislation (Model Transfer Pricing Legislation). These are based on global tax standards but adapted to meet the specific challenges faced by African countries.

CASE EXAMPLES

POLICY COHERENCE FOR DEVELOPMENT

ATAF is seeking to enhance policy coherence in two ways; firstly by bringing together tax policy makers and tax administrations to provide joint policy guides, and secondly, by developing instruments aimed at guiding DRM policies on the continent. These instruments include the ATAF Model Double Taxation Agreement (DTA), a Practical Guide on Exchange of Information, the ATAF Agreement on Mutual Assistance in Tax Matters (AMATM), and the ATAF Model Transfer Pricing Legislation.

To date, the most significant developments are that countries have begun to use the ATAF Model DTA, revenue collection has been enhanced through successful audits, and capacity with regards to exchange of information has also been improved.

OUTLOOK

In 2017, ATAF priorities will be in line with the current priority areas:

- Illicit Financial Flows and Trade Mispricing
- Launch of the second edition of the ATO publication with 21 participating countries and prepare the 3rd edition with 26 countries
- Organising the 3rd ATRN Congress in Madagascar under the theme:
“A Modern and Effective Taxation System to advance Domestic Resource Mobilization in Africa: The Role of Information Technology and Tax Information Exchange”
- Review of the ATAF’s EMT programme’s Curriculum to match the needs of tax administrations and identify new potential partners
- Tax and Development short course for the Donor community, the Civil Society and the Parliamentarians
- Country programmes and assistance on Transfer Pricing, Exchange of Information, and Tax Treaties
- Promote ATAF products such as: *ATAF’s Suggested Approach to Drafting Transfer Pricing Legislation*, *ATAF’s African Model Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income*
- Continue to develop in collaboration with member countries:
ATAF’s Suggested Approach to Drafting Interest Deductibility Legislation and *ATAF’s Suggested Approach to Drafting Permanent Establishment Legislation*
- Organise a Tax Policy/Tax Administration conference
- Natural Resource Taxation
- Tax Audit
- Compliance Risk Management

ATAF will, moreover, continue to provide technical assistance to African countries and to influence the global standard-setting process.



ATI Supporting Organisation:

The International Monetary Fund

RECENT AND CURRENT ACTIVITIES IN SUPPORT OF DRM IN PARTNER COUNTRIES

Along with the IMF's surveillance and lending activities, which help to promote economic stability and growth in its near-universal membership, technical assistance is a core mandate of the IMF; such assistance helps member countries to build strong economic institutions which are critical to the formulation and implementation of tax policies that support equity, growth and statebuilding objectives. IMF technical assistance in Domestic Revenue Mobilisation (DRM) is a pillar of the international community's efforts to strengthen countries' tax systems (tax policy, administration, and legal frameworks) and to reduce capacity gaps.

Priorities include assisting member countries to:

- **Identify reform priorities and technical assistance needs** through regular dialogue with member countries and through the use of diagnostic tools such as the Tax Administration Diagnostic Assessment Tool (TADAT), the Revenue Administration-Fiscal Information Tool (RA-FIT), the Revenue Administration-Gap Analysis Program (RA-GAP), and the Fiscal Analysis of Resource Industries (FARI) framework.
- **Design and implement tax policy, tax law, revenue administration reform strategies and action plans**, with an emphasis on medium-term institution building efforts but also on short-term issues. Also of vital importance are: a clear understanding of the current state of tax policy, tax law, and revenue administration, and areas in need of change; implementing a pragmatic and reasoned response and approaches to change; effectively delivery structures and commitment of resources; and systematic monitoring and measuring impact.
- **Address emerging challenges** such as governments' revenue shortfalls due to unexpected shocks (e.g. financial crisis, natural disasters), international taxation issues, compliance problems, or rapidly changing environment. This rapid-response function complements support for medium-term institution-building.

- **Analyse and formulate responses to current challenges** through research and stock-takes of experience gained through technical assistance. Recent examples include the 2017 Board Paper on “Building Fiscal Capacity in Fragile States”, as well as a book on International Tax issues for the Extractive Industries, a 2015 Board Paper on “Current challenges in Revenue Mobilization: Improving Tax Compliance”, and a series of Technical Notes, Manuals and academic papers.
- **Strengthen regional and international tax cooperation**; examples of recent activities include: direct assistance to the West African Economic and Monetary Union (WAEMU) Secretariat on tax coordination; work with the East African Community (EAC) Secretariat and country officials on the negotiation of external tax treaties and tax coordination among the countries; and regional technical assistance to the Eastern Caribbean Currency Union (ECCU) aimed at minimising tax competition through dueling incentives. The IMF also maintains an active participation in international fora, including those organised by regional tax administration organisations such as the World Customs Organization (WCO), African Tax Administration Forum (ATAF), Inter-American Center of Tax Administration (CIAT), the Intra-European Organization of Tax Administrations (IOTA), etc. Together with the World Bank, the Fund organises a semi-annual conference during the Annual and Spring Meetings, bringing high-level tax officials from developing countries to discuss policy issues including domestic and international tax concerns. The Fund is also a partner in the Platform for Collaboration on Tax with the OECD, UN and the World Bank.

Over the past two years, there has been a continuous scaling up of technical assistance delivery in tax policy, tax law design and drafting, and revenue administration; this has been possible thanks to support of development partners. In 2016, technical assistance in tax policy and revenue administration was delivered to 100 countries via approximately 200 HQ-led diagnostic and strategy setting missions, 500 short-term and 22 long-term expert assignments (including 10 in regional technical assistance centers (RTACs)); the aim of this assistance was to help with reform implementation and the conducting of several training workshops and seminars to build capacity in tax policy and revenue administration. A further 36 missions on tax law design and drafting were delivered to 22 countries, in addition to both HQ- and regionally-delivered training on current issues in domestic and international tax law design.

Use of diagnostic tools and collaboration across partners was expanded as follows:

- **TADAT:** The TADAT pilot phase was completed in 2015 and subsequently, in 2016, a total of 20 assessments were completed with Comoros, Tanzania, Jordan, Ethiopia, Serbia, Macedonia, Namibia, Vietnam, Zambia, Georgia, Albania, Liberia, Kyrgyzstan, Sierra Leone, Congo DR, Romania, Barbados, Armenia, Kenya, and the Dominican Republic. So far in 2017, five assessments have been completed (Bangladesh, Cameroon, Ghana, Guyana and Peru); those being planned include Botswana, Burkina Faso, Guatemala, Honduras, Moldova, Niger and Trinidad and Tobago.

- **RA-GAP:** The RA-GAP is a new IMF technical assistance service that assists revenue administrations in monitoring taxpayer compliance through the tax gap analysis of value added tax, corporate income tax, and excise duties. To date, RA-GAP programmes have been conducted in more than 20 countries: 4 in 2013 and 2014 (Slovak Republic, Estonia, Portugal, and Uganda), 10 in 2015 (Colombia, Denmark, Finland, Greece, Jamaica, Nepal, Peru, Rwanda, South Africa, and Thailand), 5 in 2016 (Albania, Cabo Verde, Lebanon, Philippines, and Senegal), and 3 so far in 2017 (Chile, Georgia, and Mexico).
- **RA-FIT:** The RA-FIT initiative has evolved into a single international data platform for the collection of tax administration data. Specifically, the RA-FIT online data collection platform (owned by the IMF) was expanded to accommodate the new International Survey on Revenue Administration (ISORA), to be used by four organisations (the IMF, CIAT, the Intra-European Organization of Tax Administrations (IOTA), and the Organization of Economic Cooperation and Development (OECD)). This data collection platform is collaboratively used by the four partner organisations who signed a formal Memorandum of Understanding in April 2016. As of December 31, 2016, 141 tax administrations had supplied data online which is being quality assured by each partner organisation. Data dissemination is expected in mid-2017.
- **FARI:** FARI (Fiscal Analysis for Resource Industries) is a tool developed by the IMF to underpin advice on the design and evaluation of fiscal regimes for extractive industries (EI). FARI has been used in the FAD's advisory work in over 45 countries in Africa, Asia, Europe, the Middle East, and Latin America and the Caribbean. Since 2015, a number of countries, including Kenya, Lebanon, Mozambique, and Papua New Guinea, have implemented fiscal regime reforms supported by technical assistance from FAD, which integrated FARI analysis. Some countries have also started developing the capacity to use a variant of the FARI tool for revenue forecasting (e.g., Ghana).

A version of FARI is available online: ► <http://www.imf.org/external/np/fad/fari/>

Other key developments in IMF work include:

- **Revenue statistics.** In August 2015, the IMF launched the World Revenue Longitudinal Database (WoRLD), a regularly-updated compilation of government tax and non-tax revenue from various sources: ► <http://www.imf.org/external/np/sec/pr/2015/pr15374.htm>. This provides revenue data for 189 countries between 1990 and 2014, and is used extensively in technical assistance, both by the Fund and external providers.
- **Results-Based Management (RBM)** is an enhanced system which has been implemented to help measure and monitor country progress in implementing tax policy and revenue administration reforms.

- **Heightened focus on DRM in the Fund’s surveillance work**, with emphasis on its centrality to development and the wider support offered by the Fund to its members.
- **Major policy papers and other products.** A number of topical papers were prepared for the IMF Board and for the G20, all of which influence global approaches to revenue design and technical assistance delivery. Of particular note is the paper produced by the PCT for the G20 on “Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries”. Prominent amongst its recommendations was the development of explicit ‘Medium term Revenue Strategies’ (MTRSs), drawing on the IMF’s experience with external-financed trust fund work (see below). Other agenda-section work, not mentioned elsewhere, includes a 2016 Board Paper on “Tax Policy, Leverage, and Macroeconomic Stability”.

CASE EXAMPLES

Natural Resource Taxation

The delivery and coordination of IMF technical assistance work in natural resource taxation is supported through a multi-partner trust fund, namely the Managing Natural Resource Wealth Trust Fund (MNRW-TF); this was established in 2011 to help countries in managing natural resource wealth. The MNRW-TF draws on the IMF’s strong track record in supporting the management of natural resource wealth, due to its specialised expertise and unique ability to integrate policy, administrative and legislative dimensions, as well as its standard-setting work in fiscal transparency. The MNRW-TF has also provided an effective basis for the IMF to work with partners to help maximise the impact of their support for resource-rich countries.

Phase 1 of the MNRW-TF will be concluded in April 2017, and has achieved significant success. Over 40 projects have been implemented in 20 countries, while the trust fund has also supported important policy-based analytical work and regional peer learning events. The MNRW-TF has assisted a large number of countries to: improve fiscal regimes governing extractive industries (EI), thus making them more efficient and conducive to providing an appropriate contribution to government revenues; expand the capacity of governments to administer and oversee the revenues coming from the EI sector; enhance public financial management in natural resource rich countries to ensure the more effective utilisation of government revenue; improve the governance of sovereign wealth funds; and enhance the quality of the reporting of natural resource revenue to the national accounts.

Lessons from phase 1 of the MNRW-TF include the following: country buy-in and ownership of the reforms are critical; comprehensive technical assistance support enhances results and sustainability in the medium-to long-term; early diagnostics and a result-oriented approach support implementation; sustained engagement using flexible delivery modes is necessary to build capacity; efforts to strengthen DRM should also take into account international tax and climate change issues; peer learning can play a key role in capacity building through multi-country workshops; the monitoring and evaluation of technical assistance outcomes can be strengthened through implementation of the enhanced RBM system; and of critical importance are human resource skills and competencies and the tooling of beneficiary countries.

CASE EXAMPLES

International Taxation

The IMF is deeply engaged in both providing bi-lateral advice to member countries on international corporate tax issues, and in several kinds of analytic work in the area. Both streams of work include issues covered by the OECD/G20 BEPS project, but are not limited to those issues, as there are other areas within international taxation that are of considerable concern to lower income countries.

BI-LATERAL ANALYSIS AND ADVICE. Over the past fiscal year, in addition to its regular confidential technical assistance, the IMF's Fiscal Affairs Department has undertaken an expansion of bi-lateral work on international taxation with 10 member countries **IN THE CONTEXT OF FUND SURVEILLANCE**; it has drawn on synergies across departments within the Fund, in annual Article IV consultations and reports. This work has covered countries in all geographic regions and at all levels of development, while cutting across many specific issues. Examples include: (i) analysis of spillovers – a core Fund area of focus – to other countries from proposed international tax policy changes in the **UNITED STATES**; (ii) assessment of changes undertaken by **PERU** in regard to anti-avoidance rules, capacity to exchange information, and taxing capital gains on Peruvian assets sold indirectly offshore; (iii) advice to **KENYA** in regard to protecting its source tax base in light of its expanding treaty network, earnings stripping, transfer pricing, and elements of the proposed Multi-Lateral Instrument for amending existing treaties; (iv) similar issues coverage in **INDONESIA**, particularly in light of increasing **ASEAN** economic integration; (v) extensive analysis for **IRAN** on multiple cross-border issues, as its economy becomes more open.

CASE EXAMPLES

ANALYTIC WORK. The IMF continues to pursue and expand its analytic work in the international tax area. A recent example is the book entitled **INTERNATIONAL TAXATION AND THE EXTRACTIVE INDUSTRIES** published in late 2016. The Platform for Collaboration on Taxation (PCT) is charged by the G20 and involves the preparation of a number of “toolkits” to help developing countries address international tax issues which are of particular relevance to them – both issues covered in the BEPS project and others which are not addressed there. To date, a final toolkit/report has been issued on the effective use of tax incentives in lower income countries (late 2015). Another toolkit/report pertaining to the use of comparables in transfer pricing is being finalised in light of comments received during public consultation. Moreover, a third will shortly be posted and will make reference to the taxation of indirect transfers of domestic assets that takes place outside the country where the asset is located. On its own, the Fund is particularly engaged in assessing spillovers from policy changes in one country to the impact on others. This, at the moment, includes work to assess the possible implications of the proposed “destination based cash flow tax” in the United States.

POLICY COHERENCE FOR DEVELOPMENT

By working together with several stakeholders, the IMF contributes to ensuring Policy Coherence for Development. It holds close relationships with regional tax organisations, the FTA, development banks and the donor community:

- International organisations, including the IMF, World Bank Group (WBG), United Nations (UN), and OECD launched a Platform to boost global co-operation in tax matters (Platform for Collaboration on Tax, PCT) in April 2016. The PCT is intended to better support governments in addressing the tax challenges they face. The main achievements to date include: publication of one toolkit (on Tax Incentives) and the policy paper on Capacity Development mentioned above. The PCT is currently developing seven other toolkits and will organise its first conference in early 2018.
- Furthermore, the IMF effectively uses externally funded programmes (such as the RMTF and MNRW) and RTACs, as well as a governance framework that supports policy coherence.
- Together with the World Bank, the IMF is developing the Tax Policy Assessment Framework (TPAF), and jointly organises, during the Spring and Annual Meetings, a conference on domestic and international tax issues for developing countries.
- The Fund collaborates with other international organisations. With regards the OECD, it contributed to the G20 report coordinated by the FSB on corporate leverage; also with the OECD, the Fund recently completed a G20 report on tax certainty, with a focus on G20/OECD countries, but with a planned consultative dialogue with developing countries. With the UN, the IMF and the World Bank participate in post Addis reporting on domestic revenue mobilisation.

OUTLOOK

IMF technical assistance priorities for 2017, in the area of DRM, are influenced by our strong commitment to the “Addis Challenge” (promoting revenue mobilisation in support of sustainable development) and global efforts in the area of international taxation.

In this regard, the IMF technical assistance priorities for 2017 include:

- Placing greater emphasis on “intensive” technical assistance delivery in selected countries, including the installation of resident advisors to assist countries in reforming their tax policy, revenue administration regimes, and tax law design and drafting; moreover, and helping countries prepare more explicit medium term revenue strategies (MTRS) to modernise their tax systems (policy, administration, and legal framework).
- Supporting a larger number of more targeted tax policy and revenue administration reform programmes, including better focus on fragile states.
- Continuing the long-standing focus on international taxation issues, including the design of anti-avoidance measures that are tailored to the needs and circumstances of developing countries and tax treaty policies; contributions to the emerging global debate on the fundamentals of the international tax architecture.
- Providing technical assistance in newly emerging areas of global priority such as carbon taxes, measures to enhance tax certainty, and tax issues arising in specific sectors, such as extractive industries, telecoms and the financial sector.
- Further integrating new fiscal tools into technical assistance work such as rolling out the RA-GAP framework for VAT, Corporate Income Tax and Excise Duties to more countries, consolidating the RA-FIT platform for customs by concluding an MOU with the WCO, and producing regular flash tax and customs data reports.
- Continuing, with the World Bank, the major exercise of developing a Tax Policy Assessment Framework (TPAF) – a publicly available toolkit to support tax policy discussions in developing countries and facilitate technical assistance in all areas of tax policy.
- Increased focus on horizontal learning, as well as face-to-face and on-line training that is closely linked to technical assistance; this will help maximise the absorption and sustainability of capacity building.
- Offering tailored cutting-edge policy analysis in domestic and international tax policy and revenue administration.



ATI Supporting Organisation:

Organisation of Economic Co-operation and Development OECD

RECENT AND CURRENT ACTIVITIES IN SUPPORT OF DRM IN PARTNER COUNTRIES

Following the Addis Ababa Action Agenda's recognition of the universal nature of the tax challenges of the 21st century the OECD has been responsive to the need to develop new structures and tools to respond to these challenges.

Especially noteworthy is the establishment of the **Inclusive Framework on BEPS** on 30 June 2016 in Kyoto. The Inclusive Framework on BEPS is open to all interested countries and jurisdictions (OECD or non-OECD) to participate on an equal footing in implementing and monitoring progress on BEPS, as well as future standard setting related to BEPS issues. 97 countries are currently members, including over 40 developing countries (17 from Africa), illustrating how the distinction between OECD and other countries is being broken down. The steering group includes Egypt, Georgia, Jamaica, Nigeria and Senegal. Over 100 countries also participated in the ad hoc group to negotiate the Multilateral Instrument on BEPS which will enable signatory countries to swiftly update their tax treaties with new measures to prevent tax abuse and to improve dispute resolution.

To underpin evidence-based tax policy, the OECD has continued to expand the coverage of its Revenue Statistics, which provides internationally comparable data on revenues for all OECD countries and an increasing number of non-OECD countries. 2016 saw the first edition of Revenue Statistics Africa (produced in partnership with the African Development Bank – AfDB, ATAF, CREDAF, the African Union Commission-UAC, and the World Customs Organisation-WCO), covering eight countries in Africa. This joins Revenue Statistics Latin America and Caribbean (24 countries) and Revenue Statistics Asia (6 countries) as well as the OECD countries.

The OECD is also continuing to support the development of assistance to DRM. It has been doing this through both its own capacity building efforts, and through providing tools and guidance to others. The OECD/UNDP Tax Inspectors Without Borders initiative has continued to expand, with over \$275m in increased revenues raised so far, 21 programmes currently running including the first South-South programme (see case-example below), and further programmes due to commence shortly. To enable improved transparency and monitoring

of development cooperation spending on tax the OECD has produced a new purpose code for support to DRM (15114) for the OECD/DAC Creditor Reporting System, approved in March 2016, and will help track Addis Tax Initiative commitments as well as facilitate broader analysis and understanding of how development cooperation to tax is evolving.

The OECD International Academy for Tax Crime Investigation in Ostia, Italy continues to bring its capacity building programme to both developed and developing countries. The programme improves the ability of tax crime investigators and related law enforcement officials to tackle illicit financial flows by developing their skills through intensive training courses, which helps countries in combating financial crimes and recovering the proceeds of those crimes. By strengthening the ability of developing countries to combat illicit financial flows, the Programme makes an important contribution to the OECD development strategy and the Tax and Development Programme. To date, 257 criminal investigators from 60 countries have received training, including 180 participants from 43 developing countries.

BEPS Inclusive Framework

The establishment of the Inclusive Framework brings a large number of developing countries directly into the decision making structures of the BEPS work of the OECD, with all countries on an equal footing. This presents significant opportunities for many countries, and there is clear will among many developing countries to implement BEPS Actions to protect their revenue base. Realising this ambition, and integrating new countries into the Inclusive Framework, many of which have limited resources, presents some challenges, which are being addressed.

The main challenge is to ensure that timelines for developing countries are appropriate for the resources they have and the support that is being made available to assist their implementation. While support is being increased (as envisaged by the Addis Tax Initiative) it remains clear that many developing countries will require some time to implement the BEPS minimum standards. In recognition of this the timelines for the monitoring and review of developing countries implementation will be adjusted to ensure the pace of reforms is manageable for developing countries.

This is being complemented by increasing the regional approach established during the development of the BEPS Action Plan. Regional meetings are being established as an integral part of the Inclusive Framework to help facilitate the development of regional approaches that can help pool resources in regions, and facilitate the communication of developments with those not directly involved in the Inclusive Framework.

CASE EXAMPLES



CASE EXAMPLES

TIWB First South-South Project

Tax Inspectors Without Borders brings a learning by doing approach to capacity building, by bringing experienced tax inspectors from one country to support the work of a partner country working in real time on real tax audits. This enables training to be highly tailored to the specific needs of the local tax administration and can adapt as audits develop. The joint initiative between the OECD and UNDP has shown significant potential with \$275m in increased revenues raised so far, and is targeting 100 deployments by 2020. A significant step forward has been the first **SOUTH-SOUTH TIWB CO-OPERATION AGREEMENT**, announced in the margins of the 2nd High-Level Global Partnership for Effective Development Co-operation meeting in Nairobi, Kenya. Tax officials from Kenya and Botswana have agreed that experts from the Kenya Revenue Authority will provide technical assistance on audits of MNEs, under the TIWB umbrella. There is significant potential for South-South co-operation in TIWB, where the experience of Southern tax inspectors may include more of the challenges currently faced in partner countries. TIWB will continue to work with Regional Tax Organisations to develop South-South programmes, including ATAF who facilitated the Kenya-Botswana programme.

OECD International Academy for Tax Crime Investigation

Participation in the Academy programme requires feedback and impact assessments, which have demonstrated significant benefits. For example, changes in legislation to include a new “anti-carousel fraud provision” into a country’s Finance Law (Cameroon), draft legislation in the area of Electronic Sales Suppression (Ghana), use of the investigative techniques learnt during the programme in the area of search warrants, informants, surveillance, and retrieval of evidence from computers (Nigeria), creation of an Exchange of Information Unit to meet international standards (Uganda) and the modernisation and expansion of their Financial Investigations Manual based on the techniques taught in the programme (Costa Rica).



OUTLOOK

In 2017, the Inclusive Framework will continue to develop the implementation and monitoring of BEPS Actions, including identifying further ways to support developing countries in the process and continuing the regional meetings. The OECD will also continue to develop its capacity building support through multi-lateral programmes and bilateral technical assistance, as well as *Tax Inspectors Without Borders*.

The Revenue Statistics coverage will continue to expand, with more countries set to be included in the Second edition of Revenue Statistics Africa. The OECD will also look to review the first data on the development cooperation provided to DRM and seek to further improve the collection of data as well as using the data to identify areas and issues for the development community to address.

June, 2017 will see the launch of a pilot programme for an OECD Africa Academy for Tax and Financial Crime Investigation in Nairobi, Kenya. This programme will help countries in their fight against illicit flows, which the 2015 Mbeki report estimates losses in Africa to be over 50 billion US dollars per year, revenues which otherwise could have been invested in improving healthcare, education, infrastructure and other public services. Participation in this pilot Africa Academy programme is focussed on the six countries in the East Africa Community (EAC): Republic of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania, and the Republic of Uganda. In addition, the Federal Democratic Republic of Ethiopia has also been invited to participate.



ATI Supporting Organisation:

West African Tax Administration Forum (WATAF)

The West African Tax Administration Forum (WATAF) is primarily a platform for collaboration in tax matters in the Economic Community of West African States (ECOWAS). Its members are the revenue authorities of ECOWAS.

RECENT AND CURRENT ACTIVITIES IN SUPPORT OF DRM IN PARTNER COUNTRIES

WATAF's current priority is the upscaling of the capacity of the personnel of its members. To this end, WATAF has designed and implemented the 'Train the Foot Soldiers' initiative which seeks to improve the capacity of middle and low level revenue staff. The underlying objective of the initiative is to equip targets (middle and low level revenue staff) for their job today, and prepare them to succeed their superiors.

Another priority is the encouragement of peer learning amongst members. This is the basic driver of the 'Train the Foot Soldiers' and every other capacity development initiative.

To facilitate DRM in member countries, training on international initiatives to secure the tax base (focusing on tax harmonisation and transfer pricing issues) has been conducted. Moreover, WATAF facilitated the signing of a Memorandum of Cooperation (MoC) between two members for the provision of assistance with MNE audits and the re-enforcement of a taxpayer services unit.

OUTLOOK

A priority in WATAF's 2017 Work Plan is the provision of technical assistance to members to strengthen their capacity with regard to domestic tax mobilisation.



ATI Supporting Organisation:

The World Bank Group

The expansion of the World Bank Group's tax portfolio is ongoing as increasing country demand (in combination with commitments to the Addis Tax Initiative) requires an increase in support, which often comes through tax projects. The active portfolio of lending operations includes 86 active projects with tax themes or components (32 International Bank for Reconstruction and Development – IBRD and 54 International Development Association – IDA). In addition, 29 Trust Funds (TFs), with a total of donor pledges valued at USD 51.6 million, support domestic revenue mobilisation (DRM) in developing countries. In fiscal year 2016, 19 lending operations were approved, including 10 Development Policy Operations (DPOs) and 9 Investment Project Financings (IPFs), predominantly in Sub-Saharan Africa and South Asia regions.

RECENT AND CURRENT ACTIVITIES IN SUPPORT TO DRM IN PARTNER COUNTRIES

The World Bank's takes a three-fold approach in its DRM Work Programme: The first pillar of **International Collaboration and Coordination** focuses on enhanced cooperation by the major International Organisations (IOs) to systematically identify areas of comparative advantage and pre-empt risks of duplication or mis-sequencing of support. The second pillar of **Global Public Goods** provides all parties the rigorous tools, diagnostics, and data to consistently identify the underlying weaknesses of country tax systems and the appropriate entry-points for reform. The third pillar of **Country-Level Activities** leverages the prior two in order to develop the ultimate of coherent, multi-faceted country-level programs of support.

The World Bank and partner IOs took a major step in responding to the need for enhanced Coordination and cooperation by launching of the **Platform for Collaboration on Tax** at the 2016 Spring Meetings. The Platform serves as a central vehicle for the enhanced cooperation by the four IOs: International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), United Nations (UN), and World Bank. It has now formalised regular discussions between the organisations and will strengthen capacity-building support, deliver joint outputs, and share information on operational and knowledge activities.

The World Bank, alongside partners in the Platform, has pioneered the development and roll-out of frontier diagnostic tools to inform the selection and prioritization of reforms. These global public goods are serving as the foundation of WB country engagements (such as the program in Vietnam, see text box) by providing a better understanding of the context and performance gaps of the tax system before designing a reform package. The two primary tools being utilised are the Tax Administration Diagnostic Tool (TADAT) and the Tax Policy Assessment Framework (TPAF). Further, the Tax Transparency Trust Fund finances two work streams targeted at addressing base erosion and DRM limitations caused by the current international tax architecture. Tools have been developed to assist law enforcement agencies in preventing, detecting and prosecuting tax crimes.

In order to further the delivery of coherent, multi-faceted country-level programmes of support, the World Bank is integrating piecewise reform efforts on DRM into a comprehensive set of interventions to ensure that all tax-related support ultimately works supporting the client's tax reform objectives. In this light, developing a medium-term revenue strategy (MTRS) can enhance country-level coordination. The World Bank deepens partner country participation through Regional Consultations to hear and discuss the views and demands of countries about their priorities of support.

CASE EXAMPLES

Vietnam DRM Programme Activities

Building on a long partnership on DRM issues with the Government of Vietnam, the WB has a comprehensive programme, aimed at supporting the country on its transition toward a new phase of economic development.

Building on lessons of previous operational support, the WB programme supports the Government of Vietnam in carrying out its 2015–2020 tax reform strategy. As a result of a collaborative effort between the GGP and MFM Global Practices, a package of instruments is being used in the following areas:

NATIONAL AND SUB-NATIONAL DEVELOPMENT POLICY LENDING (DPL):

The tax policy and actions proposed in this DPL reinforce the objective of revenue generation and investment climate improvement.

TAX POLICY AND ADMINISTRATION REFORMS:

Drawing on the TADAT assessment led by a WB team, a technical assistance project is being prepared to support the Government on the design, implementation and evaluation of tax policy reform options, both for broad-based taxes and emerging sources of revenue such as environmental and property taxes.

INTERNATIONAL TAX:

As part of the WB's broader program to support client administrations in fighting base erosion and profit shifting risks, the WB supported development of a new transfer pricing (TP) decree to help Vietnam implement elements of the G20/OECD Base Erosion and Profit Shifting (BEPS) project and to join the OECD Inclusive Framework.

BUSINESS TAX SIMPLIFICATION:

This Technical Assistance project supports the client to simplify tax regulations and lower the compliance burden for SME taxpayers. Reforms introduced include the adoption of VAT threshold, less frequent filing, other filing simplification measures on tax and accounting, and the adoption of risk-based audit.

CASE EXAMPLES

Pakistan Support for Tax Policy & Administration

To address a low rate of revenue mobilisation (9.5% of GDP in 2012), Pakistan is reforming tax policy and administration with World Bank support through the Pakistan Trust Fund for Accelerating Growth and Reforms (TAGR). The program builds on lessons learned in the previous Tax Administration Reform Project (TARP), which encountered strong internal resistance to change from tax authorities. The current project takes a more holistic approach to tax policy, tax administration, and expenditure. The project mobilises staff from three Global Practices (Governance, Macroeconomic & Fiscal Management, and Trade & Competitiveness) to provide technical assistance to support client-driven reforms that help meet policy objectives of increasing fiscal space to fund quality social expenditure and improved provision of public services.

The TAGR has deployed an innovative set of tools covering process mapping and reengineering of the tax administration, IT assessments, HR assessment, stakeholder analysis, and a monitoring and evaluation framework. Front-loaded technical assistance sets the agenda for more systemic policy, institutional, and system reforms.



CASE EXAMPLES

Results to date (since January 2015):

- Tax-to-GDP ratio increased by 2% over three years: Taxpayer registration and payment increased nationwide by about 9% and 30% respectively.
- Quick-win policy actions implemented (tax exemptions reduced): Institutional reforms introduced at the federal and provincial levels (tax policy units operational).
- IT reforms implemented, but not seen as an end in itself.
- Audit strategy and culture is changing to adopt risk-based systems.
- Audit modern techniques and staff capacity enhanced and meeting targets.

OUTLOOK

Under the first DRM strategic effort of International Collaboration and Coordination, the World Bank will strengthen the involvement of developing countries in DRM global discussions (at IMF-World Bank Annual and Spring Meeting events to discuss international tax issues and consult on toolkits as well as thematic consultations on selected). Further, international tax toolkits will be developed to address BEPS and non-BEPS international tax issues in developing countries (with IMF, OECD and UN).

The World Bank is embarking on a programme of actionable research and data collection to push the global knowledge frontier on 'what works and why' in tax reform. Under the strategic effort of Diagnostics, Data and Evidence, several tools such as TPAF, TADAT, international tax tools (with Platform partners) and tax crime tools are to be developed (further) and applied. Research efforts will focus on tax compliance and efficiency, sufficiency and equity aspects of taxation in developing countries, complemented by impact evaluation in tax projects.

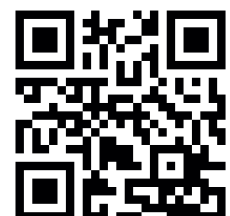
Upcoming country-level activities will focus on regional consultations with client governments to identify DRM priorities and the development and piloting of Medium Term Revenue Strategies (MTRS) with national authorities.

**Find the complete Report
in the Online Version**

ATI Monitoring Report 2015 EN



DRM Database





www.addistaxinitiative.net