Study on Donor Coordination in Domestic Revenue Mobilisation

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Executive summary

This study explores donor coordination in international tax cooperation and domestic resource mobilisation (DRM). It has been commissioned by the International Tax Compact (ITC) with funding provided by the German Ministry for Economic Cooperation and Development (BMZ) and the European Commission. It is intended to support the work of the Addis Tax Initiative (ATI). It reviews existing coordination mechanisms for DRM and provides an assessment of unmet coordination needs for DRM financing and support, both at international and country levels.

The study is desk-based, drawing on publicly available literature and data, supported by telephone interviews with a selection of ATI members and partners. Light-touch country case studies of donor coordination for DRM were also undertaken in Afghanistan, Ghana and Uganda. In each country, we spoke to government officials and development partner representatives on their experience with coordination. These views are not necessarily representative and our conclusions are not intended to be evaluative in nature.

What is the issue?

Development partner members of the Addis Tax Initiative (ATI) have committed to doubling their finance for DRM by 2020, from a baseline of $222.36 million in 2015.[1] As financing increases, donor coordination will be increasingly important for avoiding overlaps and duplications, ensuring coherent approaches and enabling partner countries to manage their DRM assistance more effectively.

There has been good progress on coordination for DRM in recent years, including through information sharing forums and platforms such as the ATI and the development of joint diagnostic tools. However, a range of coordination challenges are still evident at both international and country levels, imposing high transaction costs on partner countries and making it more difficult for them to exercise leadership of the DRM agenda.

This study presents a conceptual framework for what stronger donor coordination and development effectiveness in the DRM sector might look like (theoretical best practice). This is followed by a problem-based analysis that explores and identifies challenges in existing coordination models for DRM (actual practice). The study concludes with a set of options for strengthening donor coordination for DRM, both at international and country levels.

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[1] ATI (2018) *ATI Monitoring Brief 2016: ATI Commitment 1*, _link_.

Coordination at the international level

At the international level, we explored coordination needs in three areas.

Partner country voice on international policy on DRM

In recent years, significant effort has been made to increase partner country engagement in international forums where DRM support is discussed. The ATI, for example, brings together development partners, partner countries and supporting organisations for dialogue on DRM support, working closely with other policy-setting bodies such as the Organisation for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and regional tax organisations. Various other international forums also exist, including the recently launched Network of Tax Organisations (NTO), which brings together regional tax organisations to support capacity development, promote internal collaboration, and provide a global platform for international tax dialogue, including on the approach to DRM. The Platform for Collaboration on Tax (PCT), launched in 2016 by the IMF, the OECD, the United Nations and the World Bank, also supports the participation of developing countries in global dialogue on tax matters, including DRM support.

While they welcomed these opportunities to participate in international dialogue, partner country representatives interviewed also pointed to barriers to their effective participation. Both partner countries and development partners expressed an interest in enhancing the ATI itself, both through expanded membership and increased engagement by existing members.

A fair allocation of DRM support across partner countries

As donor funding for DRM increases, there are unresolved questions as to how to ensure that it matches partner country need. The current pattern of donor support to DRM is fragmented and unevenly allocated, with some partner countries receiving less support than they need. In principle, aid for DRM could either be allocated on the basis of objective measures of need, to avoid aid orphans and darlings, or to countries where it is most likely to be effective. The second approach would concentrate aid in countries with an enabling environment, including country leadership of DRM reform and absorption capacity for technical assistance. This approach is implicit in the design of the ATI itself, which as a membership-based body enables partner countries to signal their interest in DRM reform. However, it is also important that partner countries that are yet to establish a track record of successful DRM reforms are given opportunities to do so.

Coordination of approaches among development partners

Development partners bring a diversity of approaches to DRM support. This can be healthy, creating a marketplace in ideas and allowing complementary support. But there is also a risk of promoting contradictory approaches to DRM reform, raising transaction costs and undermining country ownership. We looked at a number of potential solutions to harmonising development partner approaches at the international level, including information sharing, joint diagnostics and knowledge and evidence. We found that all of these areas had been strengthened in recent years, although there is still scope to improve the consistency and timeliness of information flows to support coordination. A proliferation of diagnostic tools has also given rise to some confusion amongst stakeholders.

Coordination at the country level

At the country level, we explored the potential for coordination through an enhanced DRM planning and programming cycle, from setting national priorities to aligning development partner programming, harmonising funding modalities and measuring results. At present, across the case study countries, there is no common approach to DRM coordination, although development effectiveness principles are observed in various ways and could offer a foundation for a more concerted approach.

Country ownership of DRM reform and alignment behind country strategies

It is widely acknowledged that partnerships for development are most effective if they are led by developing countries, with development partners tailoring their support to country needs and priorities.[2] This is clearly essential for DRM, where reforms are politically challenging and need strong national leadership. They also need to be sequenced and linked to wider policies on governance reform and economic development. In our case study countries, while stakeholders agreed on the importance of country ownership, they felt it was often lacking in practice. Given capacity constraints, some national DRM strategies can be closer to 'shopping lists' than to sequenced action plans, leaving it to individual development partners to decide which reform objectives to support. The Medium-Term Revenue Strategy (MTRS) initiative, developed by the Platform for Collaboration on Tax and now being piloted in a number of countries, is attempting to change this dynamic by promoting country-owned, citizen-driven DRM planning.

Even with a national DRM strategy in place, development partners often find it difficult to align their support due to competing priorities and procedural barriers. Alignment also takes time due to multi-annual programming cycles, creating a risk of loss of momentum following the adoption of a national DRM strategy. If partner countries include development partners in the process of developing their DRM strategy, for example through joint diagnostic work, this can increase the prospects of meaningful alignment.

Harmonisation of DRM support

There are a range of options for development partners to coordinate their DRM support at the country level, from basic information sharing through to formal division of labour agreements and/or joint funding. Across our case study countries, collaboration on DRM support has been improving, but information sharing is not as strong as it could be. Sector coordination groups on DRM have been established in a number of countries, with mixed success. These groups require active support from government and development partners, and tend to lapse if this is lacking. There may be potential for more use of pooled funding at country level – either through co-funded programmes or technical assistance basket funds. Pooled funds have been used in all of our case study countries to some degree and have helped to improve coordination, although they bring their own coordination and management challenges.

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[2]   Busan High Level Forum (2011) *Busan Partnership for Effective Development Co-operation*, Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, 29 November to 1 December 2011, *link*.

Managing for results

Good monitoring and evaluation is needed to track progress, support learning and enable partner countries and development partners to hold themselves and each other to account. In principle, national DRM plans should include results indicators, and development partners should incorporate these into their programme-level results frameworks, to ensure common goals. Periodic joint assessments of progress are also helpful to keep DRM support results-focused. So far, this has not been a significant focus of effort in any of the case study countries, and joint results frameworks and progress reviews remain the exception. There are common problems with developing coherent results frameworks that link activities and outputs to outcomes in a convincing way, while long-term goals and sustainability of results are often overlooked. There are ongoing discussions within ATI on how to measure progress at the country level.

Conclusions and recommendations

Coordination can be resource-intensive for both development partners and partner countries, and the return (in terms of improvement in development effectiveness) needs to justify the investment. This study suggests that the following areas may be the most promising for the ATI to explore in the coming period.

Coordination challenge	*Potential solutions*
International level	
A limited evidence base on what works in DRM reform and DRM support, particularly regarding the prioritisation and sequencing of reforms in different country contexts, and the links between DRM reforms and wider economic and administrative reforms.	• ATI to commission a review of the state of evidence on DRM reform, to identify gaps and research priorities. • ATI to identify an appropriate partner to act as a resource centre, collecting the knowledge and evidence being generated across members and producing and disseminating syntheses.
A lack of reflection on the political economy challenges to DRM reform, and limited take up of new approaches to flexible, adaptive, politically informed support.	• ATI to commission a synthesis study on the political economy of DRM reform, and to explore opportunities for applying Thinking and Working Politically principles to DRM support.
A proliferation of DRM diagnostic tools, creating some confusion among stakeholders.	• Building on the technical assessment currently being carried out by the Government of Norway, ATI to produce guidance for members outlining the function of each tool and which are more appropriate in different circumstances.

Coordination challenge	Potential solutions
A potentially unfair or inefficient global allocation of DRM support.	• ATI and the PCT to explore the case for using multi-donor trust funds to scale up support for partner countries able to demonstrate an enabling environment for DRM reforms – in particular, an effective and well-prioritised national strategy and action plan. • ATI to explore whether its proposed Match-making Facility could be designed so as to direct support towards underfunded countries that are seeking to boost their absorption capacity for DRM support.
Country level	
Some ATI partner country members still lack national DRM strategies that are strong enough to support donor alignment.	• ATI members to prioritise the development of DRM country strategies (whether Medium Term Revenue Strategies or their equivalent), based on joint diagnostic work and national consultations. • ATI partner countries to commit to operationalising their DRM strategies with action plans that clearly prioritise and sequence their proposed reforms, to support stronger alignment by development partners.
Harmonisation of funding among DRM development partners in-country is variable, leading to high transaction costs and a risk of contradictory approaches.	• In partner countries with substantial DRM portfolios, ATI members to reach agreement on information sharing and division of labour, preferably through country-led working groups. • ATI development partners to explore joint funding of technical assistance facilities, able to support the design and implementation of DRM reforms in a flexible manner.
A lack of internationally agreed metrics of progress on DRM, and a lack of strong results frameworks for national DRM strategies.	• ATI to develop a menu of indicators for measuring progress on DRM, supported by appropriate guidance. • At the country level, ATI members to incorporate a selection of these indicators into their results frameworks. • ATI members to agree to a regular cycle of joint diagnostic reviews, feeding into the updating of national DRM strategies and action plans.

Abbreviations

Abbreviation	Defintion
AAAA	Addis Ababa Action Agenda
ARD	Afghanistan Revenue Department
ARTF	Afghanistan Reconstruction Trust Fund
ATAF	African Tax Administration Forum
ATI	Addis Tax Initiative
BMZ	German Federal Ministry for Economic Cooperation and Development
BSHG	Budget Support Harmonisation Group
CDF	Capacity Development Fund
CG1	Consultative Group on Commitment 1
CIAT	Inter-American Centre of Tax Administration
CoPs	Communities of practice
CRS	Creditor Reporting System
CSO	Civil society organisations
DRC	The Democratic Republic of Congo
DoL	Division of labour
DRM	Domestic resource mobilisation
DRUM	World Bank trust on Domestic Revenue Mobilisation, Public Investment Management and Transparency
FINMAP	Financial Management and Accountability Programme
FPIP	Fiscal Performance Improvement Plan
FSP	Fiscal Support Programme
FTA	Forum on Tax Administration
GCP	Global Call for Proposals
Global Partnership	The Global Partnership for Effective Development Cooperation
GRA	Ghana Revenue Authority
GRP	The OECD's Global Relations Programme
GTAXPR	The World Bank Global Tax Programme Trust Fund
HQ	Head quarters
IATI	International Aid Transparency Initiative
IFIs	International Financial Institutions
IMF	International Monetary Fund
INTOSAI	The International Organisation of Supreme Audit Institutions
IOTA	Inter-European Organisation of Tax Administrations
ISORA	International Survey on Revenue Administration
ITC	International Tax Compact
MDBS	Multi-donor budget support

Abbreviation	Defintion
MDGs	Millennium Development Goals
MDTFs	Multi-donor trust funds
MNRW	Managing Natural Resource Wealth
MNRW-TF	The IMF Managing Natural Resources Wealth Thematic Fund
MTRS	Medium Term Revenue Strategy
NTO	Network of Tax Organisations
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECD DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
PBA	Programme-based approaches
PCT	Platform for Collaboration on Tax
PDIA	Problem Driven Iterative Adaptation
PEMPAL	Public Expenditure Management Peer-Assisted Learning Network
PFM	Public financial management
RA-GAP	Revenue Administration Gap Analysis Program
REAP	Resource Enhancement and Accountability Programme
RMTF	The IMF Revenue Mobilisation Thematic Trust Fund
RTO	Regional tax organisations
SAI	Supreme Audit Institutions
SDG	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SPEMP	Strengthening Public Expenditure Management programme
SWAps	Sector-Wide Approaches
SWGs	Sector working groups
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TPAF	Tax Policy Assessment Framework
TPD	Tax Policy Division
TWP	Thinking and Working Politically
URA	Uganda Revenue Authority
USAID	United States Agency for International Development

1. Introduction

This study of coordination in international tax cooperation has been commissioned by the International Tax Compact (ITC) with funding provided by the German Ministry for Economic Cooperation and Development (BMZ) and the European Commission. It is intended to support the work of the Addis Tax Initiative (ATI). In the context of the ATI commitment to doubling international assistance for domestic resource mobilisation (DRM), it reviews existing coordination mechanisms and provides an assessment of unmet coordination needs for DRM financing and support. The findings of the study are intended to support efforts to enhance the effectiveness and efficiency of donor support for DRM, at both international and national levels.

The 2015 Addis Ababa Action Agenda (AAAA), adopted at the Third Financing for Development Conference in Addis Ababa, sets out a global framework for a broader and more sustainable approach to financing development. It includes a focus on the mobilisation and effective use of domestic resources for financing the Sustainable Development Goals (SDGs).[3] The ATI, launched at the same event, is a partnership between a group of development partners, partner countries and supporting organisations to enhance capacity building and commitment for DRM.[4]

ATI partners have focused their DRM efforts around three commitments:

1. Doubling support for technical cooperation in the area of tax/DRM by 2020;

2. Enhancing DRM to spur development; and

3. Ensuring policy coherence for development.[5]

ATI Consultative Groups were formed under each of these commitments in February 2018 to organise and execute supporting activities.[6]

Commitment 1 will see development partners doubling their technical cooperation for DRM by 2020, from a baseline of $222.36 million in 2015.[7,8] As financing for DRM increases, so too will the need for improved coordination and coherence to ensure that the increased resources are collectively efficient and mutually reinforcing. The coordination challenge was discussed by Consultative Group on Commitment 1 (hereafter CG1) during an ATI meeting in Stockholm in June 2018. CG1 members agreed to prepare a concept paper outlining a possible framework for donor coordination in DRM. This study is the result of that agreement.

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[3] UN (2015) *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*, 13-16 July 2015, *link*.

[4] ATI (2015) *Financing for Development Conference, The Addis Tax Initiative – Declaration*, *link*.

[5] Ibid

[6] ATI (undated) *The ATI Consultative Groups*, *link*.

[7] ATI (2018) *ATI Monitoring Brief 2016: ATI Commitment 1*, *link*.

[8] All $ figures in this report refer to USD.

1.1 Methodology, scope and structure

This report summarises the findings of a review on donor coordination in DRM. It draws on a core set of development effectiveness principles, developed and refined through the Paris Principles of Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Busan Partnership for Effective Development Cooperation (2011). The report recognises that the ATI is part of a shift in thinking on the role of aid, away from funding the delivery of development results directly, towards facilitating national development efforts and leveraging other forms of development finance.

> *"For ODA to support the achievement of the 2030 Agenda, its effectiveness must continue to improve. It must become more predictable, concessional and transparent, and become better aligned to national development goals."*
>
> *Global Partnership for Effective Development Cooperation, 2016.[9]*

This study was primarily desk-based, drawing on publicly available literature and data sources, supported by telephone interviews. It included light-touch country case studies of donor coordination on DRM in Afghanistan, Ghana and Uganda. These countries were selected in consultation with the ITC Secretariat. All three were among the top ten recipients of DRM financing in 2016 (latest available data from ATI) and have elements of interest for this study. Ghana, for example, has a high number of DRM development partners, Uganda is a pilot country for the Medium Term Revenue Strategy (MTRS) initiative and Afghanistan provides an example of DRM support in a fragile context. The case studies involved a small number of interviews with government and development partners in each country. It is important to note that these views are not necessarily representative and our conclusions are not meant to be evaluative in nature.

At the international level, interviews were conducted with a selection of ATI development partners, partner countries and supporting organisations. Interviews were conducted with revenue authorities and/or ministries of finance in all three case study countries, together with a small number of DRM development partners. The interview list in Annex A provides a full list of the organisations interviewed. Coordination challenges and opportunities for DRM were explored at both levels, including a review of existing coordination models, discussions around current challenges to coordination, and reflection on the level of unmet demand for DRM coordination amongst ATI members and country level stakeholders.

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[9]   Global Partnership for Effective Development Cooperation (2016) *Submission to the HLPF 2016*, 19 May 2016, <u>link</u>.

This study was underpinned by the following research components:

1. *Data collection on current patterns of DRM support to evidence the need for improved coordination.*

2. *Development of a conceptual framework for DRM coordination, framed around the development effectiveness principles that have underpinned the Paris Principles of Aid Effectiveness, the Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation.*

3. *Mapping of existing DRM coordination mechanisms through desk-based research and stakeholder interviews, including an assessment of their strengths and weaknesses.*

4. *Problem-based analysis of current coordination approaches to DRM at international and national levels, exploring challenges and gaps in coordination and highlighting areas where improved coordination could help to increase the effectiveness of DRM financing.*

5. *Survey of donor coordination models from related capacity-building fields, including supreme audit and public financial management, to identify any components of coordination that could be relevant to DRM.*

6. *Development of a set of recommendations to support ATI discussions around improved DRM coordination.*

Box 1: Research framework

The report begins by examining the case for coordination around the growing DRM portfolio. It then presents a conceptual framework for what strong donor coordination and development effectiveness in the DRM sector might look like (theoretical best practice), followed by a problem-based analysis that explores and identifies challenges in existing coordination models for DRM (actual practice). The report concludes with a set of options for strengthening donor coordination for DRM, both at international and country levels.

Throughout the report, where appropriate, there is also reflection on coordination models that are being used in other areas – particularly those where development partner assistance is primarily knowledge-based, as is typically the case for support to DRM. The areas we reviewed included supreme audit institutions and public financial management (PFM). While the report does not recommend copying coordination models directly from other sectors, there are elements of best practice that may be pertinent to the DRM sector. Other sector examples are highlighted in blue boxes to distinguish them from DRM coordination examples (in orange boxes).

2. The case for coordination

This section highlights the importance of coordination for effective delivery of international development assistance (ODA). It begins with a brief history of the evolution of development effectiveness since the early 2000s, in order to frame the current context. It then explores the role of coordination for maximising the effectiveness of a growing DRM portfolio.

2.1 Development effectiveness principles

International policy on development effectiveness emerged from the early 2000s, as aid volumes rose to support delivery of the Millennium Development Goals (MDGs), in recognition that the forms and modalities of aid and development cooperation can be a key factor in their effectiveness.[10] Over the course of four High-Level Forums on Aid Effectiveness between 2003 and 2011, development partners recognised that the fragmentation of aid into parallel bilateral and multilateral projects was creating overlaps and duplication, raising transaction costs for partner countries and reducing the effectiveness of aid. The aid effectiveness agenda evolved in dialogue among multiple stakeholders into a set of principles for good development practice.

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[10]   OECD (2008) *The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, link*.

Organised by the Organisation for Economic Cooperation and Development (OECD), in collaboration with host governments, these forums brought together political leaders, government representatives, multilateral organisations, civil society organisations (CSOs) and the private sector. The outcomes of these fora continue to underpin current approaches to development effectiveness.

- *First High Level Forum on Aid Effectiveness, Rome 2003: outlined an initial set of principles for development effectiveness, focused on ensuring the delivery of aid according to developing country priorities and timelines, and encouraging development partners to increase their flexibility at country and project levels.*

- *Second High Level Forum on Aid Effectiveness, Paris 2005: developed the Paris Declaration on Aid Effectiveness, built around five core principles of ownership, alignment, harmonisation, managing for results and mutual accountability.*

- *Third High Level Forum on Aid Effectiveness, Accra 2008: developed the Accra Agenda for Action, which reaffirmed commitment to the Paris Principles and called for greater partnership between aid stakeholders.[11]*

- *Fourth High Level Forum on Aid Effectiveness, Busan 2011: developed a partnership framework that embraces traditional development partners, South-South cooperation, BRICs, CSOs and private funders. It highlights a set of common development effectiveness principles for all development actors focused on ownership, focus on results, inclusive partnerships for development and transparency and mutual accountability. Busan increased the focus on inclusive and sustainable growth and highlighted the importance of DRM for financing development.[12]*

Box 2: High Level Forums on Aid Effectiveness

The earlier high-level forums focused on improving the aid delivery practices of development partners in the OECD's Development Assistance Committee (OECD DAC). The emphasis has changed in recent years as the development landscape has continued to evolve, encompassing new donors and funding channels. The Busan Partnership for Effective Development Cooperation marked a shift in focus, away from the administration of aid towards a wider set of principles around effective development cooperation, embracing new development partners and more stakeholders within developing countries, in accordance with a broader notion of country ownership. Busan also highlighted the importance of supporting DRM, to enable partner countries to finance their own development needs.[13]

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[11]   OECD (2019) *Paris Declaration and Accra Agenda for Action*, *link*.

[12]   Busan High Level Forum (2011) *Busan Partnership for Effective Development Co-operation*, Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, 29 November to 1 December 2011, *link*; OECD (2019) *The Busan Partnership for Effective Development Co-operation*, *link*.

[13]   Busan High Level Forum (2011) *Busan Partnership for Effective Development Co-operation*, Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, 29 November to 1 December 2011, *link*.

> *"The mobilisation and effective use of domestic resources to support national development priorities and the 2030 Agenda is critical for sustainable long-term, country-owned development."*
>
> *Nairobi Outcome Document, 2016.*[14]

The Global Partnership for Effective Development Cooperation ("Global Partnership") was created during the Busan forum. This is a multi-stakeholder platform to advance development effectiveness and contribute to the achievement of the SDGs. Its work includes a focus on sharing lessons and knowledge on operationalising development effectiveness principles and monitoring progress in implementing effective development cooperation commitments to enhance accountability.[15] At the First High-Level Meeting of the Global Partnership in Mexico in 2014, members committed to implementing a paradigm shift from aid effectiveness to effective development cooperation, sustained by the contribution and catalysing effect of ODA.[16]

The Second High-Level Meeting of the Global Partnership took place in Nairobi in 2016. The Nairobi Outcome Document recognised the challenge of ensuring development effectiveness in a constantly changing development landscape. It also highlighted the need for improvements in the quality, quantity and diversity of assets for financing the SDGs.

2.2 Coordinating a growing DRM portfolio

Development partners bring a diversity of approaches to DRM support. This can be healthy, creating a marketplace in ideas and allowing them to provide complementary support. But as financing for DRM increases, there is also a risk that they will promote contradictory approaches to DRM reform, raising transaction costs and undermining country ownership. Donor coordination is important to enable partner countries to manage the assistance effectively.

Data on DRM financing prior to 2015 is scarce and often inconsistent. In 2015, following ATI, the OECD introduced a DRM-specific code into its Creditor Reporting System (CRS). It defines DRM support as *"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."*[17]

The data shows a significant increase in ATI development partner financing for DRM in the first year after the ATI commitment, from $222.36 million in gross disbursements in 2015 to $358.18 million in 2016 – an increase of 61%.[18] However, most of this increase was due to two

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[14] Global Partnership for Effective Development Co-operation (2016) *Nairobi Outcome Document*, 1 December 2016, *link*.

[15] Global Partnership for Effective Development Co-operation (2019) *About Global Partnership Monitoring*, *link*; Global Partnership for Effective Development Co-operation (2017) *Answers to frequently asked questions about the Global Partnership*, *link*.

[16] Global Partnership for Effective Development Co-operation (2014) *First High-Level Meeting of the Global Partnership for Effective Development Cooperation: Building Towards and Inclusive Post-2015 Development Agenda*, Mexico High Level Meeting Communiqué, 16 April 2014, *link*.

[17] OECD DAC (2019) DAC CRS Codes, *link*.

[18] ATI (2018) ATI Monitoring Brief 2016: ATI Commitment 1, *link*.

large loans from France ($45 million to Armenia and $110 million to Indonesia).[19] If these are excluded, ATI development partner support to DRM actually decreased by 9% against the 2015 disbursement baseline.[20] Data for 2017 continues to reflect an increase on the 2015 baseline, but shows a 27% decrease in ATI partner gross disbursements since 2016. ATI development partner gross disbursements in 2017 were $260.41 million.[21]
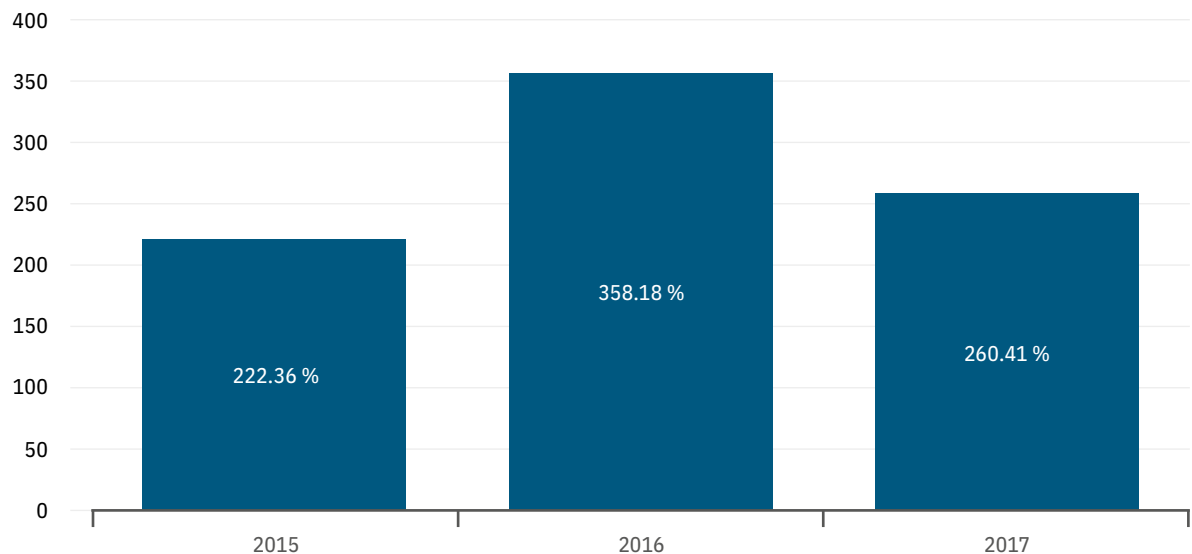
Figure 1:   **ATI development partner gross ODA disbursements for DRM 2014-2017 (USD millions)**[22]

Leaving aside loans, which support larger projects, ATI development partner grants for DRM in 2016 totalled $203.4 million. These were provided by 19 ATI development partners and spent across 20 ATI partner countries. Oxfam reports (based on data provided in the ATI database) that ATI development partners supported 634 individual projects in 2016, for an average project cost of $332,000.[23] The ten countries with the largest projects received about $1.6 million per project, but for 96 other countries, the average was just $170,000.[24] These figures indicate a high level of aid fragmentation in the DRM sector, with lots of small pieces of support being provided by different donors. This imposes high transaction costs on partner countries and makes it more difficult to coordinate across development partners.

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[19]   Ibid

[20]   Ibid

[21]   Data provided by ITC Secretariat.

[22]   ATI (2018) *ATI Monitoring Brief 2016: ATI Commitment 1*, <u>link</u>; Devitt (2018) *ODA for domestic revenue mobilization: progress, prospects and opportunities for effective support*, Discussion Paper, <u>link</u>.

[23]   Oxfam (2018) *Doubling down on DRM: are we making the right bets?*, <u>link</u>.

[24]   Ibid

3. Conceptual framework: applying development effectiveness principles to DRM

One of the lessons learned from the Paris Declaration era is that donor coordination can come with high transaction costs. Moving beyond basic information sharing into harmonised approaches and pooled funding mechanisms can be resource intensive for both development partners and partner countries, especially during the set-up phase. It is important to consider whether the investment of time and effort is likely to deliver a positive return, in terms of better development outcomes.

In this section, we assess the potential options available from applying development effectiveness principles to improve donor coordination in the DRM field. To help us do so, we have developed two conceptual frameworks that map development effectiveness principles to the DRM sector, at both international and country levels. We then explore, in the next section, whether existing coordination mechanisms are adequate in each area, and what scope there might be for strengthening them.

3.1 International level coordination

Setting policies and priorities (ownership)
1. Participation and leadership by partner countries in DRM policy development

Fair allocation of donor support (alignment)
1. Avoiding aid orphans and darlings
2. Matching resources to demand
3. Pooled funding for DRM at the international level

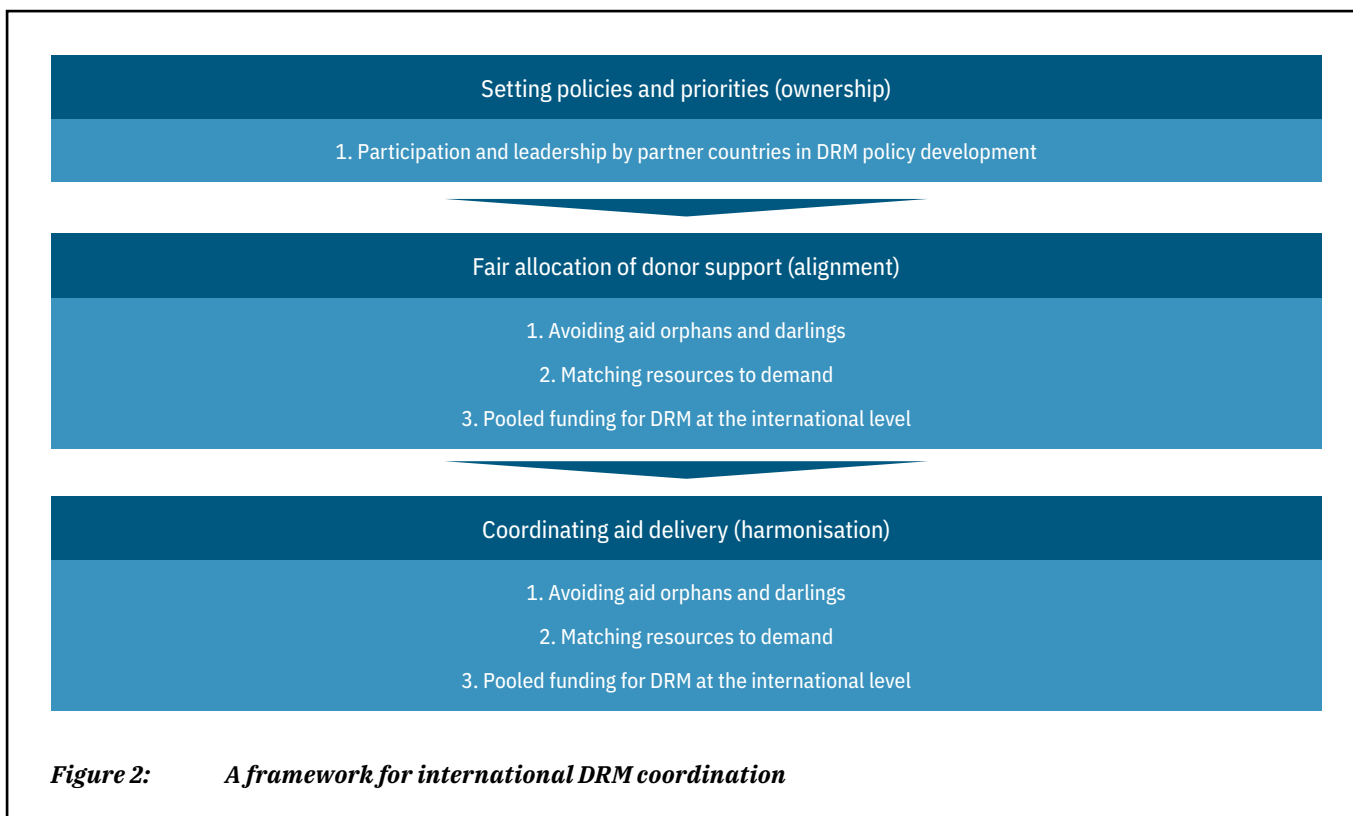| Coordinating aid delivery (harmonisation) |
| --- |
| 1. Avoiding aid orphans and darlings |
| 2. Matching resources to demand |
| 3. Pooled funding for DRM at the international level |

Figure 2:   *A framework for international DRM coordination*

Ownership: The potential scope for coordination at the international level includes collaboration among development partners and partner countries on setting and managing the global approach to DRM reform. Development effectiveness principles suggest that developing countries should have a strong voice in setting priorities and agreeing approaches – not just in their own countries, but at the international level. Ideally, this would include dialogue to develop a common understanding of what works, in terms of the formulation, sequencing and delivery of DRM reforms, and how development partners can best support them.

Alignment: How can development partners allocate scarce financial support for DRM in such a way that it is both *efficient* (that is, allocated to countries able to make the most effective use of it) and *equitable* (that is, based on an objective assessment of need)? All partner countries will need to make progress on DRM if they are to finance their SDG commitments. Major gaps or imbalances in the global allocation of development partner assistance would therefore be a concern. On the other hand, ODA support is most likely to be effective in partner countries with active political support and supportive policies for DRM. It is therefore appropriate for resource allocation to be responsive to country demand. If, however, the bulk of DRM support goes to countries able to show a track record of successful DRM reforms, this risks becoming inequitable over time. This would need to be complemented by resources for countries that are interested on embarking on DRM reforms.

In practice, most bilateral development partners do not start with a global allocation of ODA for DRM, to be shared across countries. Rather, aid budgets are allocated to countries, and then sectoral priorities determined for each country by reference to development partner policies, country priorities and what support other development partners are providing. Any coordination on aid allocation is therefore likely to be post facto: determining whether significant gaps or imbalances have resulted from the existing allocation processes, and using international instruments – such as multi-donor trust funds (MDTFs) – to fill gaps. This is not yet a feature of donor coordination on DRM, but is an option that could be explored.

Harmonisation: Harmonisation at the international level means ensuring that ATI development partners work in complementary ways, and not at cross purposes. Various initiatives might contribute to a more harmonised approach to DRM support:

- Sharing information on DRM assistance commitments, expenditure and forward plans, to facilitate coordination and minimise gaps and overlaps;

- Developing common tools for DRM support, such as joint diagnostics;

- Developing a stronger understanding of how DRM reform fits with other economic and administrative reforms; and

- Sharing knowledge and evidence on what works, both in terms of effective DRM reforms and how development partners can support them. The stronger the knowledge base at the international level, the easier it is to align support with national priorities in each country, and the more likely that development partner interventions will be mutually reinforcing.

3.2 National level coordination

At the country level, it is useful to think of coordination opportunities occurring through the planning and programming cycle (see Figure 3).

Figure 3:   A framework for country-level DRM coordination
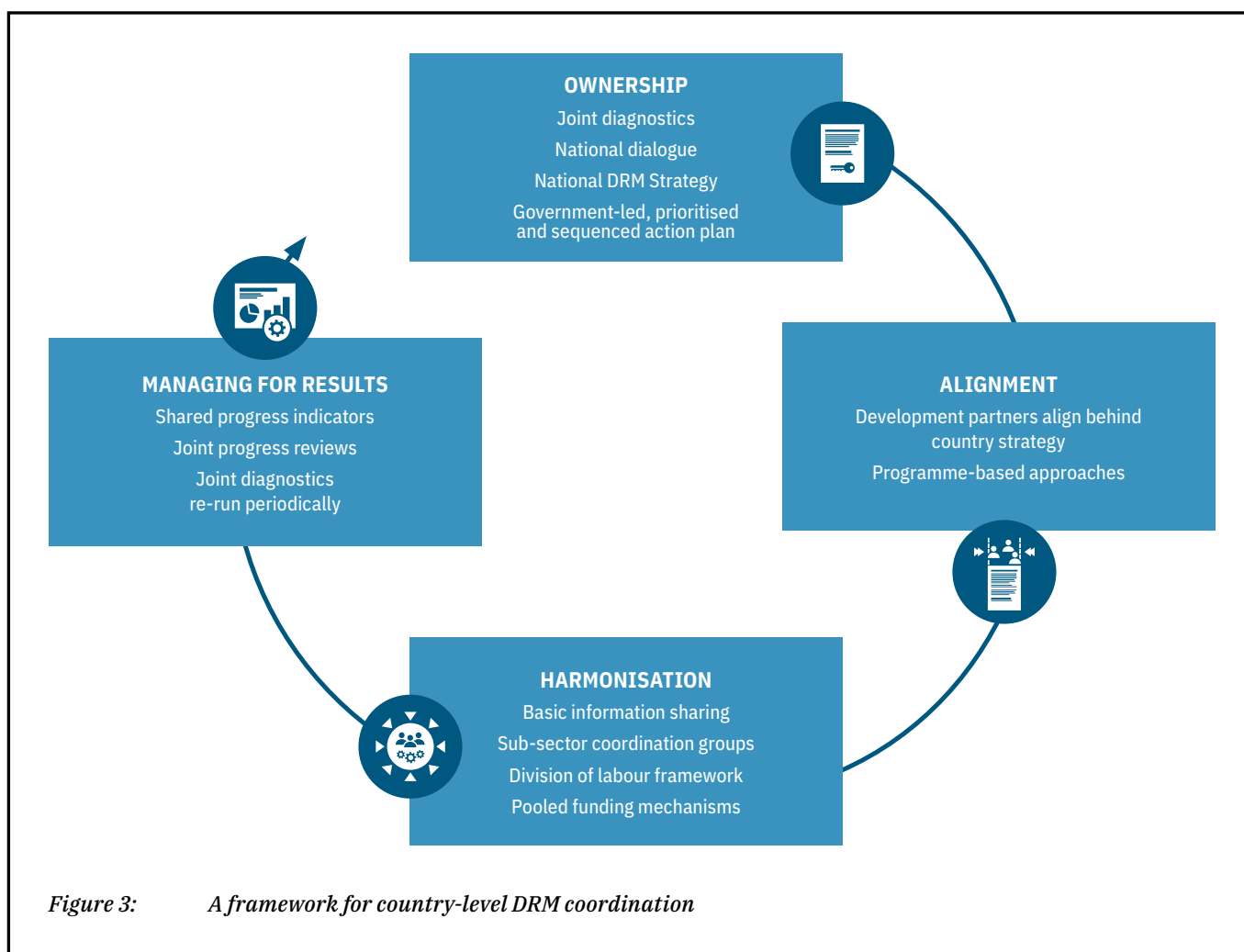
Ownership: The foundation might be joint diagnostics, to help partner countries and development partners reach a shared understanding of DRM needs and priorities. Repeating diagnostics at intervals (e.g., on a three-year cycle, or linked to each new iteration of a national review strategy or action plan) also provides a tool for monitoring progress.

The Busan Partnership for Effective Development Cooperation highlights that partnerships for development can only succeed if they are led by developing countries, with development partner support tailored to country needs and priorities.[25] This is clearly essential for DRM, where reforms can be politically challenging and need strong national support. They also need to be

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[25]   Busan High Level Forum (2011) *Busan Partnership for Effective Development Co-operation*, Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, 29 November to 1 December 2011, *link*.

carefully sequenced and linked to wider administrative reforms and policies for promoting an enabling environment for business and investment. This calls for a country-led DRM strategy, supported by a prioritised and sequenced action plan, to which development partners can align. Ideally, the country strategy should be developed through a process of dialogue that includes civil society and the private sector, in keeping with the principle of inclusive development partnerships. Broad stakeholder consultation is critical for ensuring citizen buy-in for DRM reform.

Alignment: Development partners should then align their support behind a country-owned strategy – not just by contribution to the same objectives, but also by following country preferences on prioritisation and sequencing. For DRM, these strategies may already exist or could be developed through the Medium-Term Revenue Strategy (MTRS) approach proposed by PCT partners in 2016 and now being piloted.[26] Alignment can then take the form of individual development partners providing technical assistance in support of particular objectives in the national strategy. A more ambitious form of alignment is a programme-based approach, where a group of development partners provide the country counterparts with a flexible pool of resources to implement an agreed strategy or programme of action. Programme-based approaches are less common in fields such as DRM where the support is predominantly in the form of technical assistance.

Harmonisation: There are various approaches development partners can take to coordinate with each other and minimise gaps and overlaps. At the least, they should be sharing information on their commitments, technical approaches and forward plans, to facilitate planning. This may be done through sector working groups, ideally led by national counterparts, which can also offer platforms for policy dialogue. They might include a formal division of labour agreement, where development partners agree to focus their assistance in different areas, according to their comparative advantages. At the most ambitious end, groups of development partners may move towards joint funding, through multi-donor programmes or a trust fund arrangement.

Managing for results: Good monitoring and evaluation is important for tracking progress, adjusting approaches in response to lessons learning, and to enable national counterparts and development partners to hold each other to account and to be accountable to their respective parliaments. Development partners should look to align their results indicators with indicators set out in national plans, where possible. There is also value in joint progress reviews – including rerunning the full diagnostic exercise.

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[26] IMF, OECD, UN and World Bank (2016) *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries*, Prepared for submission to G20 Finance Ministers, July 2016, _link_.

4. International DRM coordination: the current picture

This section explores the current state of DRM coordination at the international level. It recognises efforts made to improve international coordination for DRM in recent years, highlighting existing coordination mechanisms and exploring their effectiveness. It also identifies areas where coordination is not working so well, highlighting unmet coordination needs and/ or coordination problems that need to be solved to support better overall results for DRM financing. Where relevant, best practice examples from other capacity building sectors are used to demonstrate how similar challenges have been addressed in other areas. Findings are organised around the conceptual framework set out in Figure 2 (see above).

4.1 Ownership: policy setting

In this section, we look at international dialogue on DRM and related development partner support, of which the ATI itself is an example. There are also international forums for discussing international tax cooperation, in areas such as exchange of information, base erosion and profit shifting (BEPS) and beneficial ownership. These forums also involve dialogue with developing countries. The two spheres – DRM and international tax cooperation – are distinct, but with areas of overlap, in that development partners also provide technical assistance to developing countries for the implementation of international tax cooperation standards, which in turn contributes to raising tax revenues. For the purposes of this study, however, we are interested in dialogue around DRM as a source of development finance and how development partners can best support it.

We asked a range of ATI members if they thought that partner countries have sufficient voice in setting the international agenda and approach for DRM support. While most of those interviewed (both development partners and partner countries) felt the main ownership challenges were at national level, barriers to ownership were also recognised at the international level.

In recent years, significant effort has been made to strengthen dialogue between partner countries and development partners on DRM. The ATI itself brings together development partners, partner countries and other interested organisations for structured dialogue. It has working groups on DRM, on development partner support for DRM and on policy coherence on tax in donor countries. It works closely with other policy-setting bodies, such as the Organisation for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and regional tax organisations such as the African Tax Administration Forum (ATAF) and the Inter-American Centre of Tax Administration (CIAT). Regional tax organisations like ATAF and CIAT bring an element of regional exchange and peer-to-peer learning to ATI discussions. ATI also provides opportunities for networking and relationship building amongst its members.

We were told by multiple stakeholders that ATI is highly valued as a forum for coordination and policy setting on aid for DRM. There was some suggestion, however, from both development partners and partner countries, that ATI members from partner countries are often constrained in the time they have available to engage with ATI processes beyond scheduled meetings – for

example, commenting on draft papers. There is an interest from all parties in enhancing ATI, both through new membership and through increased engagement by existing members. Current partner country membership in the ATI is also Africa-heavy, with less representation from Latin America and the Asia-Pacific region.

The recently launched Network of Tax Organisations (NTO) also brings together regional tax organisations under one umbrella to support capacity development, promote internal collaboration, and provide a global platform for international tax dialogue. It has set itself an ambitious goal of not only giving a stronger voice to partner countries in the international tax debate, but to operate as an inclusive and broad forum for tax dialogue and to develop a leading role in shaping the international approach to DRM. The NTO was established in May 2018.

The Platform for Collaboration on Tax (PCT), a joint co-operation effort launched in April 2016 by the International Monetary Fund (IMF), the OECD, the United Nations (UN) and the World Bank Group (WBG), also includes a focus on 'facilitating the participation of developing countries in the global dialogue on tax matters,' including DRM.[27] The PCT work plan states that it will promote stakeholder engagement by increasing partner country access to knowledge and practices in tax administration, supporting their participation in international fora and ensuring regular dialogue with stakeholders.[28] In our interviews, we were informed that the PCT has made a big difference to coordination on tax amongst the four member organisations, but the extent to which its outreach activities have strengthened partner country voice and participation is less clear. In its latest progress report for 2018-2019, the PCT sets out several activities to amplify the voice and participation of partner countries. These include seeking inputs from partner countries on toolkits through a number of different mechanisms (e.g., events, dialogue and online consultation) and also sharing lessons learned from technical assistance in DRM, including around the implementation of MTRS.[29]

Overall, efforts are being made to increase the inclusion of partner countries in the international dialogue surrounding DRM financing and approaches. To date, however, the focus has largely been on increasing partner country attendance at international meetings, which does not necessarily amount to an effective voice in international discussions and policy setting. It would be useful for ATI member to explore how to deepen partner country participation, particularly given resource constraints.

4.2 Alignment: ensuring fair allocations

Alignment at the international level is about ensuring fair and appropriate DRM allocations across partner countries.[30] There are two ways of thinking about fairness in aid allocations:

1. Whether aid for DRM is distributed based on objective measures of need, avoiding aid orphans and darlings; and

2. Whether aid for DRM is allocated to the countries where it is most likely to be effective.

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[27] PCT (2018) *Strengthening Tax Capacity in Developing Countries: Inter-agency Platform for Collaboration on Tax,* ECOSOC Special Meeting on International Cooperation on Tax Matters, New York, 18 May 2018, *link*.

[28] Ibid

[29] PCT (2019) *PCT Progress Report 2018-2019,* *link*.

[30] Rogerson, A. and Steensen, S. (2009) *Aid Orphans: Whose Responsibility?* OECD Development Brief Issue 1 2009, *link*.

The second approach would channel more aid to countries with a strong enabling environment for DRM reform, including country leadership of the DRM agenda and absorption capacity for technical assistance. This idea is, in effect, built into the design of ATI, which is a voluntary process that allows partner countries to signal their interest in DRM. It is also built into the allocation criteria of international organisations such as the World Bank and IMF.

We explored the extent to which country baseline and diagnostic surveys are being used to assess political and institutional readiness and absorption capacity for DRM finance at the international level. This appears to be limited – partly because these tools have not been designed for this purpose. The *International Survey on Revenue Administration (ISORA)*, for example, provides global, comparable information on revenue administrations' features and performance, with survey data available for participating jurisdictions through a secured online database hosted by the IMF.[31] ISORA is a partnership between the Inter-American Center of Tax Administration (CIAT), the Inter-European Organisation of Tax Administrations (IOTA), the IMF and the OECD. It provides a strong example of inter-agency coordination. The first survey was completed in 2016 by 135 tax administrations.[32] The surveys include information on strategic plans, operational plans, service delivery standards, management practices and future capability plans (for example). ISORA is intended to assess political and institutional readiness and absorption capacity for DRM finance at the country level. There might be a case for MDTFs for DRM to include ISORA findings more explicitly in their allocation criteria, directing more support to countries that are about to demonstrate effective national ownership of reforms and the ability to use technical assistance effectively.

Recent reporting shows that the total number of countries receiving grant-based aid for DRM has increased, with 20 new countries receiving DRM financing from ATI development partners in 2016.[33] While aid for DRM is becoming less concentrated in terms of overall coverage, 53% of ATI development partner support was still channelled to the top 20 countries in 2016.[34] The three largest recipients of DRM financing in 2016 (excluding the large French loans to Indonesia and Armenia) were the Philippines ($13.35 million), Afghanistan ($11.75 million) and Ghana ($11.74 million).[35] Among regions, sub-Saharan Africa was the biggest recipient (35%) in 2016, receiving nearly three times as much as Asia (13%), the next largest recipient.[36]

According to ATI data, ATI development partners have increased their overall DRM support to ATI partner countries. In 2016, the share of ATI development partner support going to ATI partner countries was 50% (including the two French loans), compared to 22.7% in 2015.[37] If the two French loans are excluded, however, this figure drops to one third (approx. 33%).[38] These figures suggest ATI is beginning to drive increased alignment at the international level, providing a forum through which partner countries demonstrate their commitment to DRM reform and development partners increase their support to these countries.

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[31] IMF, OECD, UN and World Bank (2016) *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries*, Prepared for submission to G20 Finance Ministers, July 2016, *link*.

[32] IMF SARTTAC (undated) *International Survey on Revenue Administration (ISORA)*, *link*.

[33] Oxfam (2018) *Doubling down on DRM: are we making the right bets? Link*.

[34] Ibid

[35] Ibid

[36] Ibid

[37] ATI (2018) *ATI Monitoring Brief 2016: ATI Commitment 1, link*.

[38] Oxfam (2018) *Doubling down on DRM: are we making the right bets? Link*.

The distribution of DRM support across ATI members is uneven. In 2016, some ATI partner countries received very little DRM finance and some saw their allocations fall compared to 2015 levels.[39] Paraguay, for example, received only $290,000 in gross disbursements from ATI development partners for DRM in 2016, 31% less than in 2015.[40] Nepal also saw a 50% decrease in DRM support between 2015 and 2016, receiving only $340,000 in gross disbursements in 2016.[41] This raises questions as to whether the ATI commitment on doubling financing for DRM is in fact leading to increased support to many of those requesting it.

The ATI DRM database and the OECD CRS both provide an overview of international aid to partner countries in support of DRM. The ATI DRM database is built on the OECD CRS data, but encourages development partners to check and edit their reporting. In theory, information from both databases could be used to review and guide fair DRM allocations across partner countries. In practice, however, the data presents both challenges and opportunities.

Opportunities: Both datasets allow development partners to identify patterns of DRM financing across partner countries. They provide a clear overview of which countries are receiving what levels of financial support for DRM and from which development partners. The data also provides a certain level of detail on the types of DRM activities being supported in each country, although this varies across different entries as the fields for providing detail are free text and development partners do not necessarily report to the same detail and/ or share the same categorisation of activities.

Challenges: A time lag exists between development partner reporting and data publication. The OECD currently reports with a one year time lag, with OECD data on 2017 made available at the start of 2019. As the ATI DRM database is based on the published OECD data, this dataset has a slightly longer time lag, with data on 2017 made available in mid-2019. This limits how useful the data can be in guiding real time discussions and resource planning. The depth of project information provided by countries in reporting to these datasets can also be limited, making it difficult for stakeholders to understand how the money is spent and potentially skewing conversations around alignment (see above).

In our interviews, we heard that development partners generally do not use either of these databases to guide their DRM programming or to inform their DRM allocations across countries. Country allocations are typically based on a rigorous set of regional and country level analytics, which are then reviewed against partner country and headquarter priorities. Overall, we heard that these datasets would be more useful for supporting alignment processes if they were a) more up-to-date, b) included forward looking or pipeline information (see more on this below under harmonisation) and c) included more detailed information on project activities (i.e., how the money is being spent). The latter points would require a commitment from development partners to provide this depth of information to the OECD and ATI. The OECD and ATI would also need to create a mechanism for reporting forward looking data.

Box 3: ATI and OECD databases as tools for driving alignment

[39]   ATI (2018) *ATI Monitoring Brief 2016: ATI Commitment 1*, *link*.
[40]   Ibid
[41]   Ibid

During our interviews, we were informed by development partners that the question of how to ensure fair allocation of DRM financing across ATI partner countries is a live issue, but that detailed consideration of possible solutions had yet to begin. Some partner countries reported having unmet DRM financing needs that they do not expect ATI development partners to meet in the near future. Others observed that the volume of the support was not always the key issue and that a focus on the financial flows alone can distract from the bigger question around fairness. For example, the purchasing and roll-out of new IT systems can be costly, but not always as effective as embedding long-term technical advisors into a national revenue authority or Ministry of Finance. Alignment discussions should therefore address types of assistance, and their complementarities, as well as aid volumes.

As discussed above, the usual pattern of aid allocation by bilateral development partners is likely to leave gaps in the allocation of support for DRM in particular countries. One way to address this is through the use of multi-donor trust funds (MDTFs) able to operate across multiple countries. There are a number managed by the World Bank and the IMF (see section 4.3 on pooled funding). Development partners report that these are well financed and should be in a position to respond to partner country DRM needs, as and when enabling conditions are right.[42] The IMF, for example, launched new phases of its Managing Natural Resource Wealth (MNRW) and its Revenue Mobilisation Trust Fund (RMTF) in June 2016. These trust funds are expected to provide $30 million and $77 million, respectively, over six years for TA and training to strengthen tax capacity and mobilise natural resources in developing countries.[43]

There is debate, however, as to whether these trust funds are allocating support to the right places. This is a complex issue that extends beyond the DRM sector. Some of the development partners we spoke to stated that their efforts to steer MDTF allocations had been unsuccessful, while others were concerned about losing control of their DRM financing altogether. This may reflect the varying geographical priorities among ATI development partners and the resource choices that MDTF governing bodies ultimately have to make.

In recent years, efforts have been made to improve alignment through relatively small-scale financing facilities that offer an alternative to large-scale MDTFs. These include the ATI Match-making Initiative.

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[42]   Enabling conditions include, but are not limited to, partner country political commitment to reform, partner country capacity, citizen engagement and buy-in, and the strength and quality of supporting systems such as PFM.

[43]   IMF (2016) Press Release: IMF and partners launch new phases of the Managing Natural Resource Wealth and Revenue Mobilization Trust Funds, Press Release No. 16/288, 16 June 2016, _link_.

The ATI Matchmaking Initiative

The ATI is currently developing a Matchmaking Initiative, aimed at supporting and promoting collaboration between ATI members by pairing countries and organisations on a reciprocal offer/support needs basis.[44] Templates have been developed through which partner countries can request assistance and development partners can make offers of support, including in the areas of TA, expert support, study visits, training and financial assistance.[45] The templates have been shared across ATI members by email and will be made available in a restricted on-line area. The matchmaking facility is not yet up and running so it is not possible to comment on its effectiveness. We heard, however, that it is expected to help partner countries that have received less DRM support (e.g. Nepal) to increase their access to support.

Challenges: *the theory behind the matchmaking facility is that partner countries voice their requests for support and development partners match these requests with funding and activities. During our interviews, however, we heard that this model could prove problematic as it assumes that development partners set aside financing for DRM at the global level and then decide how to allocate this as and when needs arise. In reality, development partners tend to allocate funding at the country level first and then decide how to split country level funding across competing sector priorities. The exception is where development partners invest in MDTFs for DRM, usually to buy expertise to be made available to partner countries, or where aid is provided through specialist agencies (e.g. the UK's HMRC) that only work on tax and have a budget for TA to developing countries. Overall, however, most development partner aid is pre-programmed through MDTFs or bilateral country programmes. It is not clear how the matchmaking facility would fit into this context. We also heard that development partners are unclear what the matchmaking facility will offer over and above existing funding mechanisms.*

Box 4: Reactive financing facilities

Overall, we encountered a range of opinions about whether the current allocation of DRM support is fair and appropriate. Some ATI partners (mostly development partners) considered it to be 'about right', while others (mostly partner countries and supporting organisations) thought more could be done to improve alignment and ensure countries are not left behind. There is, of course, no objective means of determining the right amount of DRM support (in terms of maximising either efficiency or fairness) for any given country. In principle, however, those partner countries that are able to demonstrate absorption capacity – for example, by articulating credible national strategies and building the capacity of the responsible agencies to formulate reform proposals for support – should thereby gain access to higher levels of support. A more explicit process for identifying and, where appropriate, directing aid to countries with unmet demand for support could therefore be considered.

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[44]   ATI (2019) The ATI Matchmaking Mechanism, *link*.

[45]   Ibid

*The World Bank **Global Tax Programme (GTP)** is a response to international commitments made on DRM in Addis Ababa in 2015. It began operations in 2018 and will run until 2022. It supports tax authorities in partner countries to strengthen tax policy and administrative capacity.[46] GTP is funded by the governments of Australia, Denmark, Japan, Luxemburg, the Netherlands, Norway, Switzerland and the UK.[47] It works to strengthen tax systems in partner countries through three windows: 1) global tax activities and global public goods, 2) country level activities, and 3) actionable research and data, knowledge and learning.[48]*

*The IMF **Revenue Mobilisation Trust Fund (RMTF)**, launched in June 2016, is a $77 million programme supported by Australia, Belgium, Denmark, EU, Germany, Japan, Luxembourg, the Netherlands, Norway, Republic of Korea, Sweden and Switzerland.[49] It builds on the IMF's earlier Tax Policy and Administration Thematic Trust Fund (TPA-TTF) that ran from 2011. The RMTF will operate fully during 2017-2023. It aims to help meet increased demand for DRM related TA from low and middle income countries. RMTF development partners take a collective approach to strengthening tax policies and administrations in a select group of countries.[50] The RMTF delivers in two main ways: 1) intensive engagement in support of transformational reform, which requires sustained commitments from partner countries as well as well-sequenced support from RMTF and other TA providers, and 2) targeted support for reforms, with the focus on specific areas of a tax system where improvement is most needed.[51] To date, the RMTF has provided intensive TA programmes in 8 countries (Georgia, Guatemala, Liberia, Mongolia, Myanmar, Papua New Guinea, Senegal and Uzbekistan) and targeted TA programmes in 19 countries (of which 14 are in Africa).[52]*

*The **IMF Managing Natural Resources Wealth Thematic Fund (MNRW-TF)** was launched in 2011. Phase I totalled $25 million, with funding provided by Australia, the European Union, Kuwait, the Netherlands, Norway, Oman and Switzerland.[53] Phase II of this programme was launched in 2016 and is expected to total $30 million. It will run until mid-2022. Funding for phase II is provided by Australia, the European Union, the Netherlands, Norway and Switzerland.[54] Through the MNRW-TF, the IMF and development partners are working to help low and lower middle income countries to achieve material improvements in the management of their resource wealth.[55] To date, 30 countries have benefited under the MNRW-TF (phases I and II), with the highest number of beneficiary countries being in Africa (17), followed by South America (5).[56] Under phase II (which began operations in 2017), Africa has received $7.66 million in support from MNRW, Asia Pacific has received $1.54 million and the Western Hemisphere has received $0.94 million.[57]*

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[46] World Bank (2017) *Directory of Programmes Supported by Trust Funds, As of June 30, 2017*, link.

[47] World Bank (2018) *Domestic Resource Mobilization*, link.

[48] Ibid

[49] IMF (2019) *Revenue Mobilization Thematic Fund*, link.

[50] Ibid

[51] Ibid

[52] Ibid

[53] IMF (2019) *Managing Natural Resource Wealth Thematic Fund*, link.

[54] IMF (2018) *Managing Natural Resource Wealth Annual Report FY2018*, Washington, D.C.

[55] IMF (2019) Managing Natural Resource Wealth Thematic Fund, link.

[56] Ibid

[57] IMF (2018) *Managing Natural Resource Wealth Annual Report FY2018*, Washington, D.C.

Challenges: A number of concerns have been raised in relation to international MDTFs, although primary concerns are the level of partner country engagement and the extent to which development partners can influence where the funding goes. MDTFs are governed by a steering committee of development partners and implementing agency staff. MDTFs provide their support in response to requests from partner countries, provided that the eligibility criteria are met. This could result in the funding being concentrated in a limited number of countries. The governance process and allocation criteria do not include any consideration of a fair or efficient overall allocation of resources.

Box 5: Examples of multi-country MDTFs for DRM

Recently, there have been discussions about establishing a new pooled funding mechanism for DRM under the ATI. We were told by ATI members and the ATI Secretariat that opinions around this varied. Development partners currently provide most, if not all, of their DRM financing either bilaterally at the country level or through central level MDTFs operated by multilaterals. It is not clear a) what value an ATI pooled fund might add, and b) whether existing development partner financing rules would allow development partners to contribute to this fund. Section 3 above talks about how development partners currently finance DRM.

Due to their proximity to tax administrations around the globe and the wealth of data and information on DRM reforms in partner countries at their disposal, regional tax organisations and the NTO could be well positioned to contribute to a fair distribution of aid among partner countries. They are well positioned to flag needs, for example, and to help identify partner countries where DRM reforms are likely to be effective. Moreover, regional tax organisations, and especially the NTO, could introduce a more objective and independent stakeholder view to the allocation process.

The International Organisation of Supreme Audit Institutions was founded in 1953 as an umbrella organisation for the external government audit community. It provides an institutionalised framework for supreme audit institutions to promote development and transfer of knowledge for improved government auditing and enhanced professional capacities worldwide.[58] INTOSAI membership currently includes 194 full members, 5 associate members and the European Court of Auditors.

*In 2011, the INTOSAI-Donor Cooperation Steering Committee agreed to establish a task force of like-minded development partners to establish a pooled funding mechanism. This evolved into the **Capacity Development Fund (CDF)**, the operating arrangements for which were adopted in 2015. The purpose of the CDF is to strengthen governance and PFM in partner countries through direct capacity development support. The CDF aimed to provide scaled up support for SAI capacity development through a streamlined development partner financing vehicle. The fund is governed by a Funding Board of representatives contributing to the CDF as well as the World Bank.[59]*

***Challenges:** The CDF has faced a number of challenges and is no longer operational. The main challenges, highlighted in the SAI CDF Annual Report 2016, are linked to a shortage of development partner funding to the CDF. The report found that the CDF had received scores of proposals for support but had only been able to approve eight proposals due to limited funding. It found that SAI's in low-income and fragile countries in particular had been unable to access much-needed funding through the CDF.[60]*

In 2017 the INTOSAI-Donor Cooperation decided to close the CDF as the fund was too small to accommodate all eligible applicants. The fund had also only been supported by a single development partner. The long processing time for grant agreements contributed to a lack of enthusiasm for other development partners to provide funds to the CDF. Furthermore, an independent evaluation of INTOSAI-Donor Cooperation in 2018 found a shift in development partner attitudes, with development partners no longer willing to establish any kind of pooled funding mechanisms and instead choosing to retain a measure of participation in the selection and management of the projects they support.[61]

*The INTOSAI-Donor Cooperation has also set up a **Global Call for Proposals**, a reactive financing portal that allows all eligible SAIs and INTOSAI bodies to submit capacity development funding proposals at country, regional and global levels. The INTOSAI-Donor Cooperation then works with the applicant to try and match these proposals with development partner and/or INTOSAI funding. Round I was launched in 2011 and round II in 2013. The success rate was approximately 50% in both rounds.*

GCP is currently on its third round, which started in 2017.[62] This round builds on earlier experience and has been designed with a stronger approach. It operates on a rolling basis, for example, rather than through periodic calls for proposals. This allows short concept notes to be submitted at any time so that SAIs can apply when they are ready and when support is most

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[58] INTOSAI (2019) *About us, link.*
[59] INTOSAI Donor Cooperation (2019) *Funding Sources – Donors and INTOSAI, link.*
[60] SECO and World Bank (2016) *Annual Report: Supreme Audit Institutions Capacity Development Fund, link.*
[61] INTOSAI-Donor Cooperation (2019) *Independent evaluation 2018, link.*
[62] INTOSAI (2019) *Global Call for Proposals, link.*

needed. A more rigorous approach is also being applied to quality checks, ensuring that concept notes are only circulated once they meet INTOSAI core principles, including ownership, coordination and harmonisation.[63] A second tier of the GCP was also introduced in 2017 to provide more 'targeted support for challenged SAIs', with a focus on SAIs operating in difficult political, economic and/ or social environments. Oversight for this second tier is provided by a specialised development partner committee.[64]

Box 6: MDTFs and reactive financing for audit: the Supreme Audit Institutions (SAI) approach

4.3 Harmonisation: coordinating donor support

As financing for DRM increases, so too will the number of people, projects and tools available for supporting DRM. This makes coordination harder, with some degree of overlap and duplication inevitable. Harmonisation can help to reduce fragmentation and duplication of efforts and rationalise DRM activities to make them as cost effective as possible. This might include information sharing, harmonised reporting, and pooled funding of DRM resources. This section explores these three areas in more detail.

Information sharing

Information sharing and transparency are key to effective donor coordination. The ATI has played an important role in enhancing coordination and information sharing for DRM, particularly through its work as a convenor, facilitating strategic discussions at the international level and supporting networking between development partners, partner countries and supporting organisations. The ATI has also begun to map global DRM support through the ATI DRM database. This is helping ATI members and other stakeholders outside the ATI network to better understand who is doing what where in relation to DRM. The time lag challenge highlighted above, however, limits how useful this information can be for real time planning and coordination between development partners. Limited narrative information provided for some projects in the database is also a challenge.

In our interviews, we were informed that the PCT (see Box 7 below) is currently developing its own online integrated platform (OIP) to share information on UN, OECD, World Bank and IMF activities on DRM. The primary purpose of the OIP is to share information among PCT partners to enhance their own coordination, although it is expected that the database will be made available to other stakeholders and also integrated with the ATI DRM database.[65] Recognising the need to provide timely information to enhance coordination, PCT members are discussing how to make this database as forward looking as possible, such as by sharing general pipeline information, overarching budgets and priority regions for DRM financing. Sharing pipeline data can come with challenges, however, including raising partner country expectations and ensuring

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[63]   INTOSAI (2017) *Global Call for Proposals: Tier 1 launch*, <u>link</u>.
[64]   INTOSAI (2019) *GCP Tier 2: Targeted Support*, <u>link</u>.
[65]   PCT (2019) *PCT Progress Report 2018 -2019*, <u>link</u>.

enough consistency in the approach to make this information as useful as possible. Should PCT members find a way to report this information, ATI development partners may wish to explore a similar approach in the DRM database.

The PCT brings together the IMF, OECD, UN and the World Bank to strengthen coordination on tax issues. It was launched in April 2016. The overarching goal of the PCT is to enhance support to governments in addressing their tax challenges. It is designed to strengthen cooperation between the four organisations on tax issues, helping to formalise discussions on the design and implementation of standards for international tax matters, strengthening their ability to provide capacity-building support and helping them to develop joint guidance and toolkits on tax issues.[66] It also provides a platform to improve coordination by sharing information on PCT partner programmes, projects and activities at global and country levels.

In February 2018, the PCT made a number of commitments, including:

1. *Regularly working with others, including ATI, to give a comprehensive picture of the total effort of international, regional and bilateral partners in supporting developing countries on tax matters; and*

2. *Integrate, and aim for the highest possible standards of transparency in the provision of information about our capacity development activities in developing countries through the platform website.*

The PCT works under an agreed joint work plan, intended to leverage each organisation's own work plan and comparative advantage and strengthen information sharing on activities more systematically, including at country level. The PCT concept note states that the platform will 'improve awareness to build comprehensive and effective exchange of information mecha-nisms'.[67] In our interviews we heard that the PCT has allowed new conversations to happen, with members speaking more regularly, particularly around areas of joint work.

Challenges: *Individual PCT organisations necessarily have their own mandates, governance structures, tools and ways of operating. These modalities are respected within the PCT and guide the work of each organisation. While the PCT provides a forum to identify opportunities for improved alignment and coordination among the PCT members, there have been some challenges relating to lack of clarity around comparative advantage. In response to this, the PCT recently developed a 'Note on Complementarities between the Platform Partners'. This brings clarity to development partners and the PCT organisations themselves on the mandate of each partner. This note also provides an overview of the different tools and delivery models applied to DRM by PCT partners, potentially allowing development partners to better plan and coordinate their aid.*

We were informed by development partners that while communications and information sharing had improved at headquarters level as a result of the PCT, the impact of these efforts in terms of DRM operations and activities at the country level was less clear. There was some suggestion that the PCT Secretariat could do more to support dissemination of information to country levels. We heard that information sharing with partners external to the PCT, including development partners and partner countries, could also be strengthened. The PCT includes some reflection on

[66] See website on the *Platform for Collaboration on Tax*, *link*.
[67] IMF, OECD, UN and World Bank, *The Platform for Collaboration on Tax Concept Note*, April 2016. pp. 5 – 11, *link*.

this in its latest progress report (2018-2019), where it proposes a number of activities to promote information sharing. These include the above mentioned OIP, which will provide information on PCT member activities, and also working with the Forum on Tax Administration (FTA) and RTOs to support dissemination of best practice on tax administration.[68]

Box 7: The Platform for Collaboration on Tax (PCT)

Other information sharing initiatives for DRM include the Network of Tax Organisations (NTO), for which the ITC facilitates the Secretariat. The goal of the NTO is to strengthen institutional capacities and enhance the efficiency and effectiveness of tax administrations worldwide. To support this goal, NTO's work includes facilitating interregional cooperation, communication and coordination between participating tax networks. Regional tax organisations (RTOs) also support information sharing. The _Africa Tax Administration Forum (ATAF)_, for example, launched in Kampala in 2009 and based in South Africa, provides a platform to promote and facilitate mutual cooperation among African tax administrations and other relevant stakeholders. It aims to improve tax systems in Africa, including through exchange of information and knowledge dissemination.[69] We were informed that the capacity of RTOs varies, however, with some better at promoting information sharing than others.

The idea of sharing information through communities of practice (CoPs) has been tested across a number of different development sectors. CoPs allow stakeholders to share real time experience and best practice of working on certain themes or issues. In Central Asia, the World Bank and DFID launched a Public Expenditure Management Peer-Assisted Learning Network (PEMPAL) in 2006 to develop capacity and share reform experiences. The programme is funded through a World Bank administered MDTF and financed by contributions from two main development partners, SECO and Russia's Ministry of Finance.[70]

PEMPAL aims to support the enhancement of domestic capacity in public expenditure and financial management, play a catalytic role in scaling up aid, and strengthen institutions and policies.[71] It involves 20+ countries in a shared effort to improve the management of public expenditures. Its success depends on demand-driven CoPs in which government officials from developing countries develop their own agenda and decide how best to share experiences. The approach includes networking, electronic learning and face-to-face meetings. To date, three CoPs have been formed in the areas of budgeting, treasury and internal audit.

Opportunities: *PEMPAL has helped governments to implement new PFM practices that have increased the efficiency and effective use of public monies. This has been evidenced through success stories, impact survey results and member feedback collected as part of PEMPAL's evaluation framework. A recent review also found that where member countries have hosted PEMPAL meetings, this has encouraged senior government officials to engage in the network and has increased*

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68   PCT (2019) *PCT Progress Report 2018-2019*, _link_.
69   ATAF (undated) *Overview: Mission*, _link_.
70   PEMPAL Secretariat (undated) *PEMPAL in 2012-2017*, _link_.
71   PEMPAL (2019) *About us*, _link_.

political appetite for the programme.[72] The PEMPAL strategy (2012-2017) has been an effective tool for strengthening the network and providing a clear vision to guide activities.

Challenges: A key challenge has been sustaining a high quality approach through PEMPAL. This has included ensuring the development of high quality materials and ensuring strong, sustained participation from members.[73] The idea is that PEMAPAL will eventually be run by country members, with less and less input from the resource teams.[74]

Box 8: Information sharing in the PFM sector: Public Expenditure Management Peer-Assisted Learning Network

In 2009, the International Organisation of Supreme Audit Institutions (INTOSAI) increased its focus on coordination through the establishment of INTOSAI-Donor Cooperation. In October 2009, INTOSAI and 15 donors signed an MoU that provides a common approach to increased strategic focus and coordination for donors and the SAI community in their collective goal to strengthen SAIs in developing countries.[75] The INTOSAI-Donor Cooperation currently has 23 partners and seeks to achieve its goals through a number of initiatives, including the Global Call for Proposals introduced above (see Box 6). Other initiatives include:

- *Success stories: country-level results and success stories from SAI capacity development initiatives are showcased and used to support behaviour change. These stories include a focus on how the INTOSAI-Donor Cooperation MoU principles were critical to the success of an initiative, highlighting, for example, how different INTOSAI tools were used to ensure effective coordination with other partners.[76]*

- *SAI Capacity Database: this database provides information on capacity building projects and initiatives targeting SAIs at global, regional and local levels. It also contains projects submitted under the Global Call for Proposals.[77] As with the DRM database it is open to external viewers as well as INTOSAI members.*

- *Peer to peer support programme: this programme recognises that SAIs have unique roles best understood by other SAIs and aims to create opportunities for them to share knowledge and experiences. To understand the nature of peer support available, the INTOSAI-Donor Cooperation issued a Call for Capability Statements. This invites SAIs and INTOSAI bodies to indicate their capacity and willingness to act as providers of peer support. SAIs in need of support can access these capability statements via the INTOSAI website.[78]*

Box 9: Information sharing for SAIs: INTOSAI-Donor Cooperation

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[72]   PEMPAL Secretariat (undated) *PEMPAL in 2012-2017*, *link*.
[73]   Ibid
[74]   Ibid
[75]   INTOSAI (2019) *Background*, *link*.
[76]   INTOSAI (2019) *The success stories*, *link*.
[77]   INTOSAI (2019) *SAI Capacity Database*, *link*.
[78]   INTOSAI (2019) *Peer to Peer Support – INTOSAI Capability Statements*, *link*.

Harmonised data

There are a number of challenges relating to how data on DRM financing is collected and reported. These include technical challenges in the way that different development partners report DRM projects and/or activities and inconsistencies across different datasets. Data challenges are well known by ATI members and were regularly highlighted during interviews.

Development partners report their DRM support to the OECD in the first instance. A key challenge with this system has been how projects with multiple components are reported by different development partners in the OECD CRS. This challenge is not unique to the DRM sub-sector. Development partners have their own internal reporting codes that are not fully aligned with OECD reporting codes. This can prevent project information being easily transferred from development partner systems into the CRS. Projects with multiple components across different sector codes, for example, can be particularly difficult to report. Some development partners are able to allocate the project parts attributable to DRM to the 15114 purpose code, while others only report DRM projects that are predominantly DRM focused.[79] This can result in both over and under reporting of DRM financing.

Once OECD data are published, ATI then takes this published dataset and asks its development partner members to 'clean' their respective entries. This can result in additional projects being reported and/or project information being adjusted as some of the technical difficulties of reporting into the OECD CRS do not apply to the ATI cleaning process. In 2015, an additional $29 million and 43 projects were reported to ATI through the data cleaning process.[80] In 2016, an additional $45 million and 259 projects were reported.[81] This has resulted in notable inconsistencies between the two datasets.

In theory, OECD data could be updated to make them consistent with the 'cleaned' ATI data, although this cannot be done by the OECD directly, it requires the development partner to provide the revisions to the OECD. The ATI cleaning process encourages development partners to make the corresponding correction to their OECD data, but most development partners do not report changes back to OECD. Therefore, it is not possible to identify which other reporting lines should be edited in the OECD system to balance the final reporting. This challenge is known and discussions are on-going between the OECD and ATI Secretariat to explore ways to improve data consistency. The OECD recently made technical changes to the CRS to allow multiple coding per project. As a result, OECD DRM data should be more accurate from 2017 onwards, reducing the need for ATI data cleaning. There was consensus across our interviews that it is time to get stricter on the data, although doing so effectively will require firm commitment from all development partners.

A review of the International Aid Transparency Initiative (IATI) system found that top level OECD DAC codes are typically used for reporting projects to IATI, rather than more specific codes. As a result, there is very little information on DRM projects captured within this system and IATI reporting is inconsistent with OECD and ATI reporting on DRM. We were informed that an ATI supporting organisation is currently exploring the extent to which IATI could provide more real time data for DRM. This organisation recognises challenges in the way that data is reported into IATI, however, noting that this often results in DRM reporting being incomplete.

Other data challenges include capturing the full scale of increasing DRM finance, particularly finance provided by multilaterals. Oxfam reports that in 2016 the World Bank, for example, provided $352

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[79] Devitt (2018) *ODA for domestic revenue mobilization: progress, prospects and opportunities for effective support*, Discussion Paper, _link_.

[80] Oxfam (2018) *Doubling down on DRM: are we making the right bets? Link*.

[81] Ibid

million to DRM related projects.[82] The same report found that nearly one-fifth of aid for DRM was channelled through multilaterals in 2016, in addition to the $300-$500 the World Bank spends on DRM annually.[83] This finance is not fully captured in the ATI DRM database, except where it is reported as a bilateral donor contribution through a multilateral.[84] Reports produced by the OECD database also indicate that multilateral financing for DRM is not fully captured through the CRS. The OECD system reports that multilateral agencies (total) disbursement for DRM in 2016 was only $43.5 million.[85]

As mentioned above, the PCT is also developing its own database to capture PCT partner activities on DRM. This will be similar to the ATI DRM database in that it will provide oversight on what activities are taking place where, but it will only focus on the activities implemented by the four PCT members. Information will not be 100% complete due to confidentiality clauses attached to some multilateral programming. Overall, this is expected to improve information sharing and coordination between PCT members, highlighting areas of overlap and complementarity. Data is also expected to be made available to wider stakeholders, although this will be subject to the information sharing policies of the individual organisations. During a PCT conference in February 2018, PCT members agreed to share data with the ATI DRM Database. The PCT database is expected to go live in mid-2019. Once the database is ready it will be shared with the ATI.

Improved harmonisation of financial reporting across different datasets would mitigate the risks of parallel reporting systems and provide greater clarity on the scale of ODA being allocated for DRM. This would strengthen ATI reporting against commitment 1 on doubling development partner support for DRM by 2020. Recent efforts, including introduction of a DRM-specific CRS code, multiple purpose codes, and the ATI data cleaning process, have certainly improved the overall picture of financing for DRM. Further efforts should now focus on ensuring harmonisation across existing datasets, including those currently in development. This should include efforts to ensure DRM datasets are up to date and comparable.

Overall, harmonising a growing set of stakeholders and increasing financing for DRM is likely to bring coordination challenges. Considerable efforts have been made to support harmonisation at the international level, particularly through the ATI and PCT forums. Efforts to share information, for example, have greatly enhanced the overall picture of DRM financing, although challenges around the timing and depth of information remain. In our interviews most stakeholders highlighted progress made on coordination for DRM but also recognised a need to strengthen harmonisation. The debate at the international level mostly focused on the data and how to make this as relevant and up-to-date as possible in order to support real-time decision-making and coordination.

Joint diagnostics

Shared diagnostic work provides a baseline for determining reform needs and can help to ensure that reform processes are prioritised and sequenced. In recent years, joint or shared diagnostics have become increasingly common. A growing number of joint diagnostic tools are being used to identify where DRM support could have the most impact and to guide tax and DRM reforms. They include, but are not limited to:

- the Tax Administration Diagnostic Assessment Tool (TADAT);

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[82]   Ibid

[83]   Ibid

[84]   Ibid

[85]   OECD (2019) *Query Wizard for International Development Statistics*, *link*.

- the International Survey on Revenue Administration (ISORA);

- the Tax Policy Assessment Framework (TPAF); and

- the Revenue Administration Gap Analysis Program (RA-GAP).

In our interviews, the TADAT tool was most commonly referred to as having helped to guide alignment and coordination.

TADAT was launched in December 2013 by the IMF, World Bank, European Commission, Germany, Japan, the Netherlands, Norway, Switzerland and the UK. It is managed and implemented by the TADAT Secretariat, with strategic guidance and oversight provided by the TADAT Steering Committee, which is made up of development partners, the World Bank and the IMF. The TADAT Technical Advisory Group, made up of the Secretariat, RTOs and TADAT partners, provides technical expertise and advice to the Secretariat and is also responsible for technical development and maintenance of the tool.[86]

TADAT's goal is to help countries strengthen their tax systems to better mobilise domestic revenue. According to the TADAT website, the tool provides an 'independent, standardised, evidence-based, quality-assured and holistic assessment of the performance of a country's tax system'.[87] It helps to identify strengths and weaknesses in tax administrations and facilitate a shared view on the same. This in turn helps governments and development partners to set the reform agenda, including sequencing of reforms, facilitates management and coordination of external support for reforms and guides monitoring and evaluation through repeat assessments.[88]

Strengths:

- *TADAT plays a **convening role.** It provides a standardised assessment that enables all stakeholders to speak the same language in efforts to coordinate their work around tax, including partner governments, bilateral development partners and IFIs.*

- *TADAT assessments are **country owned**. Partner governments provide documents and resources to support the assessment. The more effort that goes in, the better the final outcome. We heard that this incentivises governments to fully engage with the process.*

- *TADAT assessments provide an **organising methodology** for DRM reform, often informing the development or revision of DRM strategies, including MTRS. They are combined with an element of training intended to enhance impact and ownership.*

- *TADAT assessments can support **alignment**. We heard they are regularly requested by TA providers to ensure DRM support is well aligned with the strengths and weaknesses of individual tax administrations. In Rwanda, we heard the TADAT has empowered government in its interactions with development partners, allowing it to stand firm on areas where support is needed.*

Box 10: Tax Administration Diagnostic Assessment Tool (TADAT)

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86 TADAT (undated) *Technical Advisory Group*, <u>link</u>.
87 TADAT (undated) *Overview*, <u>link</u>.
88 Ibid

A challenge with joint diagnostic assessments, however, is the number of different tools that now exist. This is highlighted in a recent mapping of the tools and frameworks available to support tax system reform, undertaken by the PCT.[89] While each tool has a somewhat different focus, they can also overlap, and stakeholders expressed some uncertainty about their function. The World Bank, for example, recently launched _Tax Diamond_, a tool that provides an objective assessment of tax administrations to identify where tax capabilities are weakest. The World Bank presented this tool at a recent TADAT Steering Committee meeting, sparking discussion around synergies and overlaps with TADAT.

While all of these tools could potentially facilitate coordination, there is a fear that partner countries could become overwhelmed with tools and may lack the resources or technical capacity to engage effectively across multiple processes. There is also a risk that multiple diagnostic tools, even where these are done jointly, could result in conflicting assessments. This could undermine the goal of joint diagnostics, which is to develop a shared understanding of the state of a tax administration. The Government of Norway is currently undertaking a review to categorise DRM diagnostic tools. This will include a 'comparison of scope, coverage and any other relevant aspects that are important to understand their differences, similarities and comparative advantages.'[90] Further research and discussion may be needed to build on this work, for example to identify which tools would be most effective in which circumstances.

In the three case study countries, we heard that joint diagnostics are informing government and development partner approaches to DRM. In Afghanistan, for example, we heard that the government is aligning its Fiscal Performance Improvement Plan (FPIP) to the nine performance outcome areas of the TADAT. TADAT assessments have also been conducted in Uganda in 2015 and 2019, both on request from the Uganda Revenue Authority (URA). A question was raised, however, about whether joint diagnostic tools cover a wide enough range of issues for guiding holistic approaches to DRM reform. While countries might have the right enabling environment for DRM reform on paper, in practice political economy factors and corruption risks can undermine reform efforts. These issues are not always explored in diagnostic work that is focused on the technical capabilities of tax administrations. Further research into the extent to which joint diagnostic tools assess the broader enabling environment for DRM reform and contribute to national dialogue may be useful.

Evidence on what works

At the international level, coordination goals can be supported by developing a shared understanding of what works in tax and DRM reform. The ATI is bringing stakeholders together to discuss some of these issues and, as set out above, the OECD also hosts a number of forums that seek to identify and share best practice. Stakeholder participation across these forums can be variable, however.

Over recent years, a growing body of academic research has explored tax and development issues. There is more evidence available on the merits of particular tax reforms. While we have not reviewed the state of the evidence, it is a perennial challenge to make sure that technical assistance programmes are based on the latest evidence. As practitioners often have limited time to keep up with the latest academic research, there is a need for mechanisms that col-

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[89]   See p.30 in the PCT (2019) _PCT Progress Report 2018-2019, link_.

[90]   Government of Norway (undated) _Terms of Reference_, shared with the ICT Secretariat by the Government of Norway.

lect and synthesise the latest research and turn into to guidance material suitable for practical application. There is also considerable value in giving policy makers in partner countries better access to evidence.

Most practitioners now recognise that revenue reform is a politically complex area, and that vested interests and other political economy factors are likely to be a key determinant of success. Learning is needed not just on which revenue initiatives are likely to yield the best returns in different country contexts, but also on how to build and sustain domestic constituencies for change. Because DRM involves changing the relationship between government, business and citizens, the political economy challenges are likely to be particularly difficult.

In recent years, there has been growth of interest among academics and practitioners on how to provide technical assistance in political challenging areas. For example, the _Thinking and Working Politically (TWP)_ community of practice highlights the centrality and importance of understanding the local political context in order to support effective institutional change. _The Problem Driven Iterative Adaptation (PDIA)_ approach[91] reimagines institutional reform as a series of incremental problem-solving steps that help to build national leadership and ownership of reforms.

We were informed by some development partners that this new thinking on flexible, adaptive and politically-informed technical assistance is not yet widely applied to DRM support. While this is not an area that came up extensively in our interviews, more reflection and sharing of experiences on the political economy challenges of DRM reform would likely support improved understanding and approaches. This might include a deeper understanding of the enabling environment and appropriate sequencing for DRM reforms, including sequencing with wider public administration reforms (e.g., PFM reforms and decentralisation processes). ATI members could establish a community of practice or central repository for lessons learned to support improved sharing of knowledge in this area.

4.4 Summary of international level challenges

This section summarises the coordination challenges identified above and highlights existing mechanisms that could provide a basis for further strengthening DRM coordination at the international level. Findings are presented in a table format and should be used as a reference point for further discussion.

Development effectiveness principle	Key challenges	Examples of good practice
Ownership: policy setting	• Limited voice and influence of partner countries on setting international policy for DRM support.	• PCT facilitating developing country participation. • ATI convening role, bringing all members with an equal voice together around international tax issues.

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[91] See for example Andrews, M. et al (2015) _Building Capability by delivering results: Putting Problem-Driven Iterative Adaptation (PDIA) principles into practice_, A Governance Practitioner's Notebook: Alternative ideas and approaches, OECD 2015, _link_.

Development effectiveness principle	Key challenges	Examples of good practice
Alignment: fair allocations	• Some countries receive very little and declining DRM support, including ATI members. • Data challenges limit extent to which data is used to inform allocation decisions. • Lack of agreement on how to assess partner country absorption capacity. • Development partner aid allocation processes leads to gaps in DRM assistance. • Pooled financing mechanisms are not currently designed to identify and fill gaps in global DRM support allocation.	• Improved financial reporting and availability of data overall. • Stakeholders better able to track DRM finance and identify patterns (but time lag issue). • PCT data is expected to include forward looking data. • MTDFs providing a central resource for channeling DRM finance, have potential to address challenges. • Introduction of more reactive financing facilities, e.g. ATI Matchmaking Initiative. Will need further review once funds flowing.
Harmonisation: information sharing	• Extent to which improved information sharing at central level is making a difference to country programmes unclear. • Information sharing beyond/ outside of networks (e.g. ATI, RTOs, PCT) could be strengthened. • More could be done to research, capture and share lessons on what works in DRM allocation. • A need for more research, analysis and learning on the political economy challenges of DRM reform.	• ATI supporting networking and transfer of knowledge. • PCT improving information sharing between its four members. • Network of Tax Organisations and RTOs supporting exchange of information to varying degrees.
Harmonisation: data	• Technical challenges in the way development partners report financial data and in the ATI data cleaning process – notable inconsistencies across DRM datasets. • ATI 'cleaned' data currently not reverse engineered back into OECD system. • IATI dataset incomplete. • Difficult to capture full scale of DRM financing, especially financing provided through multilaterals.	• OECD CRS DRM code introduced in 2015. • Recent technical changes to CRS expected to improve DRM reporting and reduce need for ATI data cleaning process. • PCT DRM data to be shared with ATI Database. This is expected to strengthen overall picture on DRM financing.

Development effectiveness principle	Key challenges	Examples of good practice
Harmonisation: pooled funding mechanisms	• Limited partner country engagement in decision-making at global/programme level. • Development partner concerns over their ability to influence MDTFs. • Disconnect between central and national levels (i.e. between HQ and country level staff and programmes)	• MDTFs working to provide a collective and streamlined approach to important tax challenges. • New pooled fund for DRM being discussed under ATI but early days.
Harmonisation: joint diagnostics	• Multiple diagnostic tools now exist – some degree of overlap. • Potential to overwhelm partner countries capacity. • Risk that multiple tools result in conflicting assessments.	• TADAT hailed as strong example of joint diagnostics as a convening tool. • Other tools include ISORA, TPAF, RA-GAP and Tax Diamond. • PCT and Government of Norway mapping of joint diagnostic tools expected to enhance clarity.

Table 1: Summary of international challenges

5. DRM coordination at the country level

This section explores the current state of DRM coordination at country level. It is based on light-touch case studies of donor coordination for DRM in Afghanistan, Ghana and Uganda, supported by interviews with other ATI members, including some (although not all) development partners providing DRM support and partner country representatives. It explores what is working well and what is not working so well in relation to coordination for DRM financing at the country level. Overall, it finds that coordination needs vary across the case study countries. As a result, there is no standard approach to DRM coordination, although development effectiveness principles are evident to varying degrees and could provide a foundation for further strengthening coordination.

5.1 Country ownership of reforms

Development reforms should be country-led. Strong country leadership not only empowers partner countries to steer their own reform processes but also makes them better placed to coordinate across donors and projects. A recent PCT paper, prepared for the G20, advises IFIs and development partners to encourage domestic political support for tax systems development.[92] Where strong country leadership is absent, coordination for DRM reform is typically more ad hoc and is often left to the discretion of individuals. This section explores the role of joint diagnostics and country led strategies and action plans in enhancing country ownership and political appetite for DRM reforms.

Country level strategy and action plan

Development effectiveness principles state that partner countries must be responsible for leading their own development processes. Since 2011, the Busan Principles have dictated that country leadership is not just about governments, but about all country stakeholders collectively driving national development. A key tool for driving country led reform is the development and implementation of country owned national development strategies.

In our interviews there was strong consensus that country ownership is essential for successful DRM reform, although a number of stakeholders, including partner countries, felt this was often lacking in practice. Ideally, partner country governments should lead on setting the DRM reform agenda (in consultation with citizens) and then use this to coordinate where and how external DRM support is delivered. In reality, however, we heard that this is rarely the case. Where countries do not have a clear strategy or vision for DRM reform and government is not driving the reform process, it is often left to individual development partner leads to select which reform objectives to support.

To address the country ownership challenge, DRM stakeholders are increasing their focus on supporting country-owned DRM reform strategies. These strategies should clearly identify

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[92]   IMF, OECD, UN and World Bank (2016) *Enhancing the effectiveness of external support in building tax capacity in developing countries*, *link*.

partner country priorities and highlight where development partner financing is needed. They should also include a focus on getting the right balance of DRM funding across different institutions, for example between central and sub-national institutions and between DRM focused (e.g. revenue authority, Ministry of Finance) and DRM supporting (e.g. judiciary) institutions. Such strategies, in theory, provide a basis for more effective, country-led coordination. The success of these strategies will, however, depend on strong contextual analysis (including from joint diagnostics) and the development of clear and realistic government priorities. In a small number of cases, we heard that DRM strategies have presented more like 'shopping lists' than sequenced action plans, from which development partners select their areas of engagement. This had done little to strengthen country ownership or prioritisation of DRM reforms. The PCT developed the Medium Term Revenue Strategies (MTRSs) concept, which is now being piloted by the IMF and World Bank in a number of countries, including in Uganda, as a model for citizen-driven and country-owned DRM planning.

In 2016, the PCT published a report on 'enhancing the effectiveness of external support in building tax capacity in developing countries.' This report advocated for the introduction of MTRS in partner countries as a mechanism for ensuring effective TA programming for DRM.[93]

MTRS is described as a new approach to supporting partner countries to reform their tax systems. It sets country-led revenue goals for the medium term (5-10 years). DRM reform plans are not new and already exist in a number of countries. The MTRS process, however, promotes an increased focus on country-driven processes and broad consultation to arrive at holistic and realistic strategies for revenue policy, legal and administrative reforms and to enhance tax systems.[94] The PCT envisages MTRS as part of a country's institution building process, with broad stakeholder engagement shaping the relationship between citizens and their governments in the area of tax.[95] 19 countries are currently engaged with PCT Partners in discussing, designing or implementing an MTRS.[96]

***Challenges:** The IMF and World Bank are both supporting MTRS processes in pilot countries, with a lead organisation allocated to facilitate country dialogue and lead the process in each country. While the IMF and World Bank are clear that they work together on MTRS at the country level, some development partners that we spoke to expressed concerns around the coordination. In particular, some development partners felt there was a lack of common vision for what MTRS should represent at the country level and also that the two IFIs could do more to combine and contribute their comparative advantages in pilot countries. A number of stakeholders reported that they would like to see better joint working on MTRS. It is important to note that some of this feedback may be linked to development partners not being directly engaged at the country level. The PCT is also already aware of some of these concerns. In its latest progress report (2018-2019), PCT partners have tried to clarify the development process and implementation of the MTRS approach and have provided case studies highlighting the role of the IFIs, and how their comparative advantages were exploited.[97]*

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[93]   IMF, OECD, UN and World Bank (2016) *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries*, Prepared for submission to G20 Finance Ministers, July 2016, <u>link</u>.

[94]   PCT (2018) Taxation & the Sustainable Development Goals: Conference Statement, *First Global Conference of the Platform for Collaboration on Tax*, 16 February 2018, <u>link</u>.

[95]   Ibid

[96]   PCT (2019) *PCT Progress Report 2018-2019*, <u>link</u>.

[97]   PCT (2019) *PCT Progress Report 2018-2019*, <u>link</u>.

It has also been difficult to fully embed MTRS as a country led process, a challenge that the PCT recognises and attributes partly to the MTRS concept still being in an early stage. Capacity to formulate and implement MTRS remains limited in many of the pilot countries, thus the IMF and World Bank are playing a key role to keep MTRS processes on track.[98] In Uganda, for example, the development partners that we spoke to (both in Uganda and HQ based) had mixed views on the government's initial readiness for MTRS. As a result, there is a perception that the IMF led heavily on the process in the early days, with government ownership only coming online later in the process. PCT members involved in the process informed us that this was not the case and reported that government took an active role from early on. The World Bank and IMF ultimately tread a difficult line between facilitating a country led process and being seen to push a donor driven agenda.

More broadly, MTRS has been criticised by some for being overly ambitious. The expectation for partner countries to reach consensus on revenue goals, for example, is seen as unfair given that most developed countries struggle to reach such consensus.[99] A recent report by ODI suggests that MTRS will be most successful when it is applied in contexts where DRM and tax reforms have already been prioritised by local actors.[100] Country leadership for DRM reform is part of the criteria being used to select pilot countries for MTRS.

Box 11: Medium Term Revenue Strategy (MTRS)

In Uganda, the government's PFM Reform Strategy (2018-2023) highlights revenue mobilisation as one of six key objectives. The focus is 'to enhance resource mobilisation for Uganda's sustainable development.'[101] There has been a strong focus on oil and gas development in Uganda in recent years, with revenues due to come online soon. Despite government commitment to DRM, however, the MTRS pilot process in Uganda has faced some challenges. These were reported by a number of development partners and by the government itself, and were mostly linked to ensuring high-level country ownership (see above). As the process continued, however, country ownership is reported to have increased. We were told that this was facilitated through a joint cross-government MTRS task team, developed to bring together the Ministry of Finance, Tax Policy Department, URA and other relevant government departments.

The Uganda experience shows that it can take time to build country level ownership for MTRS, even in a country that already prioritises DRM reform. The Uganda MTRS (now called the Uganda Domestic Revenue Mobilisation Strategy) is expected to be published in mid-2019. It is too early to determine whether the MTRS process has helped to secure the necessary long-term and high-level political buy-in needed to underpin effective country led reform. The extent to which broad-based national consultations have taken place around the MTRS is also not clear. We heard that the focus has perhaps been primarily on producing the document itself, rather than building a national consensus for tax and DRM reforms. Time pressures have been cited by some as a reason for insufficient dialogue between citizens and the state.

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[98]   IMF, OECD, UN and World Bank (2017) *Update on activities of the Platform for Collaboration on Tax*, June 27, 2017, _link_.

[99]   Hart, T. (2018) "Supporting domestic revenue mobilisation: we must learn from the failures of the past," *ODI*, 16 March 2018, _link_.

[100]   Ibid

[101]   Government of Uganda (2018) *Uganda Public Financial Management Reform Strategy (2018-2023)*, _link_.

In Afghanistan, DRM financing has largely been included under support for broader PFM reform. Afghanistan does not have a DRM strategy but the Afghanistan Revenue Department's (ARD) Fiscal Performance Improvement Plan 2016-2020 (FPIP) covers PFM as a whole, including revenue mobilisation. We were informed that the government uses the FPIP as a tool for identifying the DRM support it needs and presenting this to development partners. The government has received support for DRM both on and off budget in Afghanistan. We were informed that earlier support, provided off budget, undermined government ownership for DRM reforms, with limited government say over the type of TA embedded into government departments. Current support for DRM is being provided on budget (recipient executed). The government reports that this is allowing them to implement DRM reforms according to their own vision.

Ghana is currently in the process of developing a Medium-Term Revenue Policy, expected to be finalised in mid-2019. Stakeholders informed us that this would likely be followed by the development of a medium-term DRM strategy. At present, Ghana is not reported to be in active discussions with the IMF or World Bank on MTRS.[102] In the meantime, the Ghana Revenue Authority (GRA) is implementing its Third Strategic Plan (2019-2021). These strategic plans have helped GRA to identify their priorities and have increased GRA's engagement with development partners around the country's DRM needs. We received mixed reporting from development partners, however, around the overall extent of country ownership for DRM and the ability of government to influence development partner financing in Ghana.

5.2 Development partner alignment behind country strategies

Even with a country-led DRM strategy in place, ensuring development partner's alignment behind specific country needs can still be challenging. Development partners often have competing priorities or bureaucratic constraints on how far and how fast they can align.

In principle, an MTRS or similar strategy process provides opportunities for development partners to provide advice on policies and priorities, leading to a document that all stakeholders can broadly support. In practice, however, we were told by a number of development partners that technical and administrative challenges can limit collaboration. For example, we were told that MTRS scoping missions do not always include development partners at the country level, and that the level of collaboration between MTRS technical experts and other development partners could be improved. It might be useful for ATI and PCT partners to explore how the MTRS process could be made more collaborative, to support better alignment.

Liberia is an example where the development of a government-led DRM strategy with regular consultation and joint working between partner governments, technical experts and development partners helped to support both government leadership and development partner alignment. We heard that there was a strong focus on collaboration through the strategy-development process, both in terms of national dialogue and engagement with development partners. The resulting strategy aligns Liberia's DRM priorities with the country's overarching National Development Plan. The two documents were launched together at the end of 2018. We were informed by the government of Liberia that 11 donors are seeking to align their support behind different parts of the DRM strategy.

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[102]   PCT (2019) *PCT Progress Report 2018-2019*, *link*.

Even with DRM strategies in place, however, development partners will continue to have their own areas of interest and their own country level strategies. It can take time for development partners to reprioritise and re-programme country budgets, a process that often requires agreement from headquarters. There is concern that poor alignment could undermine the broader MTRS process, with risk of a hiatus post MTRS publication as development partner programmes are redesigned and support begins to line up. The more development partners that are active in a country, the longer the alignment process is likely to take, with different development partners aligning behind government strategies at different points. A firm commitment is needed from all partners to prioritise alignment and agree that support will not be provided outside of government priorities. This approach would not be inflexible, but it would need strong coordination and government leadership.

The level of alignment differs across the case study countries, depending on the number of development partners, the strength of government leadership and the status of national level DRM strategies. This is explored below. All figures provided are from the ATI DRM database and therefore exclude multilateral DRM contributions.

__Afghanistan__ was the fourth largest recipient of DRM financing in 2016, with total bilateral disbursements of $17.1 million. This support was provided by just two development partners, the US ($14.7 million) and the UK ($2.4 million). We heard that development partner relationships had changed since 2016, however. DFID, for example, no longer provides direct bilateral support to revenue reform but supports an MDTF on PFM which includes revenue reform. USAID has also stepped back from this area, with the World Bank now taking the lead on DRM. The Afghanistan Revenue Department (ARD) reports that it is currently able to request and manage the support that it needs for DRM, with coordination largely managed through bilateral meetings with contributing partners. It is not clear whether ARD would be as well positioned to manage development partner alignment should the number of DRM development partners increase. Afghanistan does not have a DRM strategy in place.

In __Ghana__, we heard that government led coordination for DRM has fluctuated in recent years. In 2016, Ghana was the fifth largest recipient of DRM financing, with total bilateral disbursements of $12.35 million. This support was provided by eight different development partners, with Denmark ($4.8 million), the UK ($2.2 million) and Switzerland ($2.1 million) being the largest bilateral development partners for DRM. Coordination for DRM has been inconsistent. We heard, for example, that DRM support was coordinated by the GRA's Modernisation Office for a period but more recent coordination efforts have largely been development partner driven. Ghana does not have a DRM strategy in place and the government has faced difficulties in coordinating multiple development partners to ensure financing aligns behind government priorities. Development partners are currently mapping their DRM support in Ghana. This is expected to provide a basis for improved coordination, although the extent to which this will support alignment is not yet clear.

__Uganda__ was the eighth largest recipient of DRM financing in 2016, with total disbursements of $7.7 million. This support was provided by five different development partners, with the UK ($4.4 million), Germany ($1.5 million) and the US ($1.45 million) being the largest bilateral development partners for DRM. We heard that development partners are currently gearing up to support the MTRS, although the extent to which support will line up behind the MTRS and over what timeframe remains to be seen. The MTRS should align behind the PFM strategy,

creating a robust institutional framework for DRM. A number of interviewees were cautious about putting too much expectation on the MTRS, however, particularly to guide prioritisation and sequencing in the short-term. They noted that the MTRS is a strategy for longer-term reform and warned that the reform process itself is likely to be 'messy'. On the government side, the Uganda Revenue Authority (URA) held a development partner symposium in March 2019 to encourage alignment behind the forthcoming MTRS. We were also told by stakeholders that findings and priorities from the MTRS are already being integrated into existing government work plans and discussions with development partners.

Box 12: Alignment in the case study countries

5.3 Harmonisation of development partner support

Reforming tax administrations in partner countries is a medium- to long-term challenge that will require joint efforts by multiple stakeholders. Harmonising these efforts will be key to ensuring that DRM financing is as coherent and effective as possible, so that support is complementary, rather than duplicatory, that transaction costs and minimised and that partner countries are able to coordinate the assistance effectively. There are a range of potential solutions for better coordination, depending on the country context, ranging from basic information sharing, through formal division of labour frameworks, programme-based approaches and multi-donor pooled funding mechanisms.

Some key barriers to country level harmonisation efforts include:

- **Competing interests and mandates:** While collaboration on DRM among development agencies has been steadily increasing, we heard that there are still instances where agencies can be competitive or work at cross purposes, usually because of divergent mandates. Transparency and information sharing is not yet as strong as they could be.

- **Lack of development partner capacity in-country:** DRM financing remains a niche area of assistance for most bilateral development partners. Support is often led or managed by PFM or governance advisers with responsibility for a much wider portfolio of programmes and limited time or technical expertise to engage in DRM-specific coordination. Other agencies manage DRM programmes centrally, with expertise flown in on short-term missions, which does not facilitate engagement with country-level coordination efforts.

- **Policy disconnect within agencies:** Decentralised structures can result in different viewpoints within agencies on how to implement and coordinate country level DRM reforms. Development agencies may discuss and agree on DRM approaches and coordination principles at the headquarters level but this does not always filter down to country offices. Furthermore, approaches determined at the central level may not be appropriate to the country context.

- **Staff rotation:** Country-level postings for development experts, including governance/ PFM/DRM specialists, typically range between two and four years. As a result, institutional memory is constantly being lost and relationships with government and other development partners change often. This has implications for harmonisation of development partner support.

- The remainder of this section explores how well these challenges, and others, are currently being addressed through different approaches to harmonising aid for DRM.

Programme-based approaches

Programme-based approaches (PBAs) involve comprehensive and coordinated support to a given sector or thematic area,[103] where a group of development partners provide flexible support for the implementation of a country-led strategy or plan of action. They provide a framework for policy dialogue between government, development partners and other stakeholders, to agree on a plan or strategy. They reduce the fragmentation of assistance into separate development partner projects, and give partner countries more capacity to direct how external assistance is programmed, in support of the agreed plan of action. General and sector budget support (SBS) are forms of PBA, as well as Sector-Wide Approaches (SWAps).

PBAs have been most often used in connection with financial support for the implementation of government plans in the social sectors and other areas with high recurrent expenditure needs, such as rural development. They have become less common over time, however, as development partner policies have moved away from providing support on the budget. They have also been less common in areas where the support is primarily in the form of TA, as development partners have generally preferred to maintain direct control over the design and delivery of TA.

During our interviews, we identified a general appetite for exploring PBAs as an approach to DRM support in partner countries. A PBA for DRM would require development partners to have confidence in a government-led action plan, developed in consultation with stakeholders. A group of development partners might then choose to pool their DRM funding into a common TA facility, with a joint government and development partner steering committee responsible for allocating funds from the facility towards agreed priorities. A joint results framework or similar reporting mechanism would also be agreed to support management for results and mutual accountability. This would enhance the capacity of revenue authorities to manage and coordinate technical assistance, while creating a more robust platform for policy dialogue between development partners and national counterparts. (Development partners tend to engage more intensively in the strategy-development process if it is likely to affect the allocation of their assistance.) PBAs also create a convening platform, through which development partners and government could jointly identify who has the right skills to support different areas of DRM reform.

Despite the reported benefits of PBAs, there is currently little development partner support for this type of programming. We were told, for example, that while a light-touch review by the OECD had identified pooled funding and SBS as the best modalities for supporting DRM, in practice these modalities were the least used.[104]

In Ghana, we heard that multi-donor budget support (MDBS) played a key role in coordinating development partner support to the country between 2003 and 2014. Following the 2012 elections, however, concerns over macro-economic imbalances and PFM and public payroll management led to a decline in development partner disbursements for budget support.[105] In 2014, the MDBS process stalled, resulting in a breakdown of dialogue and coordination be-

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[103] SOAS (undated) *Programme-based approaches*, <u>link</u>.

[104] OECD (2013) *Tax and Development: Aid Modalities for Strengthening Tax Systems*, <u>link</u>.

[105] EC, World Bank and Government's of Ghana, Denmark, France and Germany (2017) *Joint Evaluation of Budget Support to Ghana (2005-2015)*, Final Report, Vol.3, June 2017, <u>link</u>.

tween government and development partners. Some development partners continue to provide budget support to Ghana but this is greatly reduced compared to earlier years. We were told that a SWAp for decentralisation, which includes a focus on district-level DRM, is currently working well to enhance coordination in this sub-sector, with a number of development partners convening and collaborating around a common purpose.

Pooled funding mechanisms

Pooled funding is similar to PBAs in that it provides a mechanism for development partners to provide joint support for a certain theme or area. They are not necessarily sector-wide, however, and are not mandated to support a government-led programme or action plan. At the country level, pooled funding mechanisms can include MDTFs, basket funds and development partner co-financing agreements. In the latter scenario, one development partner may act as lead for a specific programme, with one or more other development partners providing support through a co-financing agreement. It is important to recognise, however, that pooled funding mechanisms are not necessarily country-led or aligned with country priorities.

In Bangladesh, the World Bank has been administering the Strengthening Public Expenditure Management programme (SPEMP), an MDTF, since 2008. Financial contributions have been provided by the governments of Canada, Denmark, the Netherlands and the UK, as well as from the European Union. The project was designed to enhance efficiency, effectiveness and accountability in the management and use of public funds in Bangladesh.[106] It focused on supporting core PFM issues in the executive branch of government, as well as strengthening public expenditure oversight functions in Parliament and in the Auditor General's office. A key strength of the SPEMP is that pooled development partner funds have resulted in the government's PFM strategy being well funded and having sufficient and timely access to grant resources from development partners.[107]

The World Bank is currently leading an MDTF in the Democratic Republic of Congo (DRC) to support PFM reform. The Public Financial Management and Accountability Project began operations in 2014. The trust fund is administered by the World Bank and executed by the government. Support through the MDTF aims to improve budget execution processes, strengthen budget oversight, strengthen PFM systems and strengthen project management and coordination for PFM reform. Implementation of the trust fund is monitored through a joint weekly meeting between the government and a Task Team Leader. This allows activities to be closely monitored and any bottlenecks quickly addressed. A joint government and development partner coordination forum has also been established and has supported 'excellent' coordination in the PFM sector. This has not been without its challenges, however. The dialogue group did not meet for more than a year at one point as the Minister of Finance, chair of the coordination group, was not available to lead the meetings.[108]

Box 13: examples of pooled funding mechanisms for PFM: Bangladesh and DRC

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[106] Government of Canada (2019) *Project profile – Strengthening Public Expenditure Management Program (SPEMP)*, *link*.

[107] Government of Bangladesh (2016) *Public Financial Management (PFM) Reform Strategy 2016-2021*, *link*.

[108] World Bank (2019) *DRC: Strengthening PFM and Accountability (P145747)*, *link*.

In Afghanistan, the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF) and Fiscal Support Programme (FSP) are mechanisms for coordinating across development partners and government on PFM issues. We were told that these programmes had streamlined coordination efforts for all parties and are helping to prevent duplication of efforts. We were also informed by the government that the type and quality of TA being provided under the FSP, for example, has been well aligned to government needs – largely due to this financing being provided on-budget, which has enabled government to manage the programme and design its own activities.

In Ghana, four bilateral development partners are co-financing the GIZ implemented 'Improving Good Financial Governance in Ghana' project, commissioned by the German Federal Ministry for Cooperation and Development (BMZ). Following its launch in 2016, the project entered into co-financing agreements with the Netherlands, the Swiss State Secretariat for Economic Affairs (SECO) and USAID.[109] This is helping to facilitate a joint development partner approach to improving the effectiveness of public revenue management in Ghana, although it does not include all DRM development partners active in Ghana. We were told that discussions had taken place around creating a larger DRM basket fund in Ghana but that this had not gained traction. From the government side, basket funds were felt to be good from a coherence point of view and for streamlining reporting requirements. Conflicting priorities between development partners, different rules governing how development partner money can be spent and different financial years and disbursement points have, however, created some challenges. Basket funds can be an effective mechanism for coordinating DRM financing but attention should be paid to how these are structured.

In Uganda, development partners are using a mix of different financing modalities for DRM. This includes bilateral grants, a long-running EU managed PFM basket fund (currently the Financial Management and Accountability Programme (FINMAP) but transitioning to the Resource Enhancement and Accountability Programme (REAP)), and a World Bank trust fund on Domestic Revenue Mobilisation, Public Investment Management and Transparency (DRUM). The FINMAP/REAP basket fund is well established and includes an international PFM consultant whose role includes supporting the relationship between government and development partners. We heard from the Ministry of Finance that this has been particularly effective for enhancing coordination. We also heard from a bilateral development partner that combining bilateral programmes and pooled approaches is expected to increase the overall strength of support for DRM in Uganda. Bilateral programmes can, for example, allow more targeted support on specific areas not covered under basket funds. Achieving this synergy, however, will require strong coordination and timely information sharing across the sector.

Division of labour frameworks

A Division of labour (DoL) agreement among DRM development partners can offer a means of reducing fragmentation and duplication of activities. It involves development partners coming together, often with the government, to identify their areas of comparative advantage and decide how to achieve complementarity in their programming. The end result can range from a loose verbal arrangement to a more formal DoL framework. Formal frameworks typically include the concept of lead, active and contributing partners and focus on ensuring a strong DoL across a set of different sectors (e.g. health, governance, education). The approach can also work within a sector or sub-sector, helping development partners to divide their labour across different thematic areas.

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[109]   GIZ (2017) *Good financial governance*, _link_.

The extent to which DoL agreements are in place varies between countries and often depends on the number of development partners operating at a country or sector level. In instances with only two or three development partners, for example, there may be less need for formal DoL agreements. Where DoL is a concern, a first step is for government and development partners to undertake a mapping of stakeholder support to understand who is doing what where. This mapping is then reviewed and used as a basis for identifying and collectively agreeing on the comparative advantage of each organisation.

Developing, agreeing and maintaining an effective DoL framework is a continuous process that requires strong development partner commitment and (ideally) government leadership. Building consensus around comparative advantage in the first instance can take time and may require multiple meetings and discussions. Comparative advantage often needs to be balanced against political and thematic priorities of individual development partners (often determined at head-quarters level). Once a DoL agreement is in place, development partners may then take some years to realign their support against the framework, given the length of the programme cycle.

During our interviews we heard that development partners generally have an eye on DoL and try to balance their comparative advantage on DRM with others operating at the country level. This is usually done without formal DoL agreements, however. Overall, there is no standard approach to DoL across the three case study countries.

*We were informed by government and development partners that the overall level of development partner funding in **Afghanistan** has been declining in recent years. According to the ATI DRM database, DRM financing decreased by 29% between 2015 and 2016 (from $16.46 million to $11.75 million). Since 2016, support for DRM has largely come from IFIs and the EU. Direct bilateral development partner support for DRM ended in 2017 (although bilateral development partners continue to support broader PFM reforms). We heard conflicting reports on the need to improve DoL. Some stakeholders reported that duplication is not currently an issue due to the low number of DRM development partners, while others indicated that even with a low number of development partners there is still a tendency for them to want to support the same things.*

***Ghana** has a large number of development partners. In the past it has been referred to as a 'donor darling'. We heard that most development partners are supporting some aspect of DRM in the country but there is no formal DoL framework in place. There is, however, (according to our interviews) a general sense amongst development partners on who is doing what – Danida, for example, is known to be 'leading' on customs operations. Despite this, there have been overlaps and stakeholders recognise the need to improve harmonisation. A high level development partner mapping exercise was carried out for DRM in 2018. This mapping identified lots of overlaps and areas where development partners are working on similar topics. The next stage of this work is to distribute different DRM topics to 'topic leads' in order to conduct a more detailed mapping into each topic. This work is intended to inform development partner programming moving forward. We heard from one bilateral development partner that they are prepared to pull out of certain areas of DRM if the mapping shows they are well supported by other donors. It is not clear whether a formal DoL framework will be put in place.*

A challenge in Ghana is that this mapping work has been largely driven by development partners. The government recently engaged McKinsey to support an upgrade of the GRA's revenue systems and to build staff capacity. Despite development partner requests for this piece of work to be integrated into the mapping this has not yet happened. Government engagement and

transparency in the mapping process could further support DoL discussions and, ultimately, contribute to improving harmonisation in Ghana.

*In **Uganda** there is no formal DoL framework for DRM but efforts are being made to improve coordination in this area. A DRM Committee (mentioned in more detail below) has recently been established, largely to support the MTRS process, which facilitates the sharing of work-plans and information on DRM activities. We heard that individual bilateral development partners are coordinating between themselves to some extent. USAID and DFID, for example, are currently both preparing DRM programmes for Uganda and are looking at DoL between their organisations. We heard that their intention is to ensure that the two programmes do not duplicate each other or compete for the same results.*

Box 14: Division of labour in the case study countries

DRM coordination groups

Coordination groups, often known as sector working groups (SWGs), are an important tool for country level harmonisation. They help to support joint dialogue and information sharing at the sector and, in some cases, sub-sector or thematic level. This minimises parallel dialogue and helps to ensure that sector level financing and projects are complementary. In most cases, these groups are led by government and co-chaired by development partner representatives. They can also include wider stakeholders, such as implementing partners, research organisations and civil society organisations (CSOs). Coordination groups can meet on an ad hoc basis or they can have a more formal structure, meeting once a month for example.

Effective coordination groups require a commitment from development partners and the partner country government. They often need an in-country development partner to take the lead on supporting government with coordination, including arranging and co-chairing meetings and supporting with paperwork such as agendas, meeting minutes and position papers. It often makes sense for the lead development partner or co-chair to be the development partner with the largest programme in the sector or sub-sector. In sectors with multiple development partners and large programmes, such as PFM, it is not uncommon for the co-chair to be a rotating position.

We heard that El Salvador has a long standing DRM coordination group for development partners and government, with USAID well established as the lead partner. USAID supported tax system reforms have helped El Salvador to raise an additional $2.4 billion in state revenue over the last decade.[110] Where necessary, development partners meet outside of the joint DRM coordination group to convene around certain issues and develop a common position. USAID then relays this position to government. Similarly, USAID carries messages from the government back to development partners. This helps to prevent development partners approaching the government unilaterally to negotiate DRM and tax programmes. We were informed that having a strong lead agency from the development partner side had greatly enhanced harmonisation around DRM.

In Afghanistan, we heard that a PFM Shura (council) has helped to harmonise PFM support in the past. This Shura met monthly, allowing development partners, partner country government

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[110]   DAI (2019) *El Salvador – Domestic Resource Mobilization Program*, *link*.

and civil society representatives to coordinate around PFM priorities, concerns and programming. Interviewees were not clear whether this Shura was still meeting regularly, although recent reporting indicates that the World Bank and ARTF are currently focused on 'reinforcing' the PFM Shura.[111] The EU's support to PFM in Afghanistan highlights that the PFM Shura will be a key mechanism for keeping all stakeholders updated on PFM reform progress. Programme documentation for the EU's support to PFM in Afghanistan indicates, however, that PFM Shuras are currently development partner organised and infrequent – the target moving forward is to have bi-monthly PFM Shuras organised by the Ministry of Finance.[112]

In Ghana, development partners supporting GRA reforms established a joint implementation committee with the GRA to support coordination for DRM. This group did not hold regular scheduled meetings but provided a mechanism for informal coordination. Changes to top management within the GRA, however, changed the tone of development partner/ partner country government relationships around DRM and coordination was weakened. Development partners were still meeting but we were told that the joint government side dropped off. In 2017, a new coordination group was formed for DRM as a sub-sector group under the PFM SWG. This group is chaired by the Commissioner General of the GRA and includes representation from the Tax Policy Unit in the Ministry of Finance. The group has reportedly brought everyone back to the table and is facilitating a good level of coordination. It is striving towards quarterly meetings. An initial mapping of development partner support for DRM has already identified overlaps in the sector (see above) and follow-up activities are being planned to address this.

In Uganda, a DRM Committee is currently chaired by the Head of the Tax Policy Division (TPD) in the Ministry of Finance, with IMF and DFID as co-chairs. This committee meets regularly, particularly around the MTRS process. The focus is on ensuring collaboration and consultation around the MTRS. We heard reports that despite having this committee in place, regular bilateral conversations are still taking place with the government. This has resulted, to some extent, in multiple development partners seeking to support the same reform areas and results which undermines harmonisation.

The Budget Support Harmonisation Group (BSHG) was formed in Rwanda in 2003, with an MoU adopted and signed by the government of Rwanda and eight development partners. The group meets on a quarterly basis to discuss macro-economic and PFM reform programmes and also carries out bi-annual reviews. The objectives of the BSHG include creating a forum for open discussion between partners and reducing the transaction costs of budget support. Budget support development partners communicate regularly through the BSHG, providing updates on their dispersal rates and organisational activities.

Challenges: *the BSHG meetings do not take the place of bilateral meetings between development partners and the government on budget support. The hope is that the forum will decrease overlaps in development partner approaches and ensure that services are more equitably distributed. In reality, however, there is no hard evidence that this happening.[113]*

Box 15: Budget Support Harmonisation Group in Rwanda

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[111]   EU (undated) *Annex 1: Action Document Afghanistan – Support to Public Financial Management (PFM) Reform*, <u>*link*</u>.
[112]   Ibid
[113]   Ndulo, M. and van de Walle, N. (eds) *Problems, Promises, and Paradoxes of Aid: Africa's Experience*, <u>*link*</u>.

Basic information sharing

Information sharing cuts across all aspects of development effectiveness and donor coordination. It is a basic but essential component. In cases where pooled financing mechanisms and SWGs do not exist, for example, basic information sharing between stakeholders can be enough to facilitate a more harmonised approach. During our interviews, however, we heard that real-time information sharing between DRM stakeholders is often limited. This can undermine a coordinated donor approach to DRM.

A key challenge to information sharing can be a lack of DRM expertise based in-country. Development partner DRM 'leads' are not necessarily DRM experts, but often PFM or broader governance reform specialists. As a result, development partner offices may not have the technical capacity to fully engage in coordinating and harmonising DRM support. In some instances, for example, it may look like two organisations are working on the same thing, but in practice TA is more nuanced and activities can be complementary. There is a need for technical experts to get better at explaining what they are doing and also a need for development partners to increase country level capacity for DRM.

DRM experts are typically brought in for short scoping missions and/or short pieces of TA, often with very little interaction with other development partners. We were told that a simple de-brief from technical experts following in-country missions could make a big difference to harmonising development partner approaches to DRM at the country level. Another challenge is a general lack of information on how central level funds are being spent at the country level. This information could be better shared both within and across development agencies.

5.4 Managing for results

Managing for results is about ensuring that aid is focused on real and measurable impact.[114] This includes strengthening developing country capacity and demand for results-based management. Effective results management not only allows stakeholders to assess the impacts of development policies and approaches, but also to make adjustments where necessary. Improving how DRM results are managed will enable stakeholders to better track the progress of reforms and encourage mutual accountability. This might include developing common progress measures on capacity development and DRM, strengthening data management systems for collecting information on progress measures and establishing joint progress reviews to collectively evaluate progress.

Re-running joint diagnostics could also be an important part of managing for results. Returning to joint diagnostics at pre-determined intervals, for example based on a five-year cycle or linked to a national revenue strategy/MTRS, will help to identify progress (or lack of progress) against DRM reforms. This focuses collective attention on a common set of objectives and results, and helps to reinforce mutual accountability for DRM reforms. The TADAT, for example, uses a simple grading system (A-D). We were told that this motivates stakeholders to aim for an improved grading each time the diagnostic is re-run.

During our interviews, we heard that managing for results is not yet receiving sufficient attention from stakeholders at country level. Joint results frameworks and joint progress reviews for

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[114]   OECD (2008) *The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action*, *link*.

DRM are the exception rather than the norm. We also heard that existing DRM results frameworks do not always link activities and outputs through to outcome and impact level. As a result, the long-term goals of DRM support, including sustainability, can be overlooked. Interviewees felt that increasing the use of common results frameworks (i.e. frameworks shared by partner country government and development partners) would be important for strengthening the overall approach to results management. They also noted, however, that aligning development partner and country partner targets would be a complex process – not least because some development partners set DRM targets at the central level and also because existing programme targets would need to be phased out to allow new targets to be phased in. ATI members recognise the importance of 'how' country progress is measured and are discussing this through the ATI platform. Ensuring that central level thinking and discussion translates down to the country level will be important.

In Afghanistan, the five-year FPIP action plan, led by the Ministry of Finance, provides a results framework for government that covers broad fiscal policy reform.[115] The FPIP Secretariat conducts a semi-annual review against this framework. We were told that the framework is robust and that development partners working in areas covered under FPIP should consider aligning their results targets with the framework. Stakeholders interviewed felt there are not enough DRM development partners in Afghanistan to warrant a separate joint results framework for DRM. In Ghana, a country with a large number of DRM development partners, we heard that monitoring and evaluation for DRM reform remains weak and that a joint results framework has not been developed. We were told that the government is focused on rapid revenue increase and measuring the long-term results of DRM reform is not currently a priority.

Overall, views differ around what is expected in terms of developing and aligning results frameworks. Ideally development partners would align their DRM results targets with a strong government-led results framework for DRM. These do not always exist, however, or, as is the case in Afghanistan, can be broader than just DRM which may limit the depth and coverage of DRM targets. Where there is no clear government framework to align results behind, development partners were unclear whether they should be harmonising their own individual results frameworks in the meantime. This is likely to be challenging as different development partners often work on different parts of DRM and therefore track different targets. We also heard some suggestion that DRM reforms should be measured more broadly, including a focus on how revenues are spent for example, rather than just how they are collected.

Managing for results is also relevant at the international level. A pressing concern for ATI as it nears its target date for doubling DRM finance is being able to assess what this additional financing has achieved. ATI will need to show how this money has led to improved DRM outcomes and impacts. This will be important for sustaining momentum generated by the platform. The ATI Consultative Group 2, coordinated by USAID, European Commission and Malawi, is currently working on how best to demonstrate these results. The Consultative Group members are developing standardised DRM performance indicators to measure progress on ATI commitment 2, partner countries step up domestic revenue mobilisation. These principles touch upon the principles in the ATI declaration, fairness, efficiency, effectiveness and transparency of the tax system.

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[115]   Government of Afghanistan (2017) *The 1396 (2017) Fiscal Performance Improvement Plan*, *link*.

5.5 Summary of country level challenges

This section summarises the coordination challenges identified above and highlights existing mechanisms that could provide a basis for further strengthening DRM coordination at the country level. Findings are presented in a table format and should be used as a reference point for further discussion.

Development effectiveness principle	Key challenges	Examples of good practice
Ownership: country strategies and action plans	• Country ownership and vision for DRM often lacking – limits development partner alignment with country priorities. • Consultation with national stakeholder beyond government is often limited. • Variable quality of DRM strategies, in terms of prioritisation and sequencing.	• MTRS has potential to drive country led reform process. • Recognition of need for joint IMF/ WB MTRS pilot to strengthen the MTRS approach. • Uganda developed MTRS task team – bringing government together around the process. • PFM reform strategies covering DRM to varying degrees - can provide basis for alignment in absence of MTRS.
Alignment: comparative advantage	• Development partner funding allocation processes make it difficult for them to align with government priorities. • Takes time for development partners to re-prioritise and re-programme country budgets to align with government priorities. • Overall lack of coordination between DRM experts and development partners in country. • Poor alignment may undermine the MTRS process. • Strength of government-led coordination varies across countries.	• MTRS process in Uganda encouraging increased collaboration between government and development partner on DRM priorities. • MTRS/ DRM strategies – potential to empower government to hold development partners to account on alignment.
Harmonisation: PBAs and pooled funding	• Limited development partner interest in PBAs and pooled funding mechanisms for DRM at country level. • Pooled funding mechanisms do not always uphold principles of development effectiveness. • Broader pooled funding mechanisms (e.g. for PFM) can restrict financing to DRM.	• Ghana decentralisation SWAp enhancing donor coordination (includes local level DRM). • Afghanistan ARTF and FSP providing single point of contact for government and development partner and streamlining PFM/DRM approach. • Ghana co-financing agreement facilitating joint development partner approach to DRM.

Development effectiveness principle	Key challenges	Examples of good practice
Harmonisation: division of labour	• HQ decisions on thematic areas of interest undermine country level DoL processes. • Aligning projects behind DoL framework can take several years as projects are phased in/out. • DoL often driven by development partners – needs government engagement to be more effective.	• Ghana – DRM stakeholder mapping a first step towards improved DoL. • Uganda – bilateral discussions between development partners in how to coordinate upcoming DRM programmes.
Harmonisation: coordination groups and information sharing	• Coordination groups wax and wane – maintaining momentum can be a challenge. • Real-time information sharing limited. TA experts rarely feedback to wider group of donors in country. • Development partner staff rotations and loss of institutional memory. • Disconnect and lack of information sharing between HQ and country level offices. • Multiple development partners often seeking to support same reform and results areas.	• Establishing a 'lead' development partner streamlines government/ development partner coordination and limits bilateral conversations. • WGs/ councils have supported coordination in Ghana and Afghanistan – efforts being made to revive these groups. • DRM committee in Uganda developed around MTRS.
Managing for results	• Insufficient attention on managing for results – thinking not gotten this far. • Lack of robust government results frameworks on DRM. • Differing views on what aligning results frameworks should look like, particularly in absence of strong government framework. • Development partners work on different parts of DRM and therefore track different targets and results.	• Re-running joint diagnostics e.g. TADAT is motivating stakeholders to work together for improved grading. • Potential for development partners to align results frameworks with government frameworks as MTRS and PFM strategies increasingly robust and available. • ATI performance indicators measure standardised progress.

Table 2: Summary of country level challenges

6. Conclusions and recommendations

6.1 Summary of findings

There has been strong progress in recent years in improving coordination of DRM support, including coordination forums and platforms, shared commitments and common tools, including diagnostics. Information flows have improved significantly, especially through the efforts made to track aid flows.

However, there are also a range of coordination challenges that are yet to be addressed. At the international level, the primary concern among those we interviewed was to ensure that partner countries have a strong enough voice in the setting of international tax and DRM priorities and approaches. In the case of ATI, increased membership from partner countries in Asia and South America, in particular, could expand the forum's geographical coverage and further strengthen partner country engagement at the international level. On aid allocation, the uneven distribution of resources across partner countries – including ATI members – suggests that some partner countries may not be getting the resources they need, and there is no mechanism for ensuring that the overall pattern of allocation across countries is either fair or efficient. There has been some discussion of using central funding instruments to even out imbalances in the allocation of DRM support, but no consensus has yet emerged on how to go about this.

At the country level, some of the building blocks for a coordination cycle of country-led reforms and development partner support are being put in place. There has been investment in diagnostic tools, which can create a shared understanding of reform priorities and challenges, and more countries are moving towards DRM strategies and action plans. However, key challenges include:

- The growing number of diagnostic tools is causing some confusion for partner countries as to which should be used in what circumstances, and opens up the risk of competing assessments. The PCT has undertaken an initial mapping of these tools and the Government of Norway is currently undertaking a technical assessment of the same.

- The quality of national DRM strategies and action plans remains variable. Not all of them are evidence of strong ownership by governments, or among national stakeholders. Some lack sufficient focus or prioritisation to provide a sound basis for development partner alignment.

- Many development partners still struggle to align their support with national priorities, owing to rigidities or time lags in their allocation processes and programming cycles.

- The willingness and capacity of national counterparts to lead on coordinating development partner support is variable.

- There has been limited development partner appetite to move towards programme-based approaches or pooled funding in DRM at the country level.

- Practical coordination mechanisms among development partners, such as country-level working groups for information sharing and harmonisation of activities, are relatively un-

derdeveloped in our case study countries. They are held back by high rotation of staff and a lack of DRM-specific expertise in-country, making it difficult to maintain momentum.

- The lack of agreed metrics and indicators for measuring progress in DRM reform, to support harmonised results management and mutual accountability.

Many of these issues reflect coordination challenges found in other development sectors – including the challenges of coordinating multiple stakeholders with different priorities and approaches, poor internal coordination within development partner agencies (i.e. between headquarters and country offices), and a lack of strong government ownership and leadership of donor coordination. All of these challenges make it difficult to coordinate a prioritised and well sequences set of DRM activities.

Many of our interviews stressed the political challenges involved in DRM reforms. Even where there are reform 'champions' within counterpart agencies, care needs to be taken to build and maintain a political constituency in favour of reform, in the face of often strong vested interests opposed to change. Within the broader policy dialogue on DRM support, there needs to be more attention given to the political challenges – for example, by drawing on 'Thinking and Working Politically' principles and employing more flexible and adaptive programme management techniques. Development partners need to move beyond treating DRM as purely a technical reform challenge, towards engaging with the challenge of building broad-based national ownership of reform. This is likely to require building a political economy dimension into development partner approaches to DRM.

The increased investment in DRM coordination since the ATI has given rise to new risks around overlapping coordination mechanisms. There are now a number of platforms, tools and mechanisms that aim to improve coordination for DRM. These need to be better coordinated – particular across joint diagnostic tools such as TADAT and Tax Diamond. The PCT is also about to launch a DRM activity database that will report on activities implemented by the four PCT partners. This could potentially align with the ATI DRM database to provide a more complete picture of DRM activity and financing, but at the moment it is unclear how these two databases will complement each other. Discussions around this are on-going. Overall, there is a need for improved information sharing and alignment across different DRM platforms, databases, diagnostic tools and trust funds, both at the international and country levels. Care needs to be taken to avoid 'coordination fatigue' by launching too many initiatives without clear and distinct value to add.

During our interviews we asked ATI members what they thought the level of ambition should be for donor coordination in DRM. The below paragraphs summarise their responses.

Overall, ATI members felt that coordination goals should be ambitious but should not overlook the coordination tools and mechanisms that already exist. Interviewees wanted to see improved efforts to create synergies between existing mechanisms rather than the development of new tools. This includes more effort to create synergies between DRM financing mechanisms to ensure better complementarity in the way that DRM support is provided. This could mean greater efforts to ensure longer-term bilateral support for DRM helps to prepare the ground for, and follow up on, short-term TA activities for example. To do this effectively will require greater sharing of information between DRM experts and development partners at the country level.

They also stressed the need to ensure that DRM support does not lead to conflicting advice to partner countries. Even if development partners chose not to move towards joint programming, they must make a conscious and continuous effort to ensure coherence and complementarity.

This might involve, for example, better streamlining of joint diagnostic tools and/or agreement to use a limited number of such tools in a particular country. It may also involve explicit decisions on reform priorities and sequencing, and greater efforts to establish clear DoL frameworks that encourage development partners to focus on their areas of comparative advantage.

Box 16: Reflecting on level of ambition

6.2 Options for improved coordination

Coordination is not an objective in its own right, but a means to the end of achieving better development results. Coordination is itself a resource-intensive activity, requiring the investment of time and effort by development partners, partner countries and supporting organisations, and it can take considerable time to align programming cycles.

Any proposals for enhanced coordination therefore need to be assessed carefully as to whether the benefits outweigh the costs. We offer the following options, to facilitate this assessment. This is not a set list of recommendations, rather a collection of options that can be applied as necessary to different contexts at the international and country levels.

Coordination challenge	*Potential solutions*
International level	
A limited evidence base on what works in DRM reform and DRM support, particularly regarding the prioritisation and sequencing of reforms in different country contexts, and the links between DRM reforms and wider economic and administrative reforms.	• ATI to commission a review of the state of evidence on DRM reform, to identify gaps and research priorities. • ATI to identify an appropriate partner to act as a resource centre, collecting the knowledge and evidence being generated across members and producing and disseminating syntheses.
A lack of reflection on the political economy challenges to DRM reform, and limited take up of new approaches to flexible, adaptive, politically informed support.	• ATI to commission a synthesis study on the political economy of DRM reform, and to explore opportunities for applying Thinking and Working Politically principles to DRM support.
A proliferation of DRM diagnostic tools, creating some confusion among stakeholders.	• Building on the technical assessment currently being carried out by the Government of Norway, ATI to produce guidance for members outlining the function of each tool and which are more appropriate in different circumstances.
A potentially unfair or inefficient global allocation of DRM support.	• ATI and the PCT to explore the case for using multi-donor trust funds to scale up support for partner countries able to demonstrate an enabling environment for DRM reforms – in particular, an effective and well-prioritised national strategy and action plan. • ATI to explore whether its proposed Matchmaking Facility could be designed so as to direct support towards underfunded countries that are seeking to boost their absorption capacity for DRM support.

Coordination challenge	Potential solutions
Country level	
Some ATI partner country members still lack national DRM strategies that are strong enough to support donor alignment.	• ATI members to prioritise the development of DRM country strategies (whether Medium Term Revenue Strategies or their equivalent), based on joint diagnostic work and national consultations. • ATI partner countries to commit to operationalising their DRM strategies with action plans that clearly prioritise and sequence their proposed reforms, to support stronger alignment by development partners.
Harmonisation of funding among DRM development partners in-country is variable, leading to high transaction costs and a risk of contradictory approaches.	• In partner countries with substantial DRM portfolios, ATI members to reach agreement on information sharing and division of labour, preferably through country-led working groups. • ATI development partners to explore joint funding of technical assistance facilities, able to support the design and implementation of DRM reforms in a flexible manner.
A lack of internationally agreed metrics of progress on DRM, and a lack of strong results frameworks for national DRM strategies.	• ATI to develop a menu of indicators for measuring progress on DRM, supported by appropriate guidance. • At the country level, ATI members to incorporate a selection of these indicators into their results frameworks. • ATI members to agree to a regular cycle of joint diagnostic reviews, feeding into the updating of national DRM strategies and action plans.

Table 3: Options for improved coordination

Annex A: Interview list

Interviews to support this study were conducted with the following organisations:

International level

- German Federal Ministry for Economic Cooperation and Development (BMZ)
- International Tax Compact (ITC)
- Liberia Revenue Department (LRA)
- Organisation for Economic Co-operation and Development (OECD)
- Oxfam America
- Secretariat of the Platform for Collaboration on Tax (PCT)
- Switzerland State Secretariat for Economic Affairs (SECO)
- UK Department for International Development (DFID)
- United States Agency for International Development (USAID)

Country level

- Afghanistan Revenue Department (ARD)
- Embassy of the Federal Republic of Germany, Ghana
- Ministry of Finance Afghanistan
- Ministry of Finance, Ghana
- Ministry of Finance, Uganda
- UK Department for International Development, Uganda
- United States Agency for International Development (USAID), Afghanistan

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