Addis
Tax Initiative

ATI Monitoring Report 2017

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Imprint

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

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The individual country and organisation sections in the online annex to this report, which can be found on the *ATI website*, are based on the inputs from the respective countries or organisations. The ITC does not take any responsibility for the content of those sections.

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Executive Summary

The Addis Tax Initiative (ATI) was launched at the Third International Financing for Development (FfD) Conference in Addis Ababa in July 2015. At the launch, more than 30 countries and international organisations committed to working together to build local capacity, strengthening domestic governance and institutions, and fostering the political will to see through tax reforms. Furthermore, the commitment extended to improving the fairness, transparency, and efficiency of developing countries' tax systems, so that they can be self-subsistent. The Addis Tax Initiative brings together 44 countries and 15 supporting organisations committed to increasing their efforts to fulfil the three ATI commitments, as laid down in the *ATI Declaration*:

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

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

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

The 2017 ATI Monitoring Report provides the progress of ATI members with regards to fulfilling the three ATI commitments. The report extensively contributes to the sharing of knowledge and lessons learnt among ATI members. In addition, the report also aims to contribute to the important need for added coordination and reporting of development partners' support and contribution towards domestic revenue mobilisation. The 2017 ATI Monitoring Report also provides a platform for further deliberations on the impact of Official Development Assistance (ODA) support for domestic revenue mobilisation.

Key Findings

ATI Commitment 1

Despite the existent time lag in budgetary adjustments for the planning and implementation of new projects, ATI development partners reinforced their ambitious commitment to double support for domestic revenue mobilisation. This is reflected in our current reporting period, where gross disbursements amount to USD 260.41 million and commitments amount to USD 258.22 million, which represents an increase of 21.0% and 28.3%, respectively. In comparison to 2016, gross disbursements and commitments decreased, which is, for a large part, driven by two loans by France. Excluding the loans from France, the ATI development partners' support to domestic revenue mobilisation in terms of gross disbursements in 2017 increased by 14.2% in comparison to 2016, while commitments remained stable. With the five largest recipients receiving a share of 56.3% of DRM-related ODA support, ODA support became less concentrated than in the past (72.5% in 2015 and 82.1% in 2016). With a share of 44.8%, Sub-Saharan Africa remains the region with the highest support in the current reporting period.

ATI Commitment 2

Given the importance of mobilising domestic revenues, the ATI partner countries are consequently stepping up efforts. The average tax-to-GDP ratio in ATI partner countries in 2017 was 15.9%. Slightly more than half of the ATI partner countries have experienced an increase in their tax-to-GDP ratio since 2015. The revenue structure among ATI partner countries remains dominated by indirect taxes, with an average of 45.5% of total tax revenue. 34.2% of total tax revenue is accounted for by direct taxes, which include income taxes. The Tax Administration Diagnostic Assessment Tool (TADAT) remains an important tool used by ATI countries to systematically assess the strengths and weaknesses of their tax administrations systems. Out of the 23 ATI partner countries, 17 have concluded the TADAT assessment. In their effort to enhance the mobilisation of domestic revenues, ATI partner countries have placed much added focus and resources towards improving and simplifying revenue collection, enhancing tax compliance, building capacity to implement important international standards, frameworks, and agreements, such as the BEPS Inclusive Framework and the Automatic Exchange of Information (AEoI).

ATI Commitment 3

Policy coherence remains a vital topic for fostering sustainable development among ATI members. The feedback of 26 countries to the 2017 ATI Monitoring Survey on Commitment 3 highlights efforts in many areas. The ATI signatories are putting effort on the introduction and establishment of coherent policies, with different approaches and various focus areas. Cooperation mechanisms have been established to increase the inter-agency cooperation in the area of taxation and domestic revenue mobilisation in ATI member countries. Over 23 of the ATI members have formal and/or informal domestic coordination mechanisms for domestic revenue mobilisation in place. Efforts by ATI members are undertaken to combat illicit financial flows. In addition, ATI members have indicated progress regarding the exchange of information and the implementation of BEPS measures. Several countries intend to establish a tax treaty policy, which looks specifically at policy coherence for development, and discussions about the taxation of ODA continue both at an international level and within countries.

Introduction

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

ATI members commit to fulfilling their applicable ATI commitments, as laid down in the *ATI Declaration*:

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

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

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

The ATI members commit to report regularly on their progress in meeting their ATI commitments. This report is the outcome of the ATI members' own, voluntary reporting on their efforts in the area of domestic revenue mobilisation. Also, it is the outcome of a comprehensive exercise of the ATI development partners to identify their DRM-relevant Official Development Assistance (ODA) activities and (re-)code them accordingly in their OECD DAC reporting, as well as of the ATI supporting organisations' effort to report their efforts towards contributing to the ATI agenda.

The 2017 ATI Monitoring Report contributes to the sharing of knowledge and lessons learnt among ATI members and affords better and effective coordination of development partners' efforts towards DRM reforms. Moreover, the report aims to provide a basis for further discussions pertaining to the results and impacts of ODA support in the area of domestic revenue mobilisation.

Addis Tax Initiative

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

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

Concretely, ATI member countries promise to increase their efforts to fulfil the three ATI commitments, as laid down in the *ATI Declaration*:

*ATI development partners commit to **collectively double technical co-operation in the area of domestic revenue mobiliation** by 2020.*

*ATI partner countries restate their commitment to **step up domestic revenue mobilisation** as a key means of implementation for attaining the SDGs and inclusive development.*

*All countries restate their commitment to **ensure Policy Coherence for Development**.*

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

International Tax Compact

International Tax Compact

The International Tax Compact (ITC) is a stakeholder platform that aims to enhance domestic revenue mobilisation (DRM) and to promote fair, efficient and transparent tax systems in partner countries. It promotes networking, peer learning and capacity development, bringing together a large number of stakeholders. These include, among others, policymakers and representatives from academia, civil society organisations and the private sector working in the field of development and taxation. By combining their strengths and pooling the available capacities and resources, the International Tax Compact adds value to initiatives in the field of taxation and development without duplicating existing structures and efforts.

The German Federal Ministry for Economic Cooperation and Development (BMZ) launched the platform in 2009 and commissioned the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) to host the ITC Secretariat. Since April 2017, the European Union supports the International Tax Compact through a co-financing agreement. The Ministry of Foreign Affairs of the Netherlands provides funding for individual activities.

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The Addis Tax Initiative in the international development agenda

There is increasing international and domestic recognition of the pivotal role that strong tax systems play in enabling developing countries to achieve a wide array of sustainable development goals. Better tax systems are associated with more accountable and effective institutions and more social spending. Moreover, better tax systems can increase government income stability. Already in 2014, the Communiqué of Mexico's High-Level Meeting of the Global Partnership for Effective Development Cooperation stated that *"no country should be dependent on others´ resources for its own development"*. Consequently, it called upon partners to step up and support existing development co-operation to boost tax collection, cut illicit financial flows and strengthen policies that support inclusive development.

The Addis Tax Initiative contributes to global efforts to implement the 2030 Agenda, including the SDGs and AAAA. Both the AAAA and the SDGs emphasise the centrality of domestic revenue for ensuring the financing of the 2030 Agenda for Sustainable Development. Sustainable

Development Goal 17.1 explicitly calls for the development community to *"step up its international support to strengthen domestic resource mobilisation, including through international support to partner countries to improve domestic capacity for tax and other revenue collection"*.

Recognising the importance of the mobilisation of domestic revenue for development, the international development community has shown a growing willingness to increase and improve their support for strengthening domestic tax systems. In July 2015, external support to projects aimed at supporting the mobilisation of domestic revenue[1] was comparatively scarce, despite the evidence of its potential. This led development partners to commit to a joint effort when they declared to step up their support to domestic revenue mobilisation with the launch of the Addis Tax Initiative.

The G7 and the G20 on the Addis Tax Initiative

***G7 Ise-Shima Leaders' Declaration* (May 2016)**

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

***G20 Leaders' Communique Hangzhou Summit* (September 2016)**

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

***Communiqué G20 Finance Ministers and Central Bank Governors Meeting Baden-Baden* (March 2017)**

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

***Communiqué G7 Finance Ministers and Central Banks' Governors Meeting Bari* (May 2017)**

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

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

Monitoring of the ATI commitments

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

To monitor the progress towards fulfilling the three ATI commitments, the ATI Monitoring Report gives a yearly update on the progress achieved. It also gives ATI members an opportunity to present the highlights of their work with respect to enhancing domestic revenue mobilisation and outlining their upcoming activities.

Information for the 2017 ATI Monitoring Report was gathered and compiled in a four-step process:

- ATI Monitoring Framework: The International Tax Compact consultatively developed the ATI Monitoring Framework and the 2017 ATI Monitoring Surveys. Feedback from ATI members and the ATI Consultative Groups was taken into account. Reporting requirements were kept to a minimum and, where possible, available data was used.
- OECD DAC Statistics: To effectively monitor ATI Commitment 1, the ATI development partners undertook efforts to re-code their ODA support provided in 2017 under DRM code 15114.
- ATI Monitoring Survey: All ATI members were invited to report on their efforts in the area of domestic revenue mobilisation and comment on relevant indicators and data compiled by the International Tax Compact for the ATI monitoring.
- Compilation of the ATI Monitoring Report: The ATI Monitoring Report was prepared by the International Tax Compact, based on the replies received on the ATI Monitoring Surveys and the data retrieved from the OECD DAC.

ATI Commitment 1

*This section is concerned with Commitment 1 of the Addis Tax Initiative. The results presented are based on data for 2017 reported to the OECD Development Assistance Committee (DAC) under the CRS (Common Reporting Standard) purpose code 15114 (Domestic Revenue Mobilisation – DRM). Eleven development partners (namely Australia, Denmark, the EU institutions, France, Italy, Korea, the Netherlands, Norway, Sweden, Switzerland and the United States) have adjusted their original reporting to the OECD DAC. The amended dataset underlying this analysis can be found **online**.*

Key Findings

*In 2017, **gross disbursements accounted for 260.41 million USD and commitments for 258.22 million USD**, which represents an increase of 21.0% and 28.3%, respectively, with regard to the ATI baseline.*

***Compared to 2016, gross disbursements and commitments decreased substantially.** However, support towards domestic revenue mobilisation in 2016 was primarily driven by two loans granted by France. Excluding these loans, ATI development partners' support to DRM in terms of gross disbursements in 2017 increased by 14.2% in comparison to 2016, while commitments increased by 0.7%.*

***Concentration of support is less pronounced than in 2015 and 2016.** The five largest recipients of DRM-related Official Development Assistance (ODA) support – Afghanistan, Burkina Faso, Ghana, Kenya and Benin – received a share of 56.3% of total ODA support to DRM channeled to ATI partner countries (gross disbursements). Both in 2015 and in 2016, this share was higher (72.5% and 82.1%, respectively). Sub-Saharan Africa remains the largest region receiving support (44.8%). This was already the case in 2015 (36.6%) and 2016 (30.1%, excluding loans).*

Even though 2017 constitutes the "mid-term" monitoring of the Addis Tax Initiative, and it would be desirable to conclude about the direction of ATI Commitment 1, it is still a relatively short temporal gap between the launch of the Addis Tax Initiative in mid-2015 and the observation of the current data, which limits the robustness of these results. A considerable time lag often lies between political commitments at the highest level and the budgetary adjustments needed for the planning and implementation of new projects. ATI development partners mention this in the survey and knowing their upcoming projects, they are optimistic about fulfilling the commitment to double support in the area of domestic revenue mobilisation.

The main conclusion that can be drawn now is that considerable efforts are needed by all ATI development partners in order to reach their commitment to double support to DRM reforms by 2020.

For more information, please contact secretariat@taxcompact.net.

ATI Commitment 1

The aim of ATI Commitment 1 is to increase the support to partner countries in the area of taxation and domestic revenue mobilisation (DRM). For this purpose, the ATI development partners have committed to collectively doubling their Official Development Assistance (ODA) support to DRM reforms in partner countries by 2020[2].

The final ATI baseline is **USD 215.21 million gross disbursements and USD 201.31 million commitments**[3]. Consequently, the ATI development partners will need to increase support to **USD 430.42 million of gross disbursements** and **USD 402.62 million of commitments** by 2020 in order to fulfil their commitment to collectively double ODA spending in the area of domestic revenue mobilisation.

2017 Monitoring of ATI Commitment 1: Methodology

The monitoring of ATI Commitment 1 is primarily based on the OECD Development Assistance Committee (DAC) Statistics in order to ensure a transparent and credible monitoring of the ATI development partners' commitment to collectively double support in the area of domestic revenue mobilisation. "Support for technical assistance", as referred to in ATI Commitment 1, comprises all ODA support reported under the CRS (Creditor Reporting System) purpose code 15114 (DRM code)[4].

The monitoring of ATI Commitment 1 focuses on gross disbursements and commitments, both of which are presented in the summary findings. Commitments usually vary considerably from year to year, but provide a good proxy for the pledges made and reflect development partners' intentions to spend. Gross disbursements, on the other hand, record the actual international transfer of financial resources in the respective year and are, therefore, more suited as a representation of the current situation.

As part of the monitoring process, ATI development partners were given the opportunity to review and adjust information in order to increase the reliability and legitimacy of the data. ATI development partners had the opportunity to review the data they had reported to the OECD DAC[5]. Since some ATI development partners continue to encounter technical difficulties in applying the DRM code introduced in 2015, the review process is important for taking into account DRM projects of those countries. Problems with the reporting process are more prevalent when more than one CRS code needs to be assigned to a project that has a DRM component but that is not entirely reported under the 15114 code.

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

[3] As these adjustments do not radically alter the findings of the 2015 and 2016 Monitoring, we will not adjust the entire 2015 Monitoring Report and the 2016 Monitoring Briefs accordingly, but include footnotes where needed in order to avoid any misunderstandings with regards to the slight difference in the data.

[4] The DRM Code is based on the following definition: "Support to domestic revenue mobilisation/tax policy, analysis and administration as well as non-tax public revenue, which includes work with ministries of finance, line ministries, revenue authorities or other local, regional or national public bodies. (Use code 16010 for social security and other social protection.)" (*http://www.oecd.org/dac/stats/purposecodessectorclassification.htm*)

[5] In order to ensure comparability and consistency, the ATI development partners that have made adjustments to their data are asked to report these to the OECD DAC as well.

In addition to the review of the data and the possibility to comment on the data, the ATI development partners received a survey with four questions regarding their work in the area of domestic revenue mobilisation. They were first asked to provide information on their DRM portfolio for 2017 and give an outlook on their DRM-related support. The second question concerned the latest changes in the countries' DRM support strategies. Third, development partners were asked how their membership in the Addis Tax Initiative has had an impact on their DRM portfolio. Lastly, they were invited to assess the likelihood of fulfilling ATI Commitment 1 by 2020 and to comment on their own efforts to reach this goal.

More detailed information about the ATI monitoring exercise can be found in the *Concept Note ATI Monitoring* as well as in the methodology chapter in the *2015 ATI Monitoring Report* (pp. 28-32). The full dataset underlying this monitoring exercise is available *online*.

Reporting for the 2017 ATI Monitoring of Commitment 1

For the 2017 Monitoring on ATI Commitment 1, all ATI development partners were invited to review their data reported to the OECD DAC under the DRM Code and to complete the 2018 ATI Monitoring Survey on Commitment 1. 18 out of the 20 development partners reviewed their data, completed the survey or provided information on their efforts to support domestic revenue mobilisation in partner countries via email.

The *OECD DAC data for 2017* (as of January 2019) contained 646 entries for ODA reported under CRS purpose code 15114 by the ATI development partners, amounting to USD 258.95 million in gross disbursements and USD 256.53 million in commitments.

During the review process for the 2017 ATI Monitoring Report, 10 ATI development partners reported adjustments to their datasets for 2017. Two development partners adjusted their baseline data retrospectively. The EU Institutions made additional changes to their 2016 data. The respective development partners were asked to also update their reporting to OECD DAC accordingly.

In greater detail, the following adjustments were made:

- **Australia** added 24 DRM projects to the OECD DAC database for 2017.
- **Denmark** removed three miscoded projects in the 2015 data.
- The **EU Institutions** added 51 projects to the OECD DAC database for 2017, 19 projects for 2016 and six projects for 2015.
- **France** reported eight additional projects to the OECD DAC database for 2017, which had not been included in the original reporting.
- **Italy** reported nine additional projects for 2017 that had not been reported to the OECD DAC under CRS purpose code 15114.
- **Korea** reported 16 additional projects for 2017, which had not been included in the original reporting to the OECD DAC.
- **The Netherlands** reported three additional projects for 2017 that had not been reported to the OECD DAC under CRS purpose code 15114. One project that is not DRM-related was removed.
- **Norway** removed one miscoded project in the 2017 data.

- **Sweden** reported two additional projects for 2017, which had not been included in the original reporting to the OECD DAC.
- **Switzerland** reported two additional projects for 2017 that had not been reported to the OECD DAC under CRS purpose code 15114.
- **The United States** removed one project for 2017 from the original reporting and adjusted the amounts committed and disbursed in some instances.

More generally, it has to be kept in mind that ATI development partners had the opportunity to use the year 2014 as their baseline since considerable commitments had been made by some countries in the run-up of the launch of the Addis Tax Initiative. The countries that made use of this opportunity are Belgium, Sweden and the United Kingdom.

The data underlying this ATI Monitoring Report can be accessed *here*.

Key Findings

Overview

The dataset used for the 2017 ATI Monitoring Report contains 645 entries in total. That is an increase of 173 (36.7%) compared to 2015, and of 37 (6.1%) compared to 2016. For the 2017 ATI Monitoring, many ATI development partners reported additional projects. A total of 116 projects were reported to the Addis Tax Initiative, which have not been included in the original reporting. For the improvement of the data and the ATI monitoring exercise in general, it is important that these projects are reported to the OECD DAC retrospectively as well.

Gross disbursements by ATI development partners amounted to USD 260.41 million in 2017, while commitments by ATI development partners were at USD 258.22 million.

Compared to the ATI baseline year 2015[6], disbursements increased by USD 45.20 million (21.0%) and commitments by USD 56.91 million (28.3%). The comparison to 2016 results in a percentage decrease of 32.0% in the case of gross disbursements and 37.4% in the case of commitments. However, this is mostly due to two loans granted by France in 2016, which increased the numbers for 2016 substantially. Without these loans, the percentage change for gross disbursements from 2016 to 2017 is 14.2% and 0.7% for commitments.

93.1 %

of all 15114-disbursements were provided by ATI development partners

Support to DRM by ATI development partners accounted for 93.1% of all OECD DAC members' gross disbursements to DRM reported under CRS purpose code 15114, and for 82.8% of the commitments made in 2017. These shares are lower than in 2016 (98.0% and 98.7%) and 2015 (97.7% and 98.7%). ATI development partners that reported DRM projects under CRS purpose code 15114 and are not ATI members are Japan, Austria, Hungary, New Zealand and Spain.

[6] Note that the ATI baseline year is 2014 for Belgium, Sweden, and the United Kingdom.

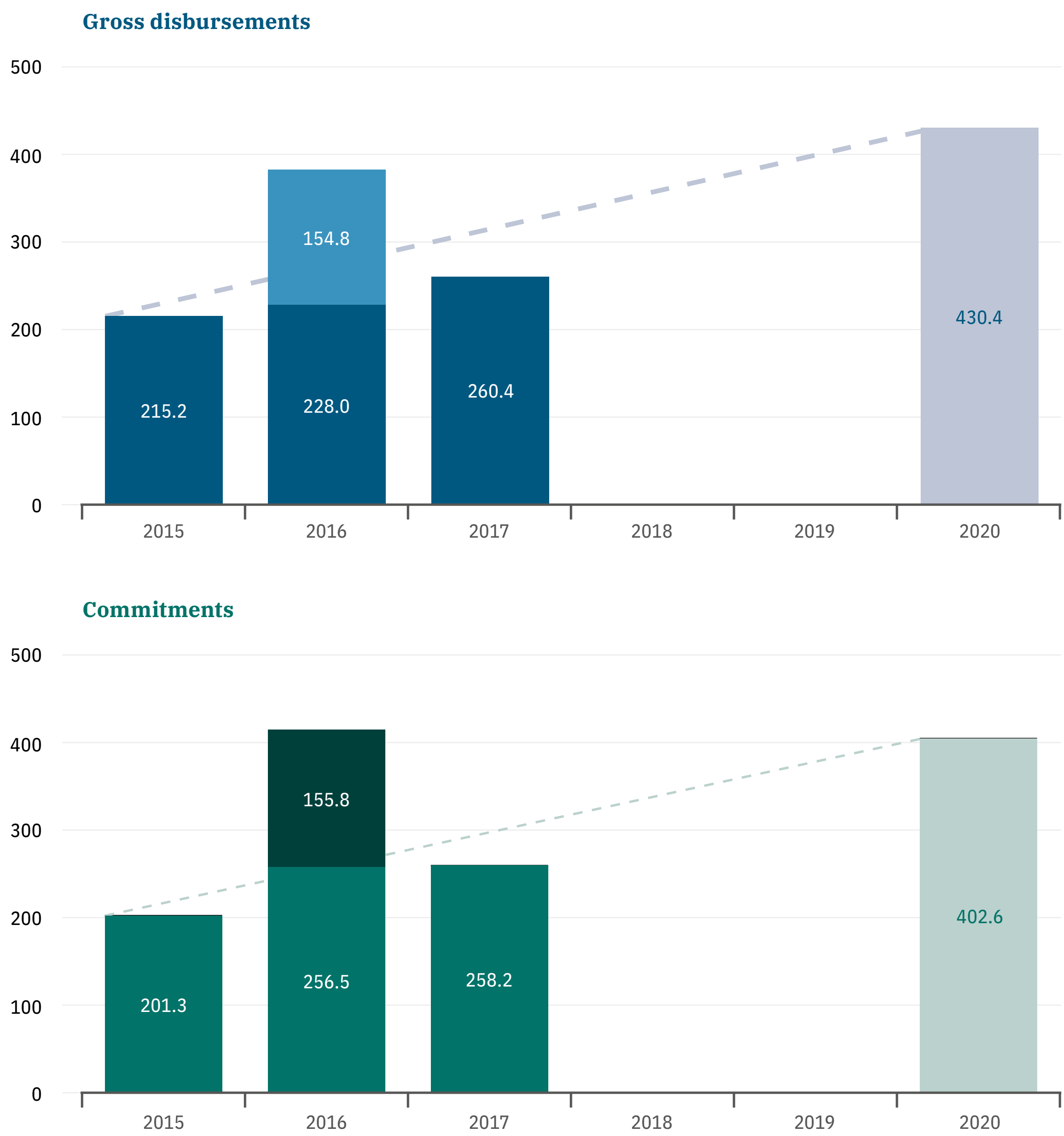


Figure 1: *ATI support to DRM in million USD, gross disbursements and commitments*

Analysing the data, it should be kept in mind that non-ATI development partners might not yet fully report their DRM support under purpose code 15114. Furthermore, support provided by multilateral organisations is not captured fully, but only through the contributions from ATI development partners to multilaterals.

Support to DRM by ATI development partners

In 2017, the EU Institutions accounted for the highest gross disbursements among all ATI development partners (USD 69.5 million), followed by the United States (USD 42.4 million) and the United Kingdom (USD 37.8 million). The same three ATI development partners were the biggest contributors in 2015 and 2016.

Taking 2015 as the baseline year, the highest absolute increases in gross disbursements are recorded for the EU Institutions (USD 23.5 million), Australia (USD 7.8 million), and the United States (USD 6.0 million). In percentage terms, the highest increases in gross disbursements are recorded for Luxembourg (450.1%), Sweden (232.4%), and Italy (181.3%).

The highest absolute decreases in gross disbursements are recorded for Norway (USD -5.84 million), the United Kingdom (USD -3.4 million), and France (USD -2.7 million). In percentage terms, the highest decreases in gross disbursements are recorded for the Slovak Republic (-97.5%), France (-47.4%), and Korea (-45.2%).

A similar pattern can be observed concerning the commitments. The ATI development partners holding the highest commitments in 2017 are the EU Institutions (USD 101.1 million), Germany (USD 37.1 million), and the United States (USD 26.0 million).

Compared to 2015, the highest absolute increases in commitments are recorded for the EU Institutions (USD 58.2 million), Switzerland (USD 8.1 million), and Australia (USD 7.8 million). In percentage terms, the highest increases in commitments are recorded for Luxembourg (450.1%), Korea (256.2%), and Italy (221.2%).

The highest absolute decreases in commitments are recorded for the United Kingdom (USD -14.1 million), Sweden (USD -12.5 million), and Denmark (USD -5.2 million). In percentage terms, the highest decreases in commitments are recorded for Denmark (-100.0%), the Slovak Republic (-97.5%), and Sweden (-72.1%).

In 2015 and in 2017, no loans were reported by the ATI development partners. The two substantial loans granted by France significantly altered the support to DRM. The two loans are supposedly outliers in terms of size. As can be seen in the 2017 data, the occurrence of loans in the area of domestic revenue mobilisation did not continue so far. Therefore, the analysis largely ignores the 2016 loans.

Including the loans, gross disbursements decreased by USD 122.4 million (-32.0%) and commitments by USD 154.0 million (-37.4%) from 2016 to 2017.

Generally, ATI development partners seem to be optimistic about reaching Commitment 1. All 15 ATI development partners responding to the 2018 ATI Monitoring Survey for Commitment 1 are positive about doubling their support or, in the case of the large donor that are the United States, substantially increasing their support to domestic revenue mobilisation until 2020. ATI Commitment 1 is also often monitored at country level. As the planning processes often take a very long time, there are countries like Norway, for instance, which report that they have not been able to increase the support so far, but that changes are underway.

Further, development partners have been asked about the changes in their DRM support since 2017. Many changes concern an increase in the support, either to multilateral organisations (mentioned by six countries) or through new bilateral programmes. The United Kingdom, for instance, mentioned the launch of several new programmes. Almost half of the countries (7) put efforts into the development of new strategies or focus areas with regard to their DRM portfo-

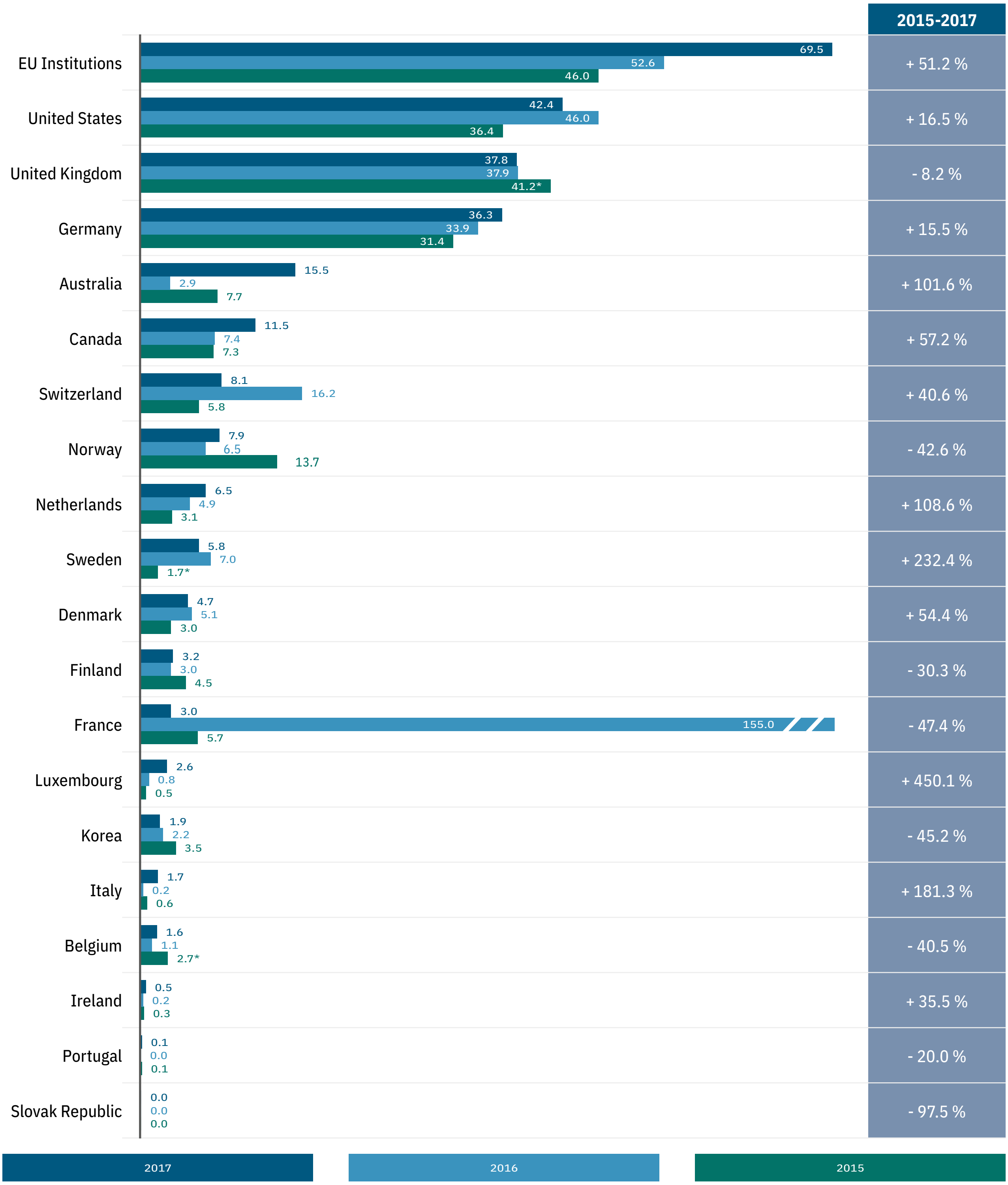


Figure 2: ATI development partners' support to DRM (gross disbursements, mio. USD)

Note: The values for the United Kingdom, Sweden and Belgium are from 2014 instead of 2015.

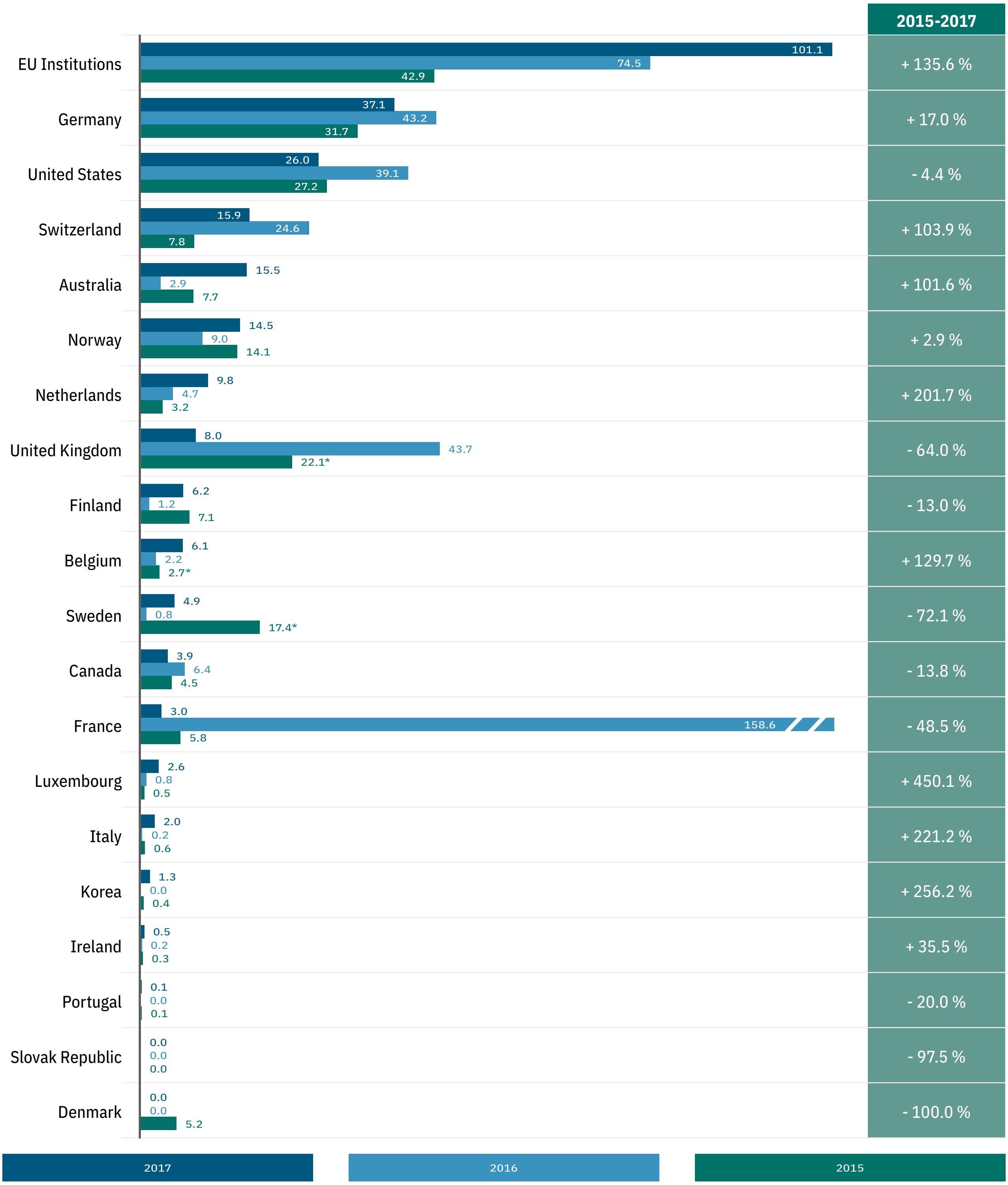


Figure 3: ATI development partners' support to DRM (commitments, mio. USD)

Note: The values for the United Kingdom, Sweden and Belgium are from 2014 instead of 2015.

lio. Canada launched its Feminist International Assistance Policy in 2017, including inclusive governance (DRM/tax capacity building) as one key area.

The EU Institutions use a holistic approach in their support to DRM. As outlined in the "Collect more – Spend better" strategy, EU support to DRM is closely linked to support to public finance management (PFM) and public expenditure. Furthermore, the EU co-finances capacity-building initiatives by the IMF, the World Bank, the UN and the OECD, such as:

- Technical assistance support on tax policy and administration through the IMF Revenue Mobilisation Trust Fund and the IMF's Regional Technical Assistance Centres (RTACs).
- Technical support on the administration and use of revenues from extractive industries through the IMF Management Natural Resource Wealth Thematic Fund and by the World Bank Extractive Global Programmatic Support Trust Fund. The Extractive Industry Transparency (EITI) aims at enhancing transparency on revenue from extractives.
- The EU actively promotes international tax good governance with a view of fighting tax evasion, tax avoidance and illicit financial flows.
- At the country level, budget support programmes, dedicated projects or diagnostics (e.g. TADAT in Ukraine) are implemented in line with the priorities of partner countries.

Sweden developed a new strategy for its global development cooperation in general, with domestic revenue mobilisation as an important part of it. Norway, on the other hand, launched its DRM aid strategy in 2017, together with the plan to scale up DRM support. Switzerland elaborated a guidance note for the implementation of DRM projects, focusing on the importance of sequencing reform and properly analysing political ownership of the involved partner institutions. Lastly, several countries mentioned in their replies the increased focus on including their tax administrations in programmes for capacity building.

One impact of the ATI membership on development partners' DRM support is increased awareness of the topic in the political area. Seven respondents mention this effect, while Sweden and Denmark note that domestic revenue mobilisation has been integrated in their development cooperation strategies as a result. Furthermore, some development partners note a positive influence on cooperation and communication between different agencies that work in the area of tax. Ten of the fifteen development partners participating in the survey mention the effect of committing to the Addis Tax Initiative on their DRM portfolio, which has strengthened and continues to do so, in order to reach ATI Commitment 1. In the case of the United States, where DRM support is decentralised at the level of field missions, higher budgetary flexibility could be reached. The United Kingdom and Slovakia mention new joint initiatives and projects with partner countries as a consequence of the increased focus on the mobilisation of domestic revenue. Switzerland already had domestic revenue mobilisation as one priority area in policy cooperation and, consequently, did not significantly alter its DRM portfolio in response to the ATI membership. The question arises whether increases in DRM support come at the expense of PFM support, which they see as problematic.

The highlights of the DRM portfolio in 2017 of the ATI development partners responding to the ATI Monitoring Survey on Commitment 1 can be found below. 16 development partners offered additional information about the changes in their DRM portfolio and approaches taken as well as an outlook regarding their DRM support.

Australia

Australia's DRM-related expenditure has been scaled up largely through recent contributions to multilateral programmes. This has included contributions to the IMF, World Bank and OECD programmes providing technical support towards improving tax policy and administration in lower-income countries. The scale-up in Australia's bilateral DRM programmes also focused on the increase in technical support in the aforementioned areas.

Preliminary estimates suggest that Australia is on track to reach its ATI target of doubling its expenditure on tax-related assistance by 2020. Further steps are being taken to ensure reaching this target.

Canada

Canada's Feminist International Assistance Policy, launched in June 2017, sets the broad policy framework for Canada's international assistance. The policy highlights inclusive governance (which includes DRM/tax capacity building) as one of six key action areas for Canada's international assistance. The policy also brings opportunities to incorporate a gender perspective in the design and implementation of new tax policy and administration programmes with our partners.

The commitment to collectively double support to capacity building in tax matters by 2020 is being closely monitored along with all other high-level development commitments that Canada has made.

Denmark

The tax portfolio at the country level remains the same. The contributions to civil society organisations (CSOs) have ceased. After 2018, the allocation for tax initiatives in the Danish ODA budget was increased and the cooperation concentrated on multilateral trust funds managed by the World Bank and the IMF.

The Danish Strategy for Development Cooperation and Humanitarian Action, approved in 2017, makes a direct reference to the ATI commitment on strengthening and enhancing the effectiveness of the ATI partner countries' national and local tax systems.

European Commission

At the policy level, the newly adopted European Consensus on Development identifies Domestic Revenue Mobilisation (DRM) as an essential driver for sustainable growth and development in line with the AAAA. The 2017 budget support guidelines greatly increased the focus on domestic revenue mobilization, both at formulation and implementation stages of budget support contracts. They stress, amongst others, the need to strengthening the use of DRM-specific disbursement conditions. Domestic revenue mobilisation is assessed as part of the three general conditions on budget support contracts (i.e. macroeconomic stability, PFM, budget transparency and oversight). An increasing number of variable tranches' indicators are addressing very specific DRM-related aspects.

The European Commission is committed to meet the target set for 2020. It has taken actions at different levels to enhance the focus on the mobilisation of domestic revenues. The EU has exceeded its 2020 target in terms of DRM financial commitments in 2017 alone.

Finland

The Finnish Tax Administration started its first ICI project in Tanzania in 2018. The ICI instrument is a bilateral instrument through which Finnish government agencies are able to participate in bilateral development cooperation and capacity-building efforts (i.e. give technical assistance to a developing country agency counterpart).

Finland is very committed to doubling its support to DRM by 2020. The planned figures for 2019 and 2020 look much more promising than the ones for 2017 and 2018. New multilateral funding is also under consideration and the support to partners like OECD/UNDP (Tax Inspectors Without Borders) will continue.

Germany

Germany pursues a multi-facetted support strategy with regard to domestic revenue mobilisation. It combines bilateral technical and financial support to tax policy and administration with cooperation with regional and international networks.

The German commitment to double the efforts remains strong and the topic of strengthening domestic revenue mobilisation in German partner countries remains high on the political agenda. Germany's comprehensive strategy and multi-facetted approach underline the importance of domestic revenue mobilisation in German development cooperation.

Ireland

ATI Commitment 1 has reinforced Ireland's commitment to scaling up support to tax, development and domestic revenue mobilisation. By having a clear set of commitments to be reached by 2020, Ireland has been able to plan a roadmap to scale up its support effectively and coherently to reach the goal of (at least) doubling support to building the capacity of tax administrations.

Korea

In 2017, Korea provided support mostly through bilateral channels in the form of technical assistance, focusing on tax policy planning and customs tax assistance. Least Developed Countries (LDCs) and Lower-Middle Income Countries (LMICs) were Korea's major partner countries. Regarding the DRM support strategy, no particular changes have been made.

The level of commitments for DRM support has significantly increased and Korea will strive to meet its commitments to the Addis Tax Initiative by 2020.

Netherlands

The Netherlands joined the World Bank Global Tax Programme, aimed at increasing domestic revenue mobilisation by strengthening tax policy and administrative capacity in selected countries in North, Western, and Central Africa as well as in the Middle East.

In accordance with the undertakings given in the context of the Addis Tax Initiative, the Netherlands is working to double its technical cooperation in the field of domestic revenue mobilisation/taxation.

Norway

A Norwegian DRM aid strategy was approved in December 2017 by the Minister of Foreign Affairs. It provides a new long-term framework for reaching the commitments of Norway by 2020 under the Addis Tax Initiative. The Norwegian Tax Authority (NTA) and Norwegian Agency of Development Cooperation entered an agreement to enable a significant increase of its capacity building and institutional cooperation with developing countries.

Norway expects to attain ATI Commitment 1 by 2020, possibly already in 2019.

Slovakia

Slovakia explored new avenues in delivering expertise and lessons learned, in particular via cooperation with the World Bank Group and the first online course on PFM, which also includes lectures on some basic revenue issues.

Slovakia plans to continue with most currently running longer-time projects and is also preparing several new ones. It is quite likely that Slovakia will be able to fulfil ATI Commitment 1 by 2020.

Slovenia

Slovenia has been providing DRM support especially through its core support to the work of Centre of Excellence in Finance (CEF). There have been no changes lately and Slovenia has been calling on the CEF to further strengthen this field of their work. Additional individual activities are being implemented based on the demand/requests of partner countries.

Sweden

No major changes took place during 2017. In 2018, however, the Swedish Government decided upon a new strategy: Strategy for Sweden's Global Development Cooperation for Sustainable Economic Development 2018-2022. It includes domestic revenue mobilisation, financial stability and anti-corruption as one of its key areas. The strategy has paved the way for increased provision of support to global DRM programmes during the strategy period.

Given the current trend of increasing disbursements for DRM support, the likelihood that Sweden will achieve substantially increased support to DRM by 2020 is promising.

Switzerland

Switzerland has elaborated a Guidance Note to design and implement DRM projects. The Guidance Note puts a strong emphasis on reform sequencing (diagnostics, reform plans, implementation and evaluation) and insists on the need to carefully analyse political commitment (not only at government level, but also at the Parliament and within the tax administration). The importance to include other stakeholders in the reform process (private sector, civil society, academia and civil servant unions) is also underlined.

Switzerland expects to attain ATI Commitment 1 until 2020 or even outperform it.

United Kingdom

In August 2018, the UK announced the Ethiopia Tax Transformation Programme, its largest bilateral tax programme, which will build on progress already achieved to help Ethiopia increase revenue generation so that it can better finance its own services and development in the future. In February 2019, the UK announced a further package of support to central tax programmes.

The UK is committed to achieving the ATI targets through large country and central programmes.

United States

For USAID, the level of DRM revenue support in partner countries is primarily decentralised for decision at the level of the resident field mission. However, since the USA joined the Addis Tax Initiative in 2015, the economic growth bureau (E3) at USAID headquarters has been able to approve increased flexibility for selected USAID missions to use the country budgets that are under their control. Specifically, such missions (e.g. to Liberia) are now able to allocate a portion of their sectoral budget earmarks (e.g. for health or education activities) for revenue assistance, if some of the partner country's incremental revenue is committed to increased future self-funding of those sectors.

In addition, the E3 bureau has been able to provide a modest amount of budget resources to selected USAID partner countries to co-finance or start up revenue mobilisation projects, in response to field mission requests. Such resource transfers to USAID field missions have been made to expand DRM assistance in Uganda (2016), the Philippines (2017), as well as in Uganda, Bosnia, Ghana, and Liberia (2018).

Recipient countries of ATI development partners' support to DRM

In 2017, at least 98 countries received ODA support to DRM from ATI development partners. Compared to 2016, six more countries were supported in 2017. Compared to 2015, this number is up by 14. There seems to be an ongoing diversification of development partners' DRM portfolios. The distribution of support seems to be less concentrated than in 2016, which supports the diversification assumption.

In line with its mandate to report on progress made with regards to ATI Commitment 1, this ATI Monitoring Report only includes ATI members. Support from non-ATI donors is excluded, as well as support provided by multilateral organisations and other stakeholders. Hence, these figures represent a larger part, but not the full picture of international support to DRM. Support provided through (broader) regional projects might also not be captured in the data. There is also a need to understand wider ATI recipient government support to and from other countries (e.g. South–South cooperation).

In the closing statement of their First Global Conference, the partners of the Platform for Collaboration on Tax (PCT) have declared their willingness to ***"help to give a comprehensive picture of the total effort of international, regional and bilateral partners in supporting developing countries on tax matters"****. The members of the Addis Tax Initiative very much welcome and appreciate this advance.*

The top single-country recipient is Afghanistan with USD 12.5 million (4.8% of overall contributions). The top-10 single-country recipients account for 33.9% of overall contributions. Again, the two loans granted by France in 2016 had a significant impact on these numbers. In 2016, 48.2% were allocated to projects in only three countries. Therefore, it is obvious that the contributions are less concentrated in 2017.

Recipients	*Gross Disbursements (Mio. USD)*
1. Afghanistan*	12.5
2. Burkina Faso*	11.7
3. Ghana*	11.0
4. Zambia	9.3
5. Kenya*	8.8
6. Jordan	8.6
7. Benin*	7.7
8. Mali	7.5
9. Pakistan	6.1
10. Tunisia	5.1
Top Ten Total	*88.3*

** ATI Partner Country*

Table 1: Top ten recipients of ODA support to DRM (gross disbursements mio. USD)

The three largest recipients in 2017 were Afghanistan, Burkina Faso, and Ghana. In 2016, these positions were held by Indonesia, Armenia and the Philippines. Five countries are new to the list: Burkina Faso, Jordan, Benin, Mali, and Tunisia. They replace Indonesia, Armenia, the Philippines, Uganda and Tanzania.

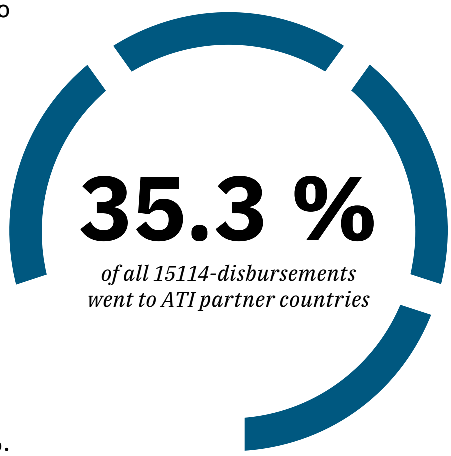
This rather drastic change mirrors the weaker concentration of support. Tunisia, the tenth largest recipient, still receives 41.2% of what Afghanistan, the greatest recipient, receives. This number was much lower in 2015 and 2016, even excluding the loans.

This is also visible in the share of the support to the top-ten recipients in the overall support. In 2017, this share was 33.9%. In 2015, it was 38% and in 2016, 39.8%.

DRM support to ATI partner countries

The ATI development partners' share of DRM support to the ATI partner countries has increased substantially compared to 2015. In 2017, 35.3% (USD 91.9 million gross disbursements) of the ATI development partners' ODA support to DRM went to the ATI partner countries. In 2015, this share was 31.1% (66.9 mio. USD). Again, the numbers for 2016 differ depending on whether the loans are included or not. Figure 4 depicts this fact.

If the loans are excluded, the ATI development partners' share of DRM support to the ATI partner countries was 35.2% in 2016, that is, almost the same as in 2017. If the loans are included, the share is 56.5%.



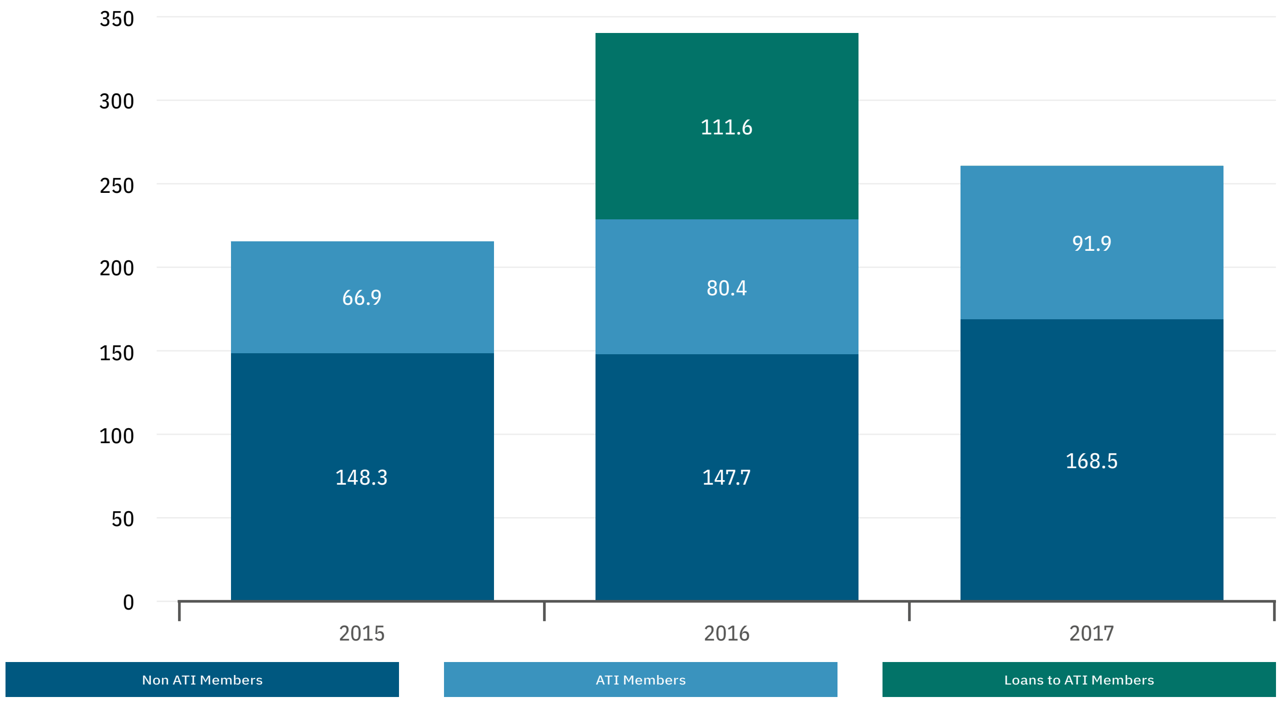


Figure 4: *ODA support (gross disbursements) to ATI members and non-ATI members*

In 2017, Afghanistan received the highest support among all ATI partner countries, followed by Burkina Faso and Ghana. Afghanistan's support decreased by 24.1% from 2015 to 217 to USD 12.5 million. Burkina Faso's support increased by 1,123.7% to USD 11.7 million, compared to 2015. Ghana experienced a smaller increase than Burkina Faso, namely 70.6% (to USD 11.0 million). There are two countries with relatively higher increases in their support than Burkina Faso from 2015 to 2017: Ethiopia (1,957.1%) and Benin (1,629.2%).

Indonesia, which received the highest support in 2016, is now at position 14. This is due to two loans granted by France that went both to Indonesia. Nepal, Senegal and Namibia had the lowest support in 2017. These three countries already belonged to the least-supported countries in 2015.

Compared to 2015, nine ATI partner countries received less support in 2017: Georgia, Madagascar, Senegal, Malawi, Indonesia, Philippines, Rwanda, Tanzania, and Afghanistan. For all other ATI partner countries, support has increased compared to 2015. These are: Namibia, Nepal, Cameroon, Solomon Islands, Ethiopia, Uganda, Paraguay, Sierra Leone, Liberia, Benin, Kenya, Ghana, and Burkina Faso. The only exception is The Gambia, which had zero support in 2015 and 2017.

Support to ATI partner countries was less concentrated in 2017 than in 2015. For instance, the share of support to the top-five recipients was 72.5% in 2015. In 2017, this share was 56.3%. Some of the least-supported countries in 2015 received substantial support in 2017, such as the Solomon Islands, Ethiopia, Paraguay, and Benin.

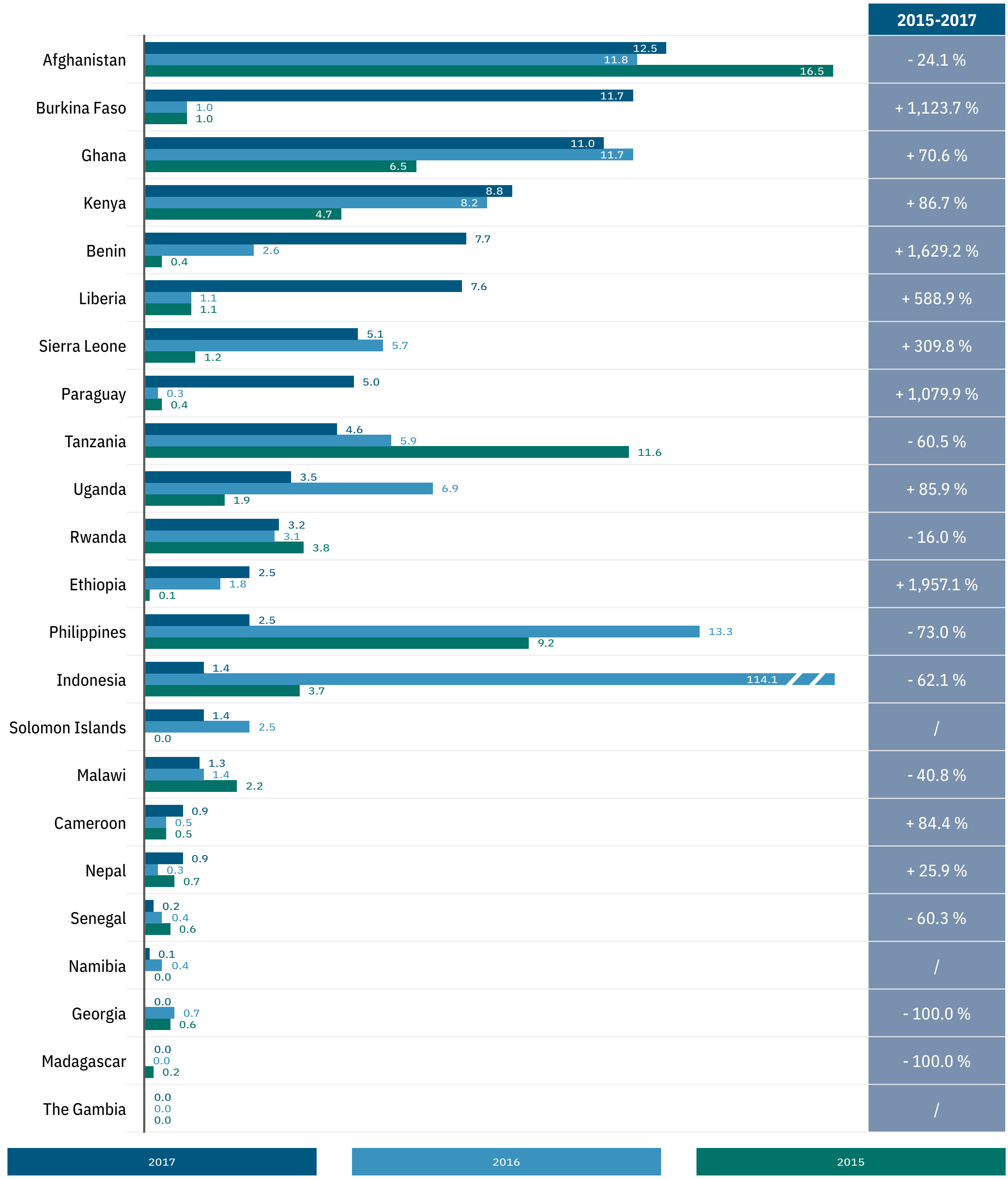


Figure 5: *ODA support from ATI development partners to ATI partner countries (gross disbursements, mio. USD)*

I. Regional distribution of support

In 2017, 44.8% of DRM support by ATI development partners went to Sub-Saharan Africa. The second and third most supported regions are South and Central Asia and the Middle East.

If we look at the development over time, it is apparent that Sub-Saharan Africa was the highest-supported region in 2015 and 2016 already. Support to this region has even increased. The region that has experienced the highest decrease is South and Central Asia. Support in this region has dropped from 20.4% to 9.8%.

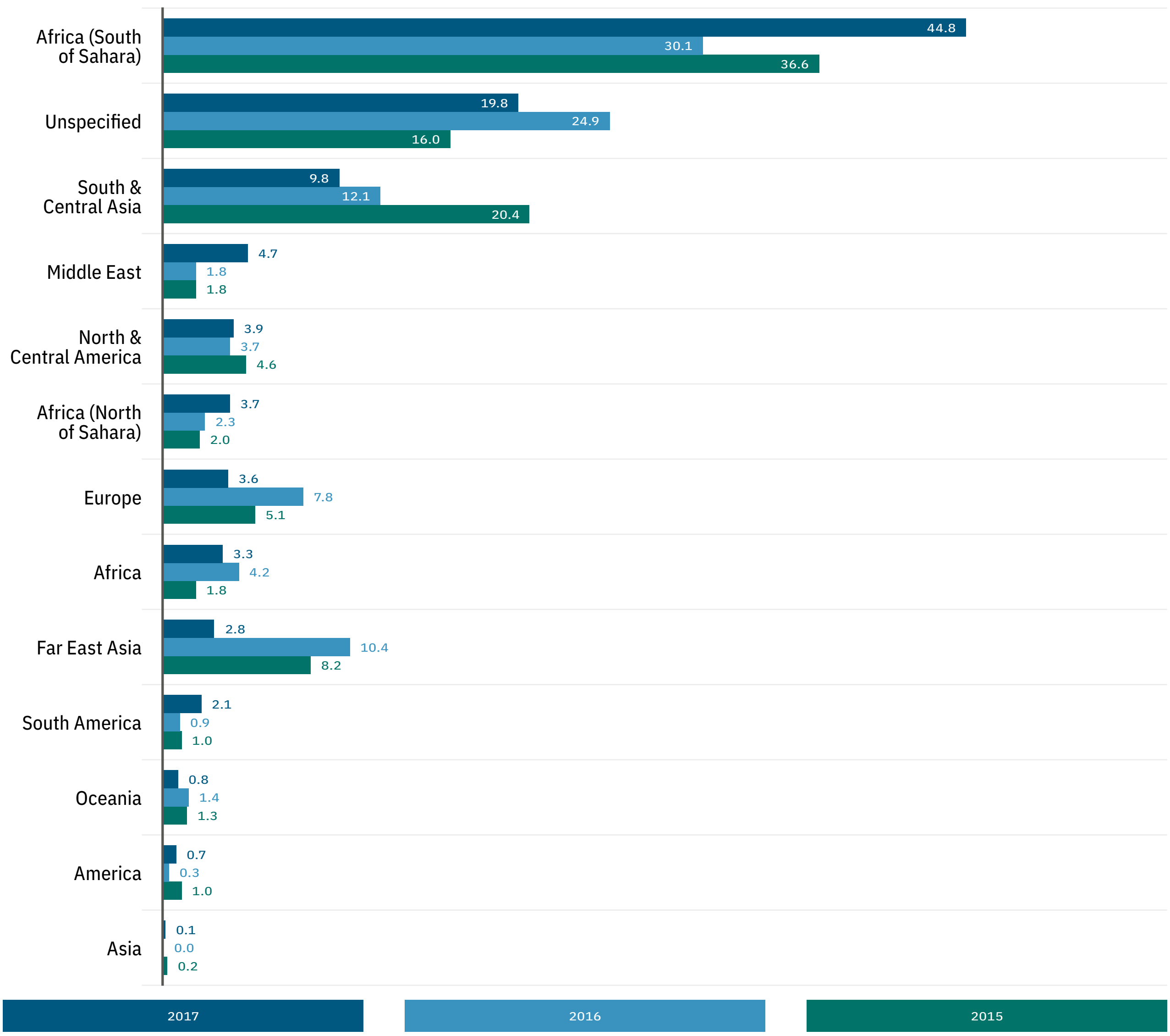


Figure 6: Regional distribution of ODA support (% of total gross disbursements, excluding the 2016 loans)

For entries that are classified in the CRS database as Developing Countries, unspecified, there is no detailed information on the regional distribution of support. This category includes, for instance, funding provided to DRM activities of international organisations or programmes with no regional focus. The share of support that is not further specified with respect to geography was at 19.8% in 2017.

II. Support by income group

40% of the ATI development partners' support to DRM went to the group of LDCs and other Low Income Countries (LICs)[7]. This is less than in the ATI baseline of 2015 (44.7%). The category LMICs accounted for 21.5% of total support in 2017.

Finally, the category "not specified" in figure 7 refers to all entries in the OECD DAC database where the project was either "unallocated by income" (USD 53.1.6 million) or information was not available (USD 20.3 million).

In 2017, DRM support to LDCs was

37.6 %

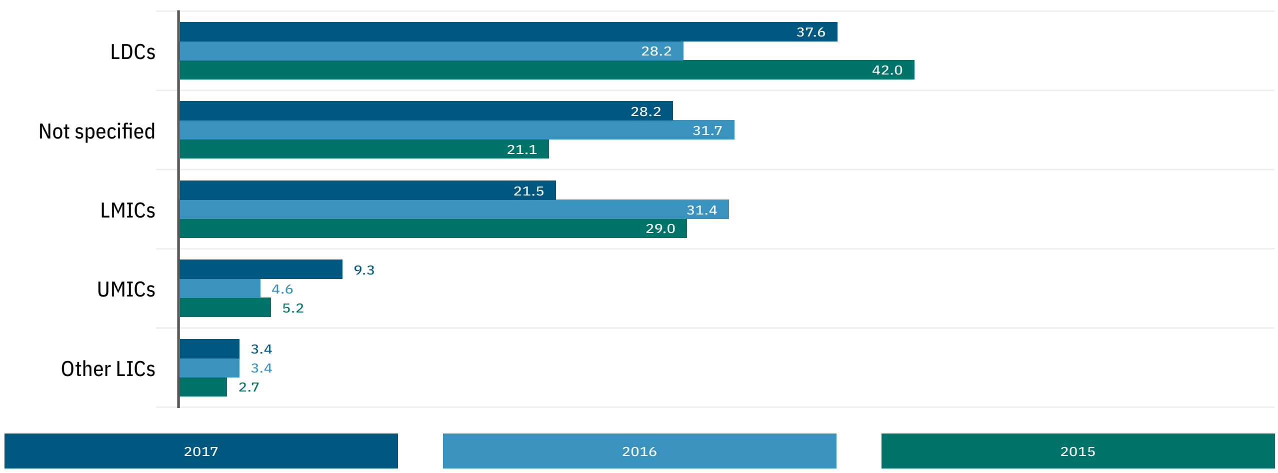


Figure 7: Distribution of ATI support by income group (% of gross disbursements, excluding the 2016 loans)

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

[7] Countries in the groups LDC and LIC according to the OECD DAC list of ODA recipients.

Recipients 2017	*Gross Disbursements (Thousands USD)*
Sudan	6.4
Laos	6.4
Kiribati	14.5
Bangladesh	19.3
South Sudan	54.4
Lesotho	127.7
Guinea-Bissau	236.9
Somalia	449.0
Chad	450.9
Guinea	627.7
Top Bottom Ten	*1993.3*

Table 2: Bottom ten LDC recipients (only countries that show disbursements and/or commitments in 2017)

It is important to note why no or only little DRM support is provided to certain partner countries. There are two potential explanations for these trends. Firstly, some countries may have other development priorities or there may be reasons why development partners are reluctant or are unable to provide support to specific countries. Secondly, and more importantly, support might be provided to these countries through regional projects, multilateral organisations or trust funds and thus not covered in the dataset. Recipients of those funds are generally not specified and captured in the OECD DAC data. Note that there is no ATI partner country among these countries.

A more detailed analysis is necessary to shed some light on the reasons of low support levels in certain countries and on whether some countries should be considered underfunded. However, the data highlights some relevant points: there are some countries that receive little support compared to others. Coordination of support is of high importance, both within the countries that receive large amounts of support from several donors and between countries themselves. Moreover, there may be scope for improvement regarding the coordination of support. While some countries do not prioritise domestic revenue mobilisation, there are countries that would like to step up efforts in this field, but do not yet receive the necessary support to do so. The Addis Tax Initiative tries to mitigate this issue with its matchmaking facility where countries can place specific requests for support.

III. Support to DRM reported to the Addis Tax Initiative by type of support and channel of intervention

Analysing the type of support can shed light on the ways of how support is being delivered. In the OECD DAC reporting guidelines, there are eight categories of support that can be used to describe the type of support and allow to understand how it is delivered. Moreover, specific channels of intervention, for instance specific non-governmental organisations (NGOs) or multilateral organisations, can be attributed to the projects. The information on these two variables, however, is incomplete in the dataset, rendering a thorough analysis very difficult.

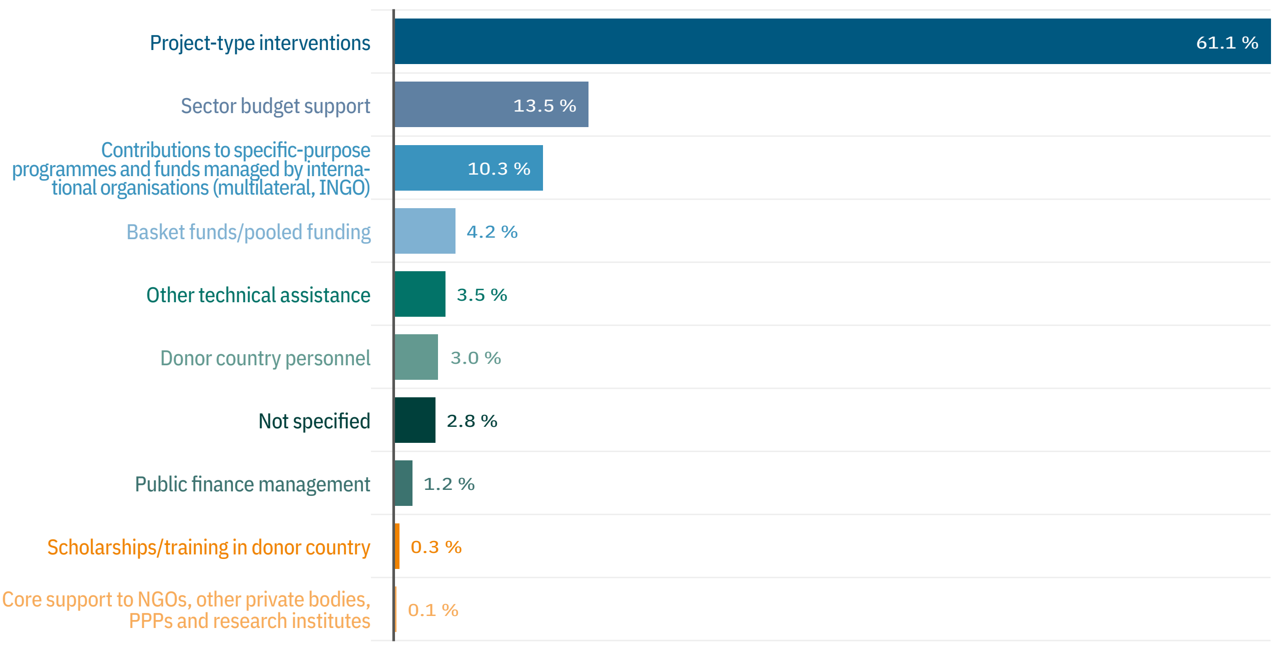


Figure 8: Support to DRM by type of support[8]

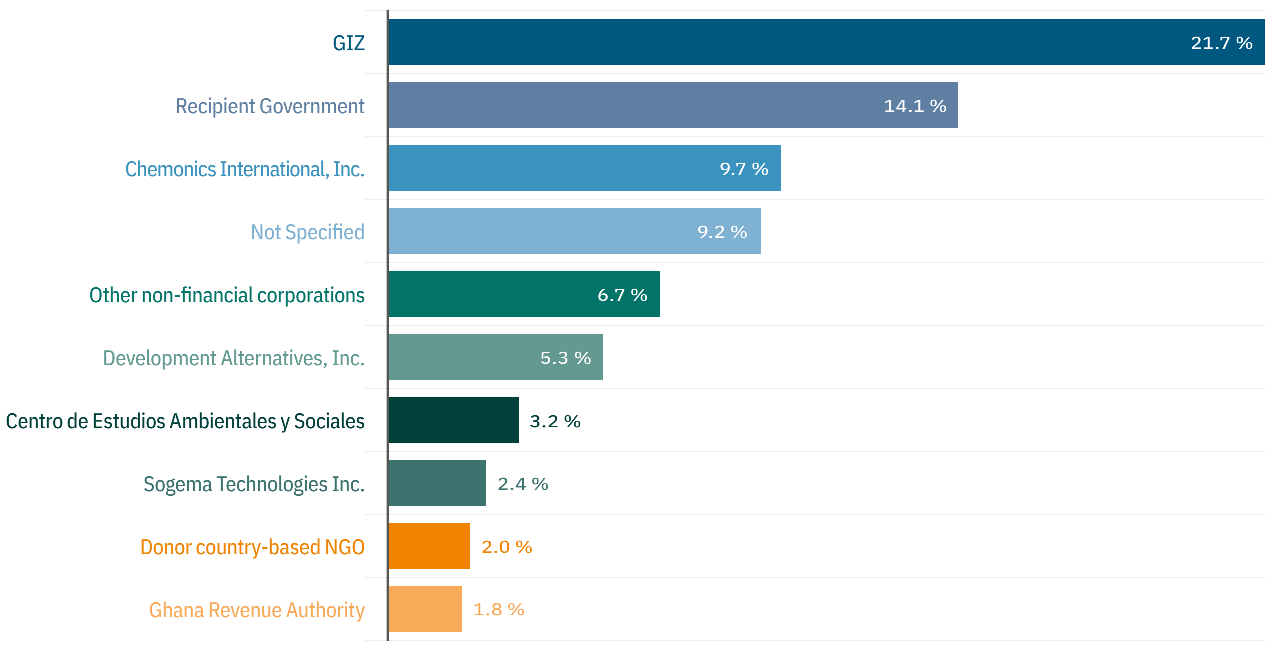


Figure 9: Channels of project-type interventions

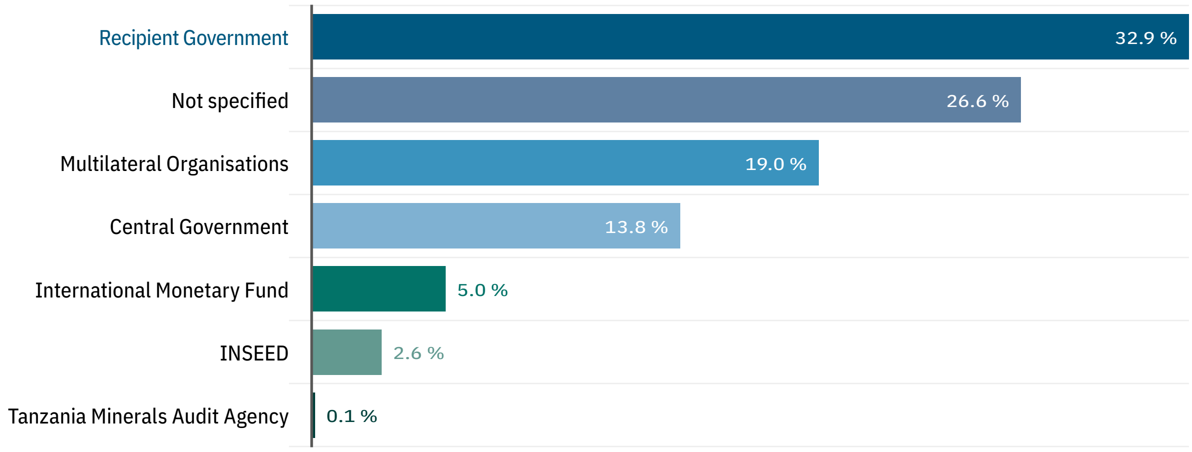


Figure 10: Channels of sector budget support

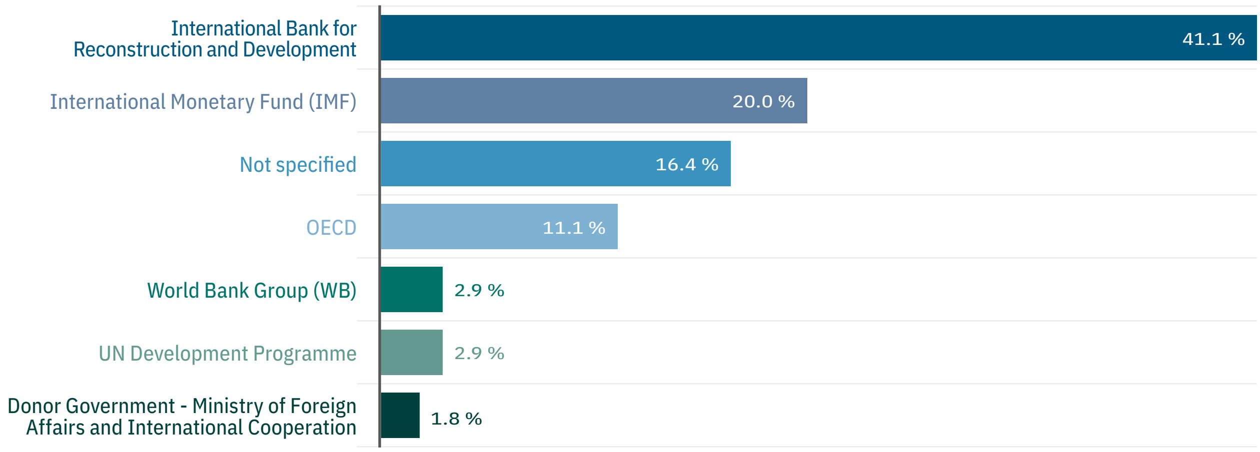


Figure 11: Channels of contributions to specific-purpose programmes

Project-type interventions is the largest category of type of support and accounts for the majority of gross disbursements to DRM by ATI development partners (61.1%). Among those, the largest share is channelled through the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and amounts to 21.7%. The second and third largest share is channelled through the recipient government (14.1%) and Chemonics International, Inc. (9.7%).

[8] For the EU Institutions, the variable sector budget support also contains broader budget support to DRM.

Among the sector budget support, the largest share is channelled through the recipient government 32.9%. 26.6% is not further specified and 19.0% goes through multilateral organisations. Together, these three channels types make up 78.5% and take the major part in sector budget support.

The International Bank for Reconstruction and Development (IBRD) channels a big share of contributions to specific-purpose programmes (41.1%). The second and third largest channels are the IMF (20.0%) and non-specified support (16.4%).

Conclusion

Compared to the ATI baseline year 2015, the 2017 numbers show that gross disbursements increased by USD 45.20 million (21.0%) and commitments increased by USD 56.91 million (28.3%).

Almost all ATI development partners state their high commitment to the Addis Tax Initiative and twelve out of 20 have increased their support (in terms of gross disbursements). Even though support still needs to increase substantially to reach the goal in 2020, this is a positive sign for the future.

With respect to ATI partner countries, support provided to them was less concentrated than in the two previous years. However, it is difficult to assess the qualitative aspect of this fact. More elaborate project descriptions would allow analysing the development partners' portfolios more comprehensively in terms of their thematic focus. Better data quality in this regard would also enable the DRM Database to become a more powerful tool for inspiring well-informed decision when it comes to coordinating DRM support as well as identifying experiences and good practices. Some members, such as the United States, have already provided very detailed project descriptions, which can be accessed in the *DRM Database*.

Ensuring that additional efforts to support DRM in partner countries actually make a difference, it will be crucial to not only monitor the quantity of additional funds provided by the ATI development partners, but also the quality of aid provided. Therefore, the Addis Tax Initiative has set up consultative groups with the aim of organising and executing activities to support the fulfilment of the ATI commitments. Going beyond the measurement of ODA flows, these groups will, inter alia, look into measuring impact of support to DRM and contribute to further developing the DRM Database. Results of their work shall inspire future monitoring exercises and coordination efforts.

ATI Commitment 2

This section is the monitoring of the fulfilment of Commitment 2 of the Addis Tax Initiative. The results presented are based on official data sources from the IMF, the World Bank Group (WBG), the World Economic Forum (WEF), Public Expenditure and Financial Accountability (PEFA) and Tax Administration Diagnostic Assessment Tool (TADAT) assessments, and on the replies from ATI partner countries to the 2017 ATI Monitoring Survey. For the publicly available DRM indicators, data from 2017 is taken into account, in order to track the changes compared to the results from the 2015 Monitoring Report and the 2016 Monitoring Brief on Commitment 2. The reference period for the reform progress in the respective partner countries is from 2017 onwards, the priorities and outlook on activities are for 2018/2019. More detailed information for all ATI partner countries can be found in the online annex on the ATI website.

For more information, please contact secretariat@taxcompact.net.

The Addis Tax Initiative partner countries have embarked on efforts to ensure adequate domestic revenues to significantly spur development and growth. Despite good progress, many countries still face considerable gaps in collecting enough revenues to finance sustainable development. Key findings from the 2017 Monitoring Report on Commitment 2 of the Addis Tax Initiatives include:

- **The average tax-to-GDP ratio** in 2017 was 15.9%. Slightly more than half of the ATI partner countries have experienced an increase in their tax-to-GDP ratio since 2015.
- **The revenue structure** among ATI partner countries is dominated by indirect taxes, such as taxes on goods and services, which contribute to an average of 45.5% of total tax revenue. Direct taxes, including income taxes, account for 34.2% of total tax revenue.
- **Tax administration performance** is valued by the ATI partner countries as a means of enhancing revenue mobilisation. Most of the ATI partner countries use the Tax Administration Diagnostic Assessment Tool (TADAT) to systematically assess the strengths and weaknesses of their tax administrations systems. Out of the 23 ATI partner countries, 17 have concluded the TADAT assessment.
- The replies to the 2017 ATI Monitoring Survey **highlight reform efforts of ATI partner** countries in the areas of tax reform, digitalisation of revenue administration and the simplification of tax procedures, capacity building and regarding risk management as well as audit and compliance.
- **Priority areas** of the ATI partner countries aimed at enhancing revenue mobilisation include improving and simplifying revenue collection, improving tax compliance, building capacity to implement important international standards, frameworks and agreements such as the BEPS Inclusive Framework, and Automatic Exchange of Information (AEoI).

Introduction

The adoption of the Addis Tax Initiative in 2015 has put a spotlight on domestic revenue mobilisation, initiating a range of international and regional reforms. While many partner countries had already made considerable progress in strengthening their domestic revenue basis since the adoption of the Monterrey Consensus in 2002, the additional focus helped to strengthen political commitment and reform engagement of partner countries and development partners alike.

Nevertheless, additional domestic revenue is needed to finance the Sustainable Development Goals (SDGs). A variety of financing possibilities exist, but sustainable domestic revenue mobilisation will be a central piece of the financing equation for all partner countries. Since 2015, reform steps have been undertaken with the aim of increasing capacity in tax administrations and addressing a number of tax policy and administration issues. These issues include, but are not exclusive to: compliance problems in dealing with the hard-to-tax sector (e.g. agriculture, professionals or high net-worth individuals); reduced tariff revenues due to trade liberalisation, including regional integration; low taxpayer morale; and poor governance and shallow use of financial institutions, potentially a valuable source of tax-relevant information. The efforts to address these problems and strengthen revenue agencies have already shown results. However, additional reforms are needed and the continuation and intensification of the commitment to increase revenue collection remains crucial.

Commitment 2 of the Addis Tax Initiative – "Enhancing Domestic Revenue Mobilisation (DRM) so as to Spur Development" – focuses on the reform progress of the ATI partner countries. The monitoring of ATI Commitment 2 aims to track the developments in the area of domestic revenue mobilisation. Since there are various aspects of revenue mobilisation, a set of indicators is used to assess progress and provide a comprehensive picture of DRM reform. Aspects of domestic revenue mobilisation include overall revenue performance, transparency, effectiveness, efficient tax collection, taxpayer-friendliness and the impact of taxation on the business environment. Moreover, factors such as equity and fairness of the tax system play an important role for attaining the Sustainable Development Goals (SDGs) as stated in ATI Commitment 2[9].

Monitoring the efforts and results under ATI Commitment 2 is important in order to track progress made and contribute to peer learning through the dissemination of good practices. Furthermore, the monitoring aims to identify regional and topical trends in the area of domestic revenue mobilisation as well as providing an outlook on planned activities to foster effective coordination.

This 2017 ATI Monitoring of Commitment 2 first lays out the methodology used and describes the data sources. Subsequently, each indicator is assessed for the ATI partner countries, an overview of the results is presented, and the developments since 2015 are described and evaluated, whenever possible. The monitoring is complemented with examples of good practices and lessons learnt from the ATI partner countries reported during the 2017 ATI Monitoring Survey. In the online annex of this report, the individual country sections provide more detailed information on the ATI partner countries.

[9] Commitment 2 reads: "As participating partner countries, we hereby restate our commitment to step up domestic resource mobilisation in order to increase the means of implementation for attaining the Sustainable Development Goals and inclusive development".

2017 Monitoring of ATI Commitment 2: Methodology

ATI monitoring framework

Following its launch in 2015, the Addis Tax Initiative developed a monitoring framework to enable the tracking of progress made by ATI partner countries and ATI development partners in fulfilling their ATI commitments. The framework provides all ATI member countries with the opportunity to elaborate on their progress, contribute best practices and lessons learned and provide an outlook on their future activities.

Reporting for the 2017 ATI Monitoring of Commitment 2

The reporting for the 2017 ATI Monitoring of Commitment 2 closely follows the procedure from the last two reporting years (2015 ATI Monitoring Report and 2016 ATI Monitoring Brief on Commitment 2). Data from several indicators, which include different dimensions of domestic revenue collection and which are publicly available, have been collected. Where available, updated information and major findings from the last two ATI Monitoring Reports are considered. Further, qualitative information is collected in a monitoring survey inviting partner countries to share case studies on their successful reform efforts and good practices, thus enabling others to benefit from their experiences. These contributions serve to illustrate the findings in this monitoring report and will be presented in the country sections as well as online in the *DRM Database*.

14 out of the 23 ATI partner countries replied to the 2017 ATI Monitoring Survey. Nevertheless, all 23 partner countries will be included in the analysis of DRM-relevant indicators used for the monitoring of ATI Commitment 2 and will have a country section that is based on publicly available DRM indicators.

Data sources

The 2017 ATI Monitoring on Commitment 2 relies on the following publicly available data sources:

- *IMF Government Finance Statistics (GFS)*
- *IMF Article IV Consultation Reports*
- World Bank Doing Business Reports (*2016*; *2017*; *2018*)
- Global Competitiveness Reports (*2015-2016*; *2016-2017*; *2017-2018*)
- *Public Expenditure and Financial Accountability (PEFA) database*
- *Tax Administration Diagnostic Assessment Tool (TADAT)* (where applicable and accessible)

The indicators used from these sources are the following:

- Tax-to-GDP ratio
- Revenue structure and composition
- Tax administration performance (based on PEFA and TADAT assessments)
- Taxation and the business environment (based on Doing Business and Global Competitiveness Report)

The indicators were chosen in order to provide a snapshot of the tax system and the tax administration performance in each partner country. The work in the ATI Consultative Groups on the indicators in order to provide a more comprehensive picture of DRM performance and progress is still ongoing.

Key Findings

Summary findings on ATI Commitment 2 are presented in the following sections. The results described here are mostly on an aggregate level and provide a general picture of domestic revenue mobilisation in ATI partner countries. For more detailed information with respect to specific ATI partner countries, please refer to the individual country sections at the end of the online 2017 ATI Monitoring Report.

Country characteristics

a. Tax-to-GDP ratios

The average tax-to-GDP ratio in ATI partner countries is 15.9%[10], which is slightly above the 15% deemed necessary to ensure sustainable growth (see Long & Miller 2017 for a short overview, Gaspar et al. 2016 for an estimation of the "tipping point"). The average tax-to-GDP ratio is 0.5 percentage points higher than in 2016 and the same as in 2015[11]. Among the 23 ATI partner countries, twelve countries fall below the 15% threshold and only four have a tax-to-GDP ratio of 20% or above.

15.9 %

average tax-to-GDP ratio in ATI partner countries

For twelve of the ATI partner countries, the tax-to-GDP ratio in 2017 shows an increase compared to 2015. For sixteen ATI partner countries, the 2017 tax-to-GDP ratio was higher than in 2016. Nepal experienced the largest tax-to-GDP ratio increase compared to 2016, namely 2.3 percentage points, from 18.7% to 21%. Nepal is also the country with the highest relative increase compared to 2015, namely 4.3 percentage points. The tax-to-GDP ratio declined for six of the ATI partner countries from 2016 to 2017 – the largest decline being observed in Senegal (-1.2 percentage points). With respect to the baseline year 2015, the largest decline occurred in Liberia (-6.7 percentage points). However, this is mainly due to a revision of the GDP estimates (see footnote of table 1).

[10] Note that there is no data available for Benin and Rwanda. Therefore, they are not included in this average.

[11] If Benin and Rwanda are excluded from the 2015 and 2016 estimates as well, these numbers are almost the same: the tax-to-GDP ratio for 2015 is 16.0% and for 2016 15.5% in this case.

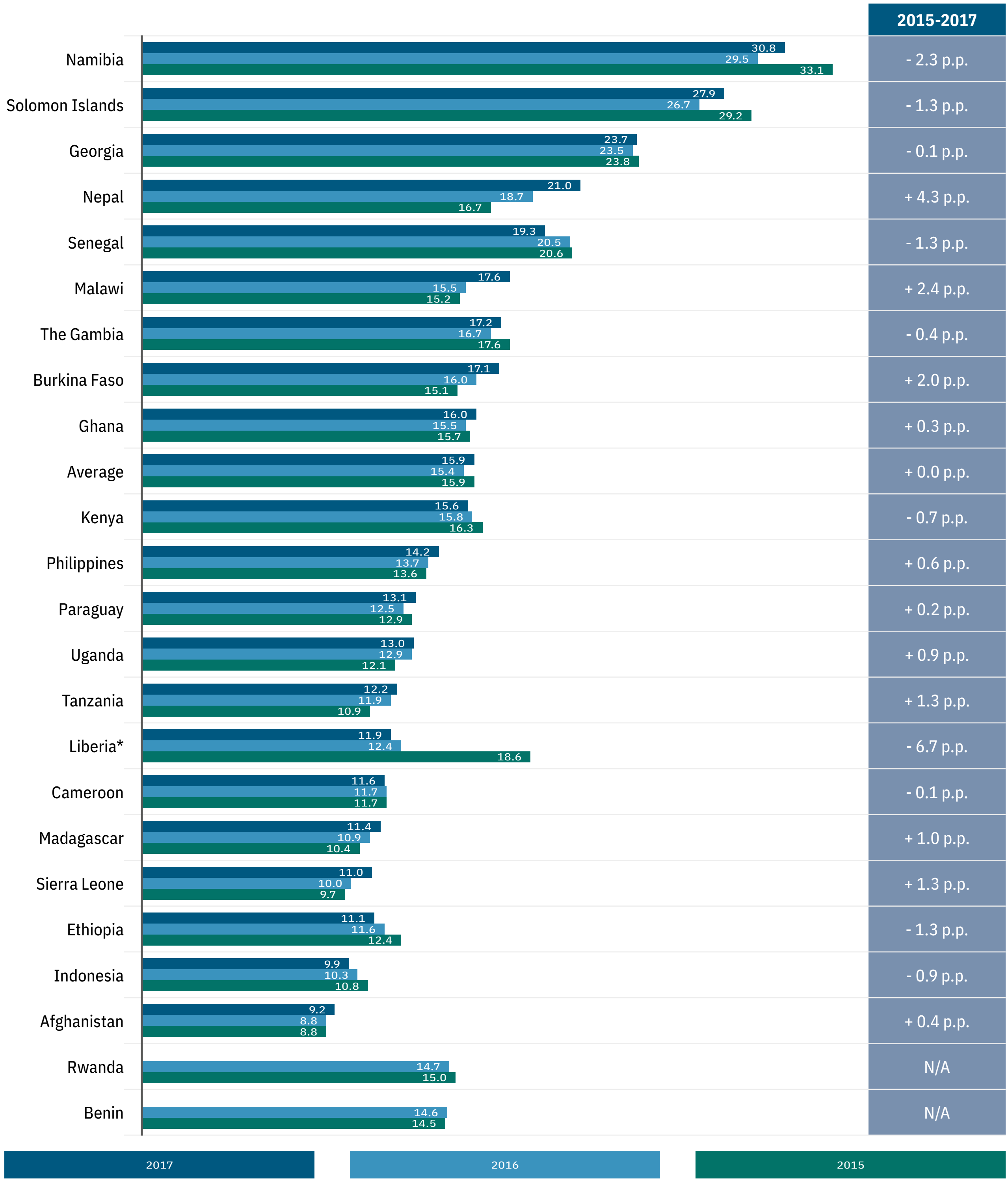


Figure 12: Development of tax-to-GDP ratios in the ATI partner countries (2015-2017, % of GDP)

Note: The data stems from the IMF Government Finance Statistics and the IMF Article IV Consultation Reports. The 2017 ATI Monitoring Report covers revenue from four core tax sources of ATI members (i.e. taxes on incomes, profits and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions, which are sometimes part of the tax-to-GDP ratio, is not included.

** For Liberia, the 2015 data is from the 2016 Article IV Consultation while the 2016 and 2017 data stems from the 2018 Article IV Consultation. Due to a revision of the GDP estimates, the values for 2016 and 2017 are considerably lower.*

Adjusted estimates provided by Liberia in the 2017 ATI Monitoring Survey show a less pronounced decrease and it remains to be seen whether the decline was in fact that steep[12].

The country section shows the development of the tax-to-GDP ratio of partner countries over a longer time period.

b. Revenue structures

Figure 2 displays the average revenue structure of the ATI partner countries from 2015 to 2017. The tax sources considered are as follows: taxes on goods and services, which are mainly value added taxes (VAT) or other sales or excise taxes; taxes on income, profits, and capital; and taxes on international trade and transactions, including tariffs. Other taxes is an unspecified category in the data that only accounts for a minor share of total tax revenue. Revenue from social security contributions is left out. Property taxes were not considered for two reasons. Firstly, data on this category is not available for many ATI partner countries (the category does not exist in the IMF Article IV Consultation data). Secondly, their share appears to be negligible for those ATI partner countries for which data is available.

Slightly more than a third of total tax revenue (34.2%) in ATI partner countries are direct taxes such as taxes on income, profits and capital gains. 45.5 % of the revenue comes from taxes on goods and services – direct taxes that are relatively easy to administer, in general. However, high consumption taxes might affect inequality in a way that is not desired by the government. While the share of direct taxes has remained the same in ATI partner countries, the share of indirect taxes has slightly increased and the share of taxes on international trade and transactions has slightly declined since 2015. The individual revenue composition in ATI partner countries can be found in the country sections.

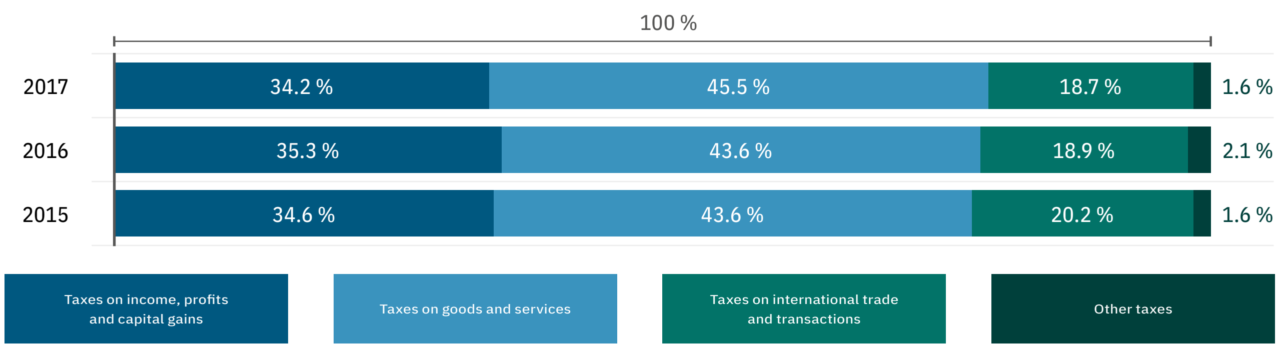


Figure 13: Revenue composition in ATI partner countries (2015-2017, % of tax revenue)

Note: The data stems from the IMF Government Finance Statistics and the IMF Article IV Consultation Reports. The 2016 ATI Monitoring Brief covers revenue from four core tax sources of ATI members (i.e. taxes on incomes, profits and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions, which are sometimes part of the tax-to-GDP ratio, is not included.

These are average values from 20 ATI partner countries; four countries (Benin, Liberia, Kenya, and Rwanda) were excluded from the analysis due to data limitations.

[12] Figures provided by Liberia in the 2017 ATI Monitoring Survey are 19% for 2015 and 17% for 2016 and 2017.

Comparing these numbers with the same shares for ATI development partners in 2017[13], three main differences can be noted. First, the picture differs especially regarding taxes on international trade and transactions, which amount only to 0.4% of total revenue in ATI development partner countries. Second, in contrast to ATI partner countries, direct and indirect taxes account for roughly equal shares in ATI development partner countries (49.5% for taxes on income and profits and 49.4% for taxes on goods and services). For ATI partner countries, those two revenue sources differ more substantially. And third, the share of taxes on incomes and profit is substantially higher for ATI development partners.

Tax administration performance

a. TADAT assessments

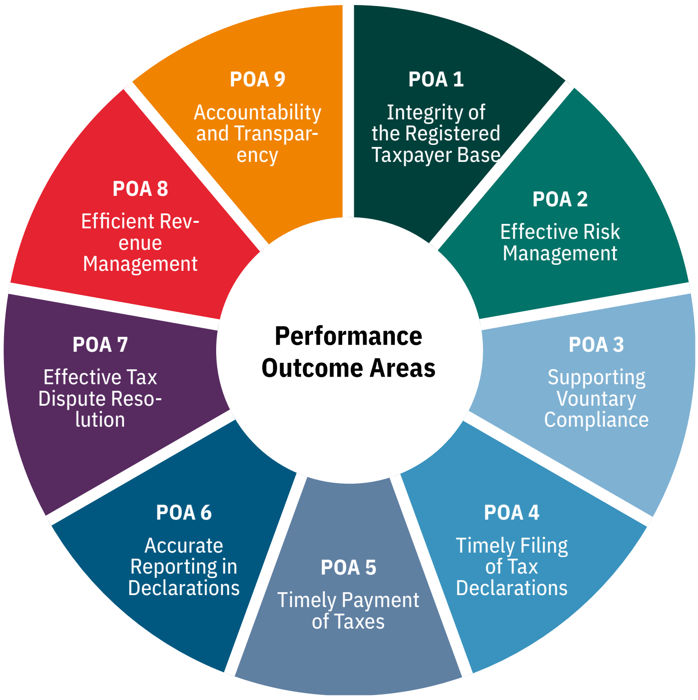
TADAT is a tool used for assessing the strengths and weaknesses of partner countries' tax administration. TADAT assesses the performance of a country's tax administration system by referencing to nine outcome areas (see figure 14). TADAT assessments can help identify areas where reform and capacity building efforts will be most effective. Moreover, if repeated intermittently – for instance, every three or four years – TADAT assessments can provide an objective picture of a country's progress in strengthening the tax administration system.

This is what makes TADAT assessments relevant for the monitoring of ATI Commitment 2. So far, 17 out of the 23 ATI partner countries have completed a TADAT assessment (see table 3). Afghanistan has not yet undergone a formal TADAT assessment, but has nevertheless embedded the TADAT methodology in its national DRM strategy (see box 1). Since the 2016 ATI Monitoring, two ATI partner countries, Uganda and Rwanda, have completed their TADAT assessments. There has been one repeat assessment, namely Uganda in 2019.

However, as TADAT assessments are not generally made public and only some countries decide to publish them, it is not possible to obtain an overview of the assessment results for the ATI partner countries that have undergone a TADAT assessment. Still, some of the ATI members that replied to the 2017 ATI Monitoring Survey on Commitment 2 mention how they are currently implementing the recommendations from a TADAT assessment. Those findings can be found below, and in more detail, in the online annex of this report on the *ATI website*.

The Addis Tax Initiative encourages its partner countries to conduct TADAT assessments and to publish the results. Partner countries can approach the International Tax Compact (ITC) for assistance with finding assessors and/or required funding for the assessment.

[13] Data stems from the IMF Government Finance Statistics. The ATI monitoring exercise covers revenue from four core tax sources of ATI members (i.e. taxes on incomes, profits and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions are not included. These are average values from 17 ATI development partner countries; two countries (Canada and Korea) were excluded from the analysis due to data limitations.



Tax Administration Diagnostic Assessment Tool (TADAT)

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

Figure 14: TADAT Performance Outcome Areas

ATI Partner country	*TADAT assessment*
Burkina Faso	November, 2017
Cameroon	April, 2017
Ethiopia	April, 2016
Georgia	May, 2016
Ghana	May, 2017
Kenya	November, 2016
Liberia	June, 2016
Madagascar	July, 2015
Malawi	May, 2015
Namibia	May, 2016
Paraguay	November, 2014
Philippines	December, 2015
Rwanda	August, 2015
Sierra Leone	August, 2016
Tanzania	February, 2016
The Gambia	April, 2018
Uganda	August, 2015

Table 3: Overview of ATI partner countries' conducted and planned TADAT assessments

Even though Afghanistan has not yet gone through a TADAT assessment, the Afghanistan Revenue Department (ARD) decided to embed the TADAT methodology in its five-year strategic plan. The aim was to align the tax administration's reforms with international good practices.

Consequently, the ARD performed a TADAT self-assessment, and the results were presented to the Senior Management Team. Trainings were conducted for senior and mid-Level ARD employees. In addition, the TADAT "Wagon Wheel" was translated into the local language (Dari), printed in poster size, framed and strategically placed throughout the Revenue Department's offices to emphasize the most critical elements expected from staff members to ensure an effective and efficient tax administration operation.

The objective was to introduce TADAT to all managers and front-line staff to ensure everyone understood the requirements for an effective and efficient tax administration. This would serve to secure the buy-in and ownership for the efforts required to improve operations. To help facilitate the process, TADAT training materials were also translated into the local language.

Box 1: Embedding of TADAT methodology in Afghanistan

b. PEFA assessments

The PEFA Assessment is a comprehensive tool used for assessing the overall status of a country's public financial management system (including budgeting, public procurement, expenditure, and financial transparency and accountability). The PEFA framework uses a broad range of indicators that incorporates DRM-related indicators such as the accountability of revenue collection and the efficiency and effectiveness of revenue collection in general.

The PEFA framework aims to provide an evidence-based assessment of Public Financial Management (PFM) performance and relies on an objective and transparent scoring methodology. Information provided by the PEFA reports should contribute to a dialogue on systems reform. Finally, since PEFA assessments are conducted regularly, it is, in principle, possible to monitor progress over time. Furthermore, the majority of PEFA assessments are publicly available.

However, the PEFA framework was revised in 2016, resulting in changes in some of the performance indicators[14], including those covering aspects of domestic revenue mobilisation. Consequently, the DRM-related aspects of PEFA are no longer readily comparable over time.

The below analysis focuses on DRM-related indicators found in the PEFA 2016 framework: specifically, on the Performance Indicator 19 (PI-19), "Revenue Administration", and on PI-20, "Accounting for Revenue." Each performance indicator consists of several sub-indicators (see box 2) that are aggregated to obtain a main score. This ATI Monitoring Report only looks at the aggregate score and, therefore, the following results should be viewed as an overview of the ATI partner countries' performance according to the PEFA Assessments.

[14] While some indicators are directly comparable for the two frameworks, others are not. See the document *PEFA 2016 vs. PEFA 2011* for the single indicators.

Figure 15: The seven pillars of PFM performance

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

The results below are based on the PEFA assessments for thirteen ATI partner countries with the 2016 framework, using the indicators P-19, Revenue Administration, and P-20, Accounting for Revenue. Both indicators belong to Pillar 5 of the PEFA framework, *Predictability and control in budget execution*.

PI-19: Revenue Administration

Indicator PI-19 assesses the procedures used for collecting and monitoring central government revenues. It consists of four dimensions that assess the extent to which: (1) individuals and enterprises have access to information about their rights, obligations and redress measures; (2) revenue entities use a comprehensive, structured and systematic approach to assessing and prioritising compliance; (3) audit and investigations functions are sufficient to detect non-compliance and deter; and (4) revenue entities focus sufficient attention on the level and age of revenue arrears.

Generally speaking, this indicator relates to overall revenue administration and may thus include tax administration, customs administration, and social security contribution administration. It assesses all core areas of revenue administration that are also covered by the 2011 PEFA Framework (transparency of legal rights and obligations, risk management, audit and investigation, monitoring of arrears). It also covers agencies administering revenues from other significant sources such as natural resources extraction.

PI-20: Accounting for Revenue

Indicator PI-20 measures the extent to which revenue collections are recorded and reported by a central ministry (or a comparable institution), the extent to which collected revenue is consolidated, and the reconciliation of accounts. It covers both tax and nontax revenues collected by the central government.

Box 2: PEFA indicators

PEFA assessments conducted prior to 2016, with the old framework, were already analysed in the 2015 Monitoring Report and are not included in this report. As mentioned above, the two indicators that cover aspects of the tax system (P-19 and P-20) are not directly comparable to the indicators in the old framework and an analysis of the developments over time is therefore left out.

In figure 15, the distribution of the PEFA scores is displayed for the thirteen ATI partner countries that have completed a PEFA assessment since 2016. For indicator P-19, Revenue Administration, 50% of the countries have either a B or a B+ and 50% of the countries have either a C or a C+. P-20 on the other hand, Accounting for Revenue, shows an A for more than a third of the countries but also two D+ scores. Hence, the differences between the assessed partner countries are more pronounced with regard to P-20, which looks at the reporting and recording of revenue collection.

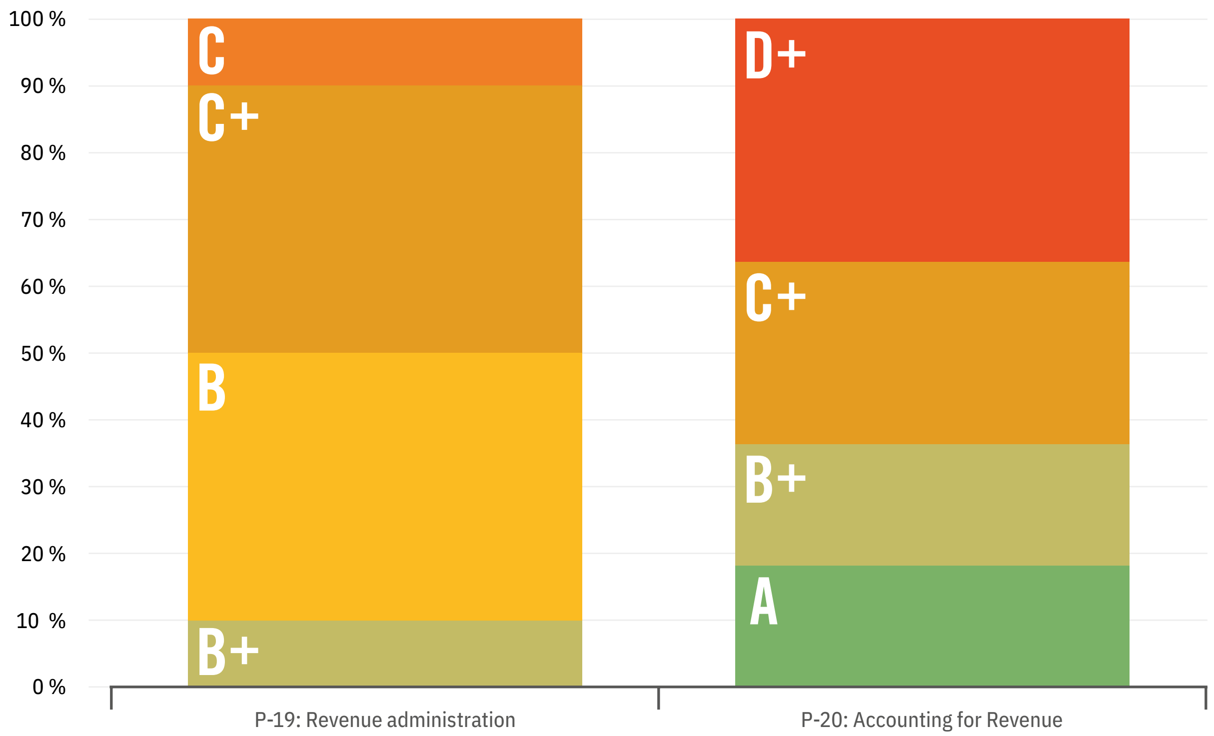


Figure 16: Distribution of PEFA scores (2016 framework, P-19, P-20)

Note: Based on the results of 13 ATI partner countries: Afghanistan, Burkina Faso, Cameroon, Georgia, Indonesia, Madagascar, Malawi, Paraguay, Philippines, Rwanda, Sierra Leone, Tanzania, Uganda.

Partner countries	*Year*	*P-19: Revenue administration*	*P-20: Accounting for Revenue*
Afghanistan	2018	D+	C+
Burkina Faso	2017	C	D+
Cameroon	2017	D+	B+
Georgia	2018	B+	A
Indonesia	2017	C+	A
Madagascar	2018	C	D+
Malawi	2018	B	A
Paraguay	2016	B	C+
Philippines	2016	B	A
Rwanda	2017	C+	B+
Sierra Leone	2018	C+	C+
Tanzania	2017	C+	B+
Uganda	2017	B	D+

Table 4: PEFA assessments of ATI partner countries

Taxation and the business environment

The tax system and revenue administration directly affect the business environment in a country. When complex and non-transparent tax systems make it time-consuming and difficult to fully comply with tax obligations, the costs of tax compliance and the incentives to evade taxes rise, especially for small and medium-sized firms. Furthermore, informal companies have even fewer incentives to formalise, given the burden and uncertainty tax compliance brings for them. From an international perspective, legal uncertainty in taxation creates a risk of discouraging investment. According to a recent update of an IMF & OECD report, tax uncertainty for businesses primarily originates from “uncertain tax administration practices, inconsistent approaches of different tax authorities in applying international tax standards, and issues associated with dispute resolution mechanisms” (IMF & OECD 2018, p. 5). Moreover, the report highlights the important role tax certainty plays for tax administrations in developing countries.

The 2017 ATI Monitoring Report looks at two data sources assessing the effect of taxation on the business environment: the World Bank’s Doing Business Report and the Global Competitiveness Report (GCR) compiled by the World Economic Forum (WEF). As outlined in box 3, the indicators in those two reports cover several dimensions of business taxation in partner countries. Each relies on a transparent scoring methodology and both are published annually, which allows for observation of changes over time. Additionally, these sources have almost full data coverage for the ATI partner countries. The only exception is the absence of GCR data for Afghanistan, Burkina Faso and the Solomon Islands.

However, it has to be noted that especially the Doing Business Report has recently come again under scrutiny and has been criticised strongly by civil society organisations (CSOs) for its scoring system (i.e. Oxfam America 2018, Inequality.org 2018). Also among the ATI members there is an ongoing discussion about whether this indicator is suitable for assessing improvements with regard to domestic revenue mobilisation. Within the review process for the monitoring of ATI Commitment 2, the ATI Consultative Group 2 will therefore take into account this discussion while looking at possible indicators to evaluate and monitor ATI Commitment 2. Until then, the methodology adopted in 2015 will be used, keeping in mind the advantages and drawbacks of the different data sources used.

World Bank Doing Business, Ease of Paying Taxes

The World Bank Doing Business Project provides an assessment of a country's business environment based on several measurements. These measurements are related to business regulation, including the ease of paying taxes.

The assessment of business taxation is based on four indicators (World Bank 2018):

- ***Tax payments** for a manufacturing company in 2016 (number per year adjusted for electronic and joint filing and payment);*
- ***Time required to comply** with three major taxes (hours per year);*
- ***Total tax and contribution rate** (% of profits before all taxes and contributions);*
- ***Postfiling Index**, which is composed of compliance time of VAT refund process, time to receive VAT refund, compliance time of correcting an error in the tax return and time to complete a corporate income tax audit.*

This ATI Monitoring Report relies on the World Bank Doing Business Reports 2016 (for 2015), 2017 (for 2016) and 2018 (for 2017).

Global Competitiveness Report

The Global Competitiveness Report (GCR) is published every year by the World Economic Forum (WEF) and aims to measure national competitiveness, defined as the set of institutions, policies and factors that determine the level of productivity (GCR 2016-2017, p. 4). Twelve different pillars, categorised under three sub-indices, are used to assess different aspects of the economy.

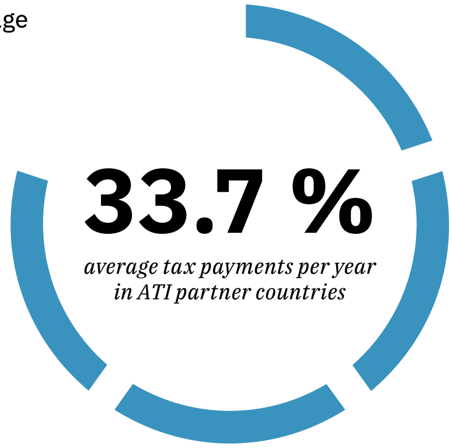
In the ATI Monitoring Brief, two indicators that are related to domestic revenue mobilisation are taken into account:

- ***6.04: Effect of Taxation on incentives to invest** (Pillar 6: Goods market efficiency, flexibility) ;*
- ***7.05: Effect of taxation on incentives to work** (Pillar 7: Labour market efficiency, flexibility.*

This ATI Monitoring Report relies on the reports 2015-2016 (as the baseline of ATI Monitoring 2015), 2016-2017 for 2016, and 2017-2018 for 2017, respectively.

Box 3: Business environment indicators

Drawing general conclusions from the two indicators for the diverse group of ATI partner countries is difficult. However, some observations can be made. Overall, the number of payments and average time to comply with tax rules decreased slightly in ATI partner countries. Looking at table 5, Doing Business 2017 indicates that a hypothetical, medium-sized domestic company in an ATI partner country made 33.7 average tax payments per year. To put this number in a broader context, the average number of tax payments per year among OECD countries is 11.2 (World Bank 2018). Georgia and Rwanda are well below the OECD average with just five and eight payments respectively per year. Of the 23 ATI partner countries, five (Afghanistan, Ghana, Kenya, the Philippines, Rwanda) saw a reduction in the number of payment indicators compared to 2016 (marked green in table 5). Especially noteworthy is the reduction in Rwanda, from 29 payments a year down to just eight. Only Tanzania saw an increase in the number of payments per year. For the other ATI partner countries the indicator remained unchanged.



ATI partner countries	*Tax payments (number/ year)*	*Time to comply with major taxes (hours/ year)*	*Total tax rate (% of profits before all taxes)*	*Postfiling Index*	*Effect of taxation on incentive to work*	*Effect of taxation on incentive to invest*
average	33.7 [34.6] (35.1)	261.7 [263.8] (275.72)	39.1 [38.1] (38)	57.4 [61.1]	4.1 [4.1] (4.0)	3.6 [3.7] (3.6)
Afghanistan	19 [20] (20)	275 [275] (275)	71.4 [48.3] (36.3)	0 [0.45]	n.a.	n.a.
Benin	57 [57] (57)	270 [270] (270)	57.4 [57.4] (63.3)	49.31 [48.9]	4.1 [3.8] (4.0)	2.6 [2.7] (2.5)
Burkina Faso	45 [45] (45)	270 [270] (270)	41.3 [41.3] (41.3)	49.31 [48.9]	n.a.	n.a.
Cameroon	44 [44] (44)	624 [630] (630)	57.7 [57.7] (48.8)	49.31 [48.4]	4.4 [4.4] (4.1)	3.1 [3.2] (3.2)
Ethiopia	30 [30] (30)	306 [306] (306)	38.6 [38.6] (32.1)	50.89 [90.6]	3.8 [4.2] (3.7)	3.5 [3.9] (3.6)
Georgia	5 [5] (5)	269 [270] (362)	16.4 [16.4] (16.4)	85.89 [87.2]	5.0 [5.2] (4.8)	4.9 [5.1] (4.8)
Ghana	31 [33] (33)	224 [224] (224)	33.2 [32.7] (32.7)	49.54 [37.9]	4.2 [4.2] (4.3)	3.5 [3.4] (3.8)
Indonesia	43 [43] (54)	207.5 [221] (234)	30.0 [30.6] (29.7)	68.82 [76.5]	4.5 [4.2] (4.0)	4.2 [4.1] (4.1)
Kenya	26 [31] (30)	185.5 [195.5] (201.5)	37.4 [37.4] (37.1)	62.03 [32.1]	3.9 [3.9] (3.7)	3.6 [3.6] (3.6)
Liberia	33 [33] (33)	139.5 [139.5] (139.5)	45.5 [45.9] (47.8)	98.62 [96.8]	3.6 [3.7] (4.0)	3.9 [4.2] (3.9)
Madagascar	23 [23] (23)	183 [181] (181)	38.1 [38.1] (38.1)	21.84 [30.2]	4.0 [4.0] (3.5)	3.3 [3.3] (3.1)

ATI partner countries	*Tax payments (number/ year)*	*Time to comply with major taxes (hours/ year)*	*Total tax rate (% of profits before all taxes)*	*Postfiling Index*	*Effect of taxation on incentive to work*	*Effect of taxation on incentive to invest*
Malawi	35 [35] (35)	177.5 [177.5] (174.5)	34.5 [34.5] (34.5)	33.41 [63.4]	3.9 [3.6] (3.4)	3.1 [2.9] (2.8)
Namibia	27 [27] (27)	302 [302] (302)	20.7 [20.7] (21.3)	77.17 [79]	4.3 [4.4] (4.3)	4.1 [4.2] (4.1)
Nepal	34 [34] (34)	339 [339] (334)	29.6 [29.5] (29.5)	33.35 [33.5]	4.0 [3.9] (3.8)	3.8 [3.9] (3.6)
Paraguay	20 [20] (20)	378 [378] (378)	35 [35] (35)	46.56 [10.2]	4.3 [4.5] (4.4)	5.0 [5.2] (5.0)
Philippines	20 [28] (36)	182 [185.6] (193)	42.9 [42.9] (42.9)	50.00 [49.8]	4.4 [4.2] (4.0)	3.5 [3.3] (3.6)
Rwanda	8 [29] (25)	94.5 [124] (109)	33.2 [33] (33)	63.68 [83.3]	5.0 [5.2] (4.9)	4.3 [4.2] (4.1)
Senegal	58 [58] (58)	441 [441] (620)	45.1 [45.1] (47.3)	42.67 [54.3]	4.2 [4.4] (4.0)	3.4 [3.4] (3.5)
Sierra Leone	34 [34] (34)	343 [343] (344)	31 [31] (31)	95.41 [94.5]	3.5 [3.7] (3.7)	3.4 [3.4] (3.4)
Solomon Islands	34 [34] (34)	80 [80] (80)	32 [32] (32)	100 [99.1]	n.a.	n.a.
Tanzania	60 [53] (49)	207 [195] (179)	44.1 [43.9] (43.9)	67.17 [47.9]	3.4 [3.1] (3.1)	3.0 [3.2] (3.2)
The Gambia	49 [49] (50)	326 [326] (326)	51.3 [51.3] (63.3)	53.46 [48.4]	4.5 [3.9] (4.8)	3.7 [3.6] (3.4)
Uganda	31 [31] (31)	195 [195] (209)	33.7 [33.5] (36.5)	72.28 [78.4]	3.6 [3.7] (3.6)	2.8 [3.0] (3.2)

Table 5: Taxation and the business environment: Indicators

Note: A green marking indicates an improvement in the indicator compared to the year before, while red means a deterioration compared to the previous year. The Doing Business data for year 2017 is from the Doing Business Report 2018 (World Bank 2017), for 2016 it is from the Doing Business Report 2017 (World Bank 2016) and data for 2015 comes from the Doing Business Report 2016 (World Bank 2015). The Global Competitiveness indicators for 2016 are from the Global Competitiveness Report 2016-2017 (GCR 2016-2017), values for 2015 are from the Global Competitiveness Report 2015-2016 (GCR 2015-2016). The Postfiling index is presented on a scale from 0 to 100, with 100 being the maximum value. The two indicators from the Global Competitiveness Report range from 1 to 7, with 7 as the maximum score. In the World Bank Doing Business Report 2016, the data on the Postfiling Index is not available.

On average, businesses in the ATI partner countries spend 261.7 hours per year handling all these tax payments and generally comply with tax laws. This is about six and a half weeks (40 hours/week) of work and hence represents a considerable compliance cost. In the OECD, businesses spend on average 100 hours less on this process (159.4 hours).

261.7 hours
(approx. 6.5 weeks)
average time to comply in ATI partner countries

High costs of compliance might keep small, informal enterprises from entering into the formal economy. For formalised firms, high compliance costs might create incentives to evade taxes.

Compared to 2016, it can be noted that seven ATI partner countries decreased the time to comply, again with Rwanda showing the most substantial improvement, from 124 hours to 94.5 hours. Two ATI partner countries saw an increase in this indicator, namely Madagascar and Tanzania.

The average total tax rate in the ATI partner countries is 39.1%, which is very close to the OECD average of 39.8%. In comparison to 2016, the average rate is marginally higher. However, looking at the changes at country level, it becomes apparent that this change can be almost fully attributed to a surge in Afghanistan's tax rate (from 48.3% to 71.4%).

For the other countries, changes were either really small or inexistent. Five countries experienced a small increase, while in two a small decrease was observed (see table 5).

The setting of tax rates and the level of the tax burden involve policy choices unique to each country. Nevertheless, very high rates might provide incentives for businesses to evade or, for informal businesses not to enter the formal economy, and a reduction from a very high starting point might thus be seen as desirable. If countries with already low tax rates lower them further, competing with other countries to attract foreign investment, there is a risk that overall revenue mobilisation is negatively affected by this so-called race to the bottom. A more thorough country-level analysis would therefore be required. As a result, the changes of the indicator total tax rate in table 5 are not marked red or green.

The *Postfiling* index evaluates two processes that generally take place after a company has filed a tax return: claiming a VAT refund and correcting a corporate income tax (CIT) return. The index is made up of the following elements, which are converted to the index score using the World Bank's Distance to Frontier methodology: (1) the time to prepare and submit any information supporting a VAT refund claim; (2) the time that elapses before receiving a VAT refund; (3) the time to voluntarily correct an inadvertent error in a CIT return; and (4) the time that elapses until the end of any interactions with the tax authorities triggered by the CIT correction (World Bank 2019). The Postfiling index therefore tries to capture **key aspects of the work associated with tax compliance that comes after taxes have been filed and paid**.

The index ranges from 0 to 100, with 100 being the maximum score. The ATI partner countries have an average score of 57.4. Compared to the 2016 value, this means a small decrease (in 2016, the number was 61.1). In the OECD, the average is 84.41 (World Bank 2018). There is considerable variation among the ATI partner countries. Afghanistan, for instance, obtained the lowest possible Postfiling index score (0) while the Solomon Islands was awarded the highest possible value overall (100).

Two indicators from the GCR are taken into consideration for this ATI Monitoring Report. *Effect of taxation on incentive to work and Effect of taxation on incentive to invest* (see box 3). Both indicators range from 1 to 7, with 7 as the maximum score.

4.1

Effect of taxation on incentive to work

For 20 out the 23 ATI partner countries, there is data available in the GCR. Inspecting the results regarding the two indicators on taxation, it can be observed that the ATI partner countries are, on average, slightly above the theoretical mid-point of the 7-point scale. The average value of the indicator *Effect of taxation on incentive to work* is 4.1, while the average value for the indicator *Effect of taxation on incentive to invest* is 3.6. Compared to 2016, the score is unchanged for the *Effect of taxation on incentive to work*, while there is a 0.1-point decrease for *Effect of taxation on incentive to invest*.

3.6

Effect of taxation on incentive to invest

Regarding the changes compared to the previous reporting, the picture is mixed. For the indicator *Effect of taxation on incentive to work*, nine ATI partner countries obtained a slightly lower score than in 2016.

Seven countries improved there scoring, while the remaining four countries for which the scores are available saw no change in this indicator. The absolute changes for this indicator range from 0.1 to 0.6 points on the 7-point scale. The Gambia saw the largest increase from 3.9 to 4.5.

With respect to the indicator *Effect of taxation on incentive to invest*, lower scores are reported for nine partner countries and six had higher scores. The remaining five saw no change. For this indicator, the absolute changes range from 0.1 to 0.4 points, with the largest increase observed for the Philippines (from 3.3 to 3.5).

Overall, there are five ATI partner countries that had a deterioration in both indicators (Ethiopia, Georgia, Namibia, Paraguay and Uganda) and four that improved on both (Indonesia, Malawi, the Philippines and The Gambia).

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

ATI partner countries' surveys

14 out of the 23 ATI partner countries completed the survey for the ATI Monitoring of Commitment 2. In this survey, the ATI partner countries had the opportunity to present their recent efforts to strengthen domestic revenue mobilisation and to briefly reflect upon the current situation in their country. Furthermore, they were invited to present an outlook in which they could report on planned activities regarding the mobilisation of domestic revenue in their country.

Subsequently, the answers of the 14 responding ATI partner countries are summarised.

Afghanistan

The Afghanistan Revenue Department (ARD), Ministry of Finance, has changed **tax laws**, which resulted in the termination or simplification of old and lengthy processes that used to cause multiple problems for the taxpayers. Furthermore, an e-filing and e-payment system was introduced (SIGTAS), which is a step towards revenue growth. This **digitalisation impulse** was a major achievement within the revenue department.

*Despite slow economic growth, domestic revenues in **Afghanistan** reached a record high of 2.79 billion USD (189.7 billion Afs). This represents 12 percent increase compared to 2017.*

Improving the **audit process** was another focus, which led to a boost in revenue mobilisation. In this area, additional staff was hired, and audit processes were shortened.

Also, over the past few years, national and international experts have worked together to build a more robust and comprehensive organisational structure.

Benin

Benin has taken several measures to strengthen domestic revenue mobilisation. Its survey mentions the introduction of an **information exchange** platform between the Fiscal and the Customs Administration as well as the introduction of SIGTAS and other **digital** instruments.

Further, Benin has invested in the simplification of tax-related procedures.

__Benin__ has managed to reduce the time taxpayer have to spend in the tax centres in order to fulfil their reporting and payment duties.

Cameroon

Cameroon has adjusted its **tax laws** substantially. For instance, Cameroon has revised its petroleum tax, proprietary tax and VAT. Cameroon has also invested in the cooperation between the Fiscal and the Customs Administration. This cooperation has led to the detection of over 100,000 natural persons and 5,537 legal entities that did not appear in the file of active taxpayers of the General Directorate of Taxes.

One priority of __Cameroon__ with respect to domestic revenue mobilisation is the digitalisation of reporting procedures in order to reduce the cost of tax compliance and improve tax morale.

The Gambia

The Gambia plans to develop reforms according to the weaknesses identified during the review of TADAT. Measures that have been implemented aim to improve taxpayers' access to services and **reduce compliance cost** by setting up of branches offices at strategic locations, to use third-party information to **improve compliance and accuracy** of taxpayers returns/declarations, enhance the tax administration information system, and introduce the block system in the Small and Medium Taxpayer Unit (SMTU).

Georgia

Georgia refers to its active participation in the BEPS project. In that context, **several actions have been taken to ensure the implementation of the BEPS measures**. Most prominently, in 2017, Georgia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). The Georgian Government and the OECD subsequently agreed to launch an induction programme to support Georgia to **review** its **domestic legislation** and implement BEPS minimum standards and tools developed by the OECD for facilitating the implementation process thereof. As part of the OECD Induction Programme, a roadmap for Georgia has been finalised in 2018. The roadmap is a working document that outlines particular areas where technical assistance is required and sets relevant timelines.

Ghana

__Ghana__ introduced excise tax stamps for tobacco and alcoholic beverages for revenue assurance and the control of illicit trade.

Ghana names numerous tax-related measures to increase domestic revenue mobilisation. Among them are a review of major **tax laws** in order to make them **consistent** with the changing economy and international best practice, as well as a rationalisation of taxes, which led to the abolishment and reduction of approximately 15 different taxes. Investing in digitalisation, a new tax administration software and a paperless system for the Customs Administration has been introduced. Furthermore, the excise tax stamp policy has been fully implemented and the VAT policy successfully restructured.

*Currently, **Indonesia** is enacting outdated law (General Procedures, Income Tax and Value-Added Tax Law) to catch up the fast-growing business and digital environment. This effort is aimed to generate revenue amounting to 3.5% of GDP in five years.*

Indonesia

Indonesia names two major steps with respect to strengthening domestic revenue mobilisation. Firstly, rolling out the Tax Amnesty Program in mid-2016 to 2017 to expand the tax base, enhance the data of the Directorate General of Taxes (DGT), improve **tax compliance** and develop a fresh relationship between taxpayers and the DGT. Secondly, investing in **digitalisation**, such as implementing new software and data management systems. As such, Indonesia implemented both **tax policy** and **tax administration** reforms.

Kenya

Kenya started a review of its income tax in 2017 and is therefore reforming its **tax laws**. Furthermore, Kenya focuses on data-driven **compliance**, resulting in the further advancement of the **digitalisation** of its **tax administration**. Moreover, Kenya facilitated partnerships between countries and international development partners to **build capacity** and **provide funding** to help mobilise higher levels of domestic revenue. Policy advice from ATI development partners has also helped improve quality in policy wording, which, in turn, has led to better development outcomes.

Liberia

Liberia has invested in **digitalisation** by introducing online payment and online filling options for taxes. Liberia has also introduced new **tax laws**: a new excise tax law and a minimum income tax policy. Liberia further plans to expand the **revenue base**, increasing **voluntary compliance** and minimising revenue loss.

*In 2019, **Liberia** finalised a DRM strategy that aims at expanding the revenue base, increasing voluntary compliance, and minimising revenue loss.*

Madagascar

Madagascar has modified several **tax laws**. For instance, the minimum liability for VAT contributions has been adjusted. With regard to tax policy, a *Tax Policy Committee* and a *Policy Unit* have been created. Their tasks include evaluating tax expenditures and analysing tax law reforms. Madagascar has also undertaken efforts to digitalise its systems by implementing an Integrated Tax Administration System, introducing an e-visa system and launching a tax payment pilot project via "mobile money" in two tax centres.

*The Ministry of Finance of **Madagascar** has developed a comprehensive and coherent 10-year strategic plan for the modernisation of public finances (PSMFP).*

Malawi

Malawi invested in **digitalisation** by increasing the coverage of electronic fiscal devices. It adjusted its **tax laws**, introducing an additional income tax bracket of 35% for high incomes. A tax administration bill and a revenue appeals tribunal have also been established as a way to improve efficiency within the tax administration and expedite resolution of tax disputes. Furthermore, Malawi enhanced the development of an Integrated Tax Administration System (ITAS) and reduced the number of products exempted from VAT.

*The Government of **Malawi** is planning to develop a Medium Term Revenue Mobilisation Strategy in the fiscal year 2019/2020.*

Paraguay

The efforts of Paraguay included, among others, changes in legislation, administrative measures,a TADAT assessment, coherence in development policies, as well as efforts with respect to base erosion and profit shifting efforts (BEPS) and AEoI.

Since the end of 2016, so-called ***Selectivity Channels* have been implemented** in tax credit refund requests. The "Marangatu" Tax Management Information System is carrying out an instantaneous process through which the requesting taxpayer is assigned a refund channel. This channel may be marked green, yellow or red, according to its risk classification, determined by means of the Taxpayer Risk Classification Index (IRC). This system allows for immediate refund of a certain share of tax credit if the risk is evaluated to be low or middle.

*More determined actions against smuggling has been undertaken in the **Philippines**, resulting in a 69% increase in the amount of smuggled goods seized from 2010 to 2016.*

Philippines

A major **tax reform** was enacted in the Philippines in December of 2017 and implemented in 2018. While the personal income tax was lowered, giving much relief to individual taxpayers, the excise taxes were rationalised and there were some new taxes introduced such as the excise on sugar-sweetened beverages and cosmetic procedures.

Solomon Islands

The Solomon Islands name numerous measures. With respect to **digitalisation**, they introduced online filing and payment for all taxes as well as online objections and automated individual income tax assessments. Concerning **compliance**, the Solomon Islands increased audits. Further, staff capacity has been improved, setting the focus on leadership by means of a leadership course extending over the past two years and with technical tax training modules prepared and implemented in the administration. Moreover, some amendments to the tax acts have been implemented in 2018, such as orders to increase types of income subject to withholding tax.

*A complete tax reform that is to be undertaken over next 3 years in the **Solomon Islands** has commenced in early 2018.*

Challenges and priorities of the ATI partner countries

As part of the 2017 ATI Monitoring Survey, the ATI partner countries were invited to provide information on their challenges and priorities with regard to domestic revenue mobilisation. While the individual country sections show the details on reform priorities and challenges for each ATI partner country, this section aims to summarise the common themes emanating from the survey. As 14 out of 23 ATI partner countries responded to the survey, it should be kept in mind that this overview is not exhaustive and does not represent all ATI partner countries. For the discussion, the results from the survey have been grouped into topics concerning domestic taxation and topics concerning international taxation.

a. Domestic taxation

The ATI partner countries are a heterogeneous group of countries that face different challenges and work on a diverse range of issues related to domestic revenue mobilisation. There are still some topics with respect to domestic taxation, which pose a general challenge for those ATI partner countries that responded to the survey.

The most stated priority is in the domain of tax administration/taxpayer service. Ten out of the 14 participating ATI partner countries stated a priority in this area. This can, for instance, mean the introduction of an online paying and filing system (Solomon Islands), the setting up of a call centre and provision of information for large corporate taxpayers on the website (Madagascar), the simplification of tax administration processes (Ghana) or an enhancement of the tax information system (The Gambia).

Audit, risk management/analysis and compliance – three categories that cannot always be clearly distinguished – were the second most-stated priority. As before, the priorities and activities undertaken differ between the ATI partner countries. For instance, Indonesia is building a system to map taxpayers' compliance based on their risks, so-called Compliance Risk Management. Paraguay aims to improve audit quality by carrying out specialised audits by economic sectors.

Moreover, priorities for reforms regarding tax policy/legislation are mentioned by five partner countries (Indonesia, Liberia, Paraguay, Solomon Islands and the Philippines). The Philippines, for instance, highlights the need to shift to a more efficient national budget system and introduce more comprehensive reforms.

While not mentioned very often as a main priority, capacity building is stressed as vital by nine of the 14 responding ATI partner countries in order to achieve their goals with respect to specialised audits, improved revenue administration, risk analysis and tax policy. Thus, the focus on capacity building as foundation for various topical priorities stands out.

Furthermore, the need to review tax exemptions and to estimate tax expenditures as a basis for discussion was mentioned by three partner countries (Ghana, Liberia and Malawi). Both Malawi and Ghana plan to assess tax expenditures.

Finally, the importance of fighting tax evasion/avoidance as a main priority in the area of domestic revenue mobilisation was mentioned by Benin and Paraguay.

Figure 16 shows the topics mentioned most often in 2017 ATI Monitoring Survey on Commitment 2. The number indicates the number of times the respective priority was mentioned, which could be more than once by the same ATI partner country.

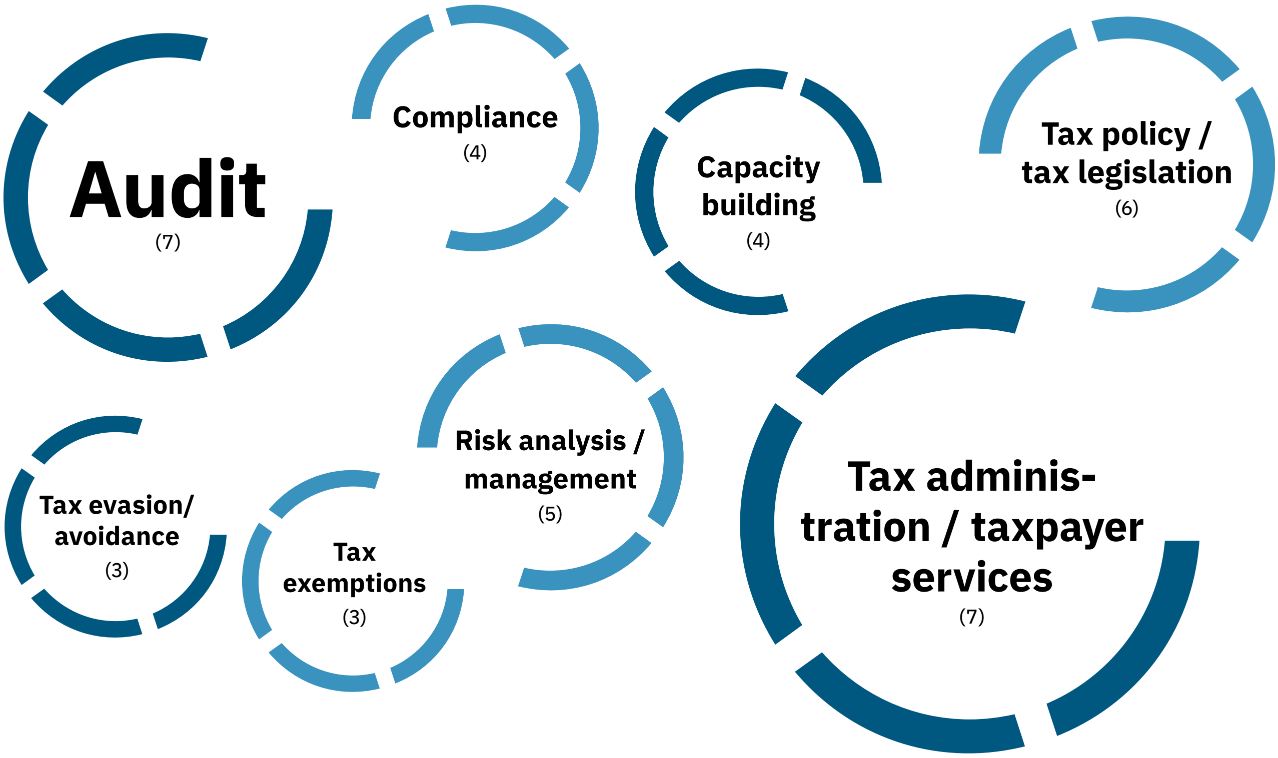


Figure 17: Priorities of ATI partner countries regarding domestic taxation (# of times mentioned as a priority in the survey)

b. International Taxation

Priorities regarding international taxation mentioned by the ATI partner countries were much less abundant than priorities in the area of domestic taxation. In fact, highly generic information was often offered in the field of international taxation.

In the 2016 ATI Monitoring Brief on Commitment 2, it was already apparent that the priorities of the responding partner countries predominantly lay in the area of domestic taxation. It can be noted that, for many issues regarding international taxation (e.g. BEPS measures, the implementation of exchange of information), a well-functioning tax system is a prerequisite. Many of the priorities mentioned with respect to domestic taxation also prepare for the implementation of measures regarding the exchange of information.

Madagascar aims to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MLI), while Paraguay undertakes efforts to ensure adequate legislation for the exchange information, both on request and automatically. The training of officials also plays an important role.

As opposed to the 2016 Monitoring Brief on Commitment 2, only two countries mentioned BEPS (Malawi and Paraguay) as a main priority. Paraguay focuses generally on the minimum standards of the BEPS Inclusive Framework. One planned activity includes the integration of Action

To ensure the effective and coordinated implementation of Action 6 minimum standard in 2018, the OECD launched a peer review of existing bilateral tax treaties. The 2018 Peer Review covers 116 jurisdictions. The 2018 Peer Review revealed that a large majority of the Inclusive Framework members, among them Georgia, have made substantial progress towards implementing the minimum standard and are currently in the process of modifying their treaty network by using the MLI, which has proved itself to be a quick and efficient way of allowing jurisdictions to meet the minimum standard.

6 of the BEPS standards[15] into new double taxation agreements. Similarly, for Malawi, the review of double taxation agreements according to the BEPS standards is crucial.

Transfer pricing was mentioned by two partner countries , Malawi and Cameroon. Cameroon plans to establish a specialised transfer pricing unit and Malawi focuses on transfer pricing as a means to combat international tax evasion and avoidance.

The topics mentioned frequently as priorities in the area of international taxation are illustrated in figure 17. A more detailed outline of the ATI partner countries' priorities and planned activities can be found in the online annex of this report, which is available on the *ATI website*.

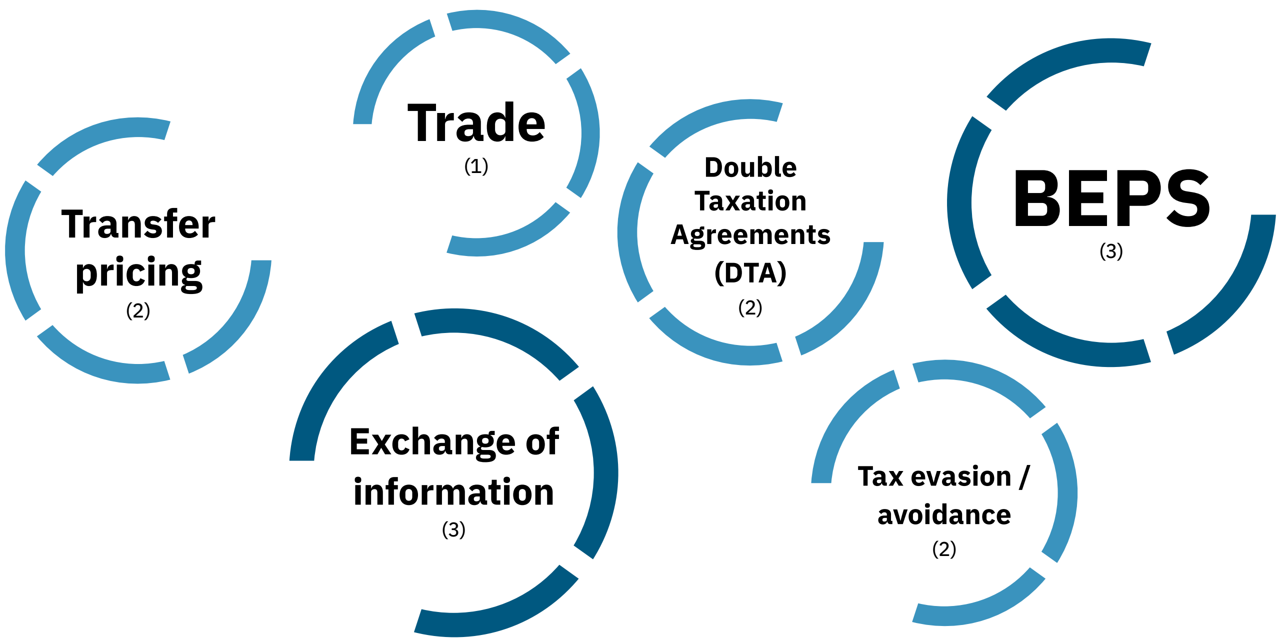


Figure 18: Priorities of ATI partner countries regarding international taxation (# of times mentioned as a priority in the survey)

[15] Action 6 is "Preventing the Granting of Treaty Benefits in Inappropriate Circumstances", see OECD (2015).

Conclusion

ATI Commitment 2 focuses on the efforts regarding domestic revenue mobilisation in ATI partner countries. The ATI partner countries are highly committed to stepping up their reform efforts and invest substantially into domestic revenue mobilisation, for instance by changing tax legislation, implementing new tax software, simplifying tax procedures, improving taxpayer services and focusing on capacity building in tax administrations.

The indicators used in this report for assessing progress with respect to ATI Commitment 2 show positive developments for many ATI partner countries. The average tax-to-GDP ratio in ATI partner countries increased by 0.5 percentage points compared to 2016 and is on par with 2015 at 15.9%. The composition of revenue changed only marginally in favour of taxes on goods and services, the share of taxes on goods and services being 45.5% of total revenue. 34.2% of revenue in ATI partner countries is direct taxes such as taxes on income, profits and capital gains.

On average, the ATI partner countries managed to slightly decrease the number of tax payments companies have do make during a year and, on average, saw a reduction in the time needed to comply with the tax law. Results on the two indicators from the GCR are more ambiguous. On average, the indicators only changed slightly. However, for many countries there were decreases in their scores, while for others increases could be observed. Hence, it would be beneficial to analyse each country and its development separately. More information on all ATI partner countries can be found in the online annex on the *ATI website*.

Generally, in order to fully assess the impact of ATI Commitment 2, these indicators will have to be analysed over a longer period of time.

The 2017 ATI Monitoring Survey shows numerous measures implemented by the ATI partner countries to step up domestic revenue mobilisation. Almost all countries mention the adjustment of tax laws, efforts in tax administration and reforms regarding international taxation. Priorities lay mainly in the area of domestic taxation, with capacity building providing a foundation for many reforms.

In summary, the efforts and reforms undertaken by the ATI partner countries reaffirm their strong commitment to step up domestic revenue mobilisation. While it may take considerable time to see sustainable results, both the accomplishments so far and the current as well as planned activities promise to pay off in the future.

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ATI Commitment 3

Introduction

ATI Commitment 3 is dedicated to ensuring policy coherence for sustainable development, particularly in the area of domestic revenue mobilisation. It applies to all ATI member countries and aim *“to ensure that relevant domestic tax policies reflect the joint objective of supporting improvements in domestic resource mobilisation in partner countries and applying principles of transparency, efficiency, effectiveness and fairness”* (ATI Declaration 2015, p. 4). Policy coherence fosters synergies across different policy areas (whole-of-government approach), identifies trade-offs and reconciles domestic policy objectives with internationally agreed objectives and addresses spill-overs of domestic policies.

Commitment 3 of the Addis Tax Initiative is in line with the spirit of the Addis Ababa Action Agenda (AAAA), which calls for the pursuit of *“policy coherence and an enabling environment for sustainable development at all levels and by all actors”* (UN, 2015a, p. 5). Moreover, ATI Commitment 3 relates to the OECD Framework for Policy Coherence for Sustainable Development (OECD 2016) and makes a direct contribution to target 17.14. of the Sustainable Development Goals (SDGs).

Monitoring the efforts and results under ATI Commitment 3 is based on self-reporting by the ATI members. Currently, there exists no single comprehensive list of indicators for assessing policy coherence in the area of domestic revenue mobilisation. The self-reporting mechanism allows the ATI member countries to highlight their efforts in support of the ATI Commitment 3.

2017 Monitoring of ATI Commitment 3: Methodology

Comprehensive data or indicators for quantifying efforts and progress made with respect to policy coherence in the area of domestic revenue mobilisation are currently not available. Thus, the monitoring of ATI Commitment 3 continues to rely primarily on qualitative information reported by the ATI members, as agreed on in the first *ATI Monitoring Note*. While the contributions from the ATI members are highly informative for understanding developments within the different countries, they do not allow to consistently track progress with respect to ATI Commitment 3. It has thus not been possible to establish a baseline for all ATI member countries, as it has been the case for ATI Commitment 1. Since the evaluation relies on survey information, the sample of ATI members responding to the survey differs from year to year. This makes the analysis of timelines for each country infeasible. It can also be expected that main strategic approaches, priorities, strengths and weaknesses with respect to policy coherence for development of a country do often not change substantially from year to year.

With the aim to overcome some of the limitations mentioned above, the monitoring methodology is still being reviewed by the ATI Consultative Group on Commitment 3. The goal is for ATI members to agree on a set of indicators that cover the most important topics of policy coherence in the area of domestic revenue mobilisation that are quantitatively measurable. This process is still ongoing. Thus, ATI development partners and ATI partner countries have been asked to report on their efforts and progress, as in the years before. The 2017 ATI Monitoring

Survey on Commitment 3 invited all ATI member countries to comment on approaches and activities that are undertaken to ensure policy coherence for development in several thematic areas related to domestic revenue mobilisation.

Reporting for the 2017 ATI Monitoring Report for Commitment 3

For the 2017 ATI Monitoring Report, all ATI member countries were asked to report on their domestic strategies for policy coherence for development in relation to domestic revenue mobilisation. Specifically, the survey asked for strengths and weaknesses of their respective approach and the progress made since 2017. The same type of question was posed regarding inter-agency cooperation. Moreover, they were asked about their activities and approaches in six focus areas of policy coherence: illicit financial flows, international tax cooperation, tax incentives, double taxation agreements, taxation of Official Development Assistance (ODA) support, and domestic revenue mobilisation and green growth.

Finally, the ATI member countries were asked to complete a country profile, including five topical areas. The country profile will allow to better compare and monitor countries. 17 ATI development partners and nine ATI partner countries have replied to the 2017 ATI Monitoring Survey on Commitment 3. It thus has to be kept in mind that not all ATI members are covered in this ATI Monitoring Report and that the findings apply to 60.5% of the ATI member countries. A number of suveys were submitted after conclusion fo the report, and their results will be updated on the online version of the report.

"Policy Coherence for Development becomes more important than ever in the context of the 2030 Agenda for Sustainable Development. Formulating sound policies which take into account from the outset the impacts on developing countries is central to the achievement of the new global goals."

Neven Mimica,
EU Commissioner

Key Findings

Summarising the key findings from the ATI member countries' responses regarding their efforts with respect to ATI Commitment 3, several points can be highlighted:

- ATI member countries **are continuing their work** on policy coherence for development.
- Of the 25 ATI members responding to the respective survey question, **23 ATI members have formal and/or informal coordination mechanisms for domestic revenue mobilisation in place**.
- All **24 ATI members** answering the respective question **stress to work on coherent policies**.
- Many **efforts** are undertaken by ATI members **to combat illicit financial flows**.
- Similarly, exchange of information and BEPS are important working domains and ATI member countries report progress in these areas.
- **10 of 26** responding ATI members have a **tax treaty policy in place that looks specifically at policy coherence for development**.

- **Health, trade and gender are other topics in the area of policy coherence with respect to domestic revenue mobilisation** that are pursued by ATI member countries.

In the following sections, more detailed findings from the ATI Monitoring Survey on Commitment 3 are presented.

Coherent domestic policies and inter-agency cooperation

With the goal of policy coherence for sustainable development comes the need for countries to have a comprehensive approach in policy-making. The various dimensions of sustainable development – economic, social and environmental – need to be balanced. This principle of integrating all dimensions of development in policy-making, referred to as "horizontal coherence", constitutes one of the core principles of the policy coherence for sustainable development framework (OECD 2016). The principle of horizontal coherence implies that domestic tax policies should be an integral part of a country's overall development strategy. For development partners, this means consistency between aid policy and tax policy, which includes, among others, adherence to international agreements with regard to exchange of information or double taxation agreements. For partner countries, this applies mainly to consistency in their national policies. Questions are, for instance, whether there are national policies in place that harm domestic revenue mobilisation, or how domestic revenue mobilisation can contribute to national policy. This can be, for instance, policies that reduce poverty or policies that address environmental issues.

23 ATI members

Formal and/or informal inter-agency coordination mechanisms for DRM in place

Working on coherent policies

24 ATI members

Ensuring coherence in domestic policies requires the alignment of policies across agencies and ministries. With that comes the alignment of different interests and possibly different working cultures in the various ministries and agencies. Such inter-agency cooperation is an important part of horizontal policy coherence. Focusing on domestic revenue mobilisation, this would relate, for example, to cooperation between the ministry of finance and the revenue department, or working groups consisting of different players to discuss legislation with respect to taxation.

Coherent domestic policies and inter-agency cooperation can be viewed as the foundations of policy coherence within a country – the work and the progress with respect to various thematic areas then rely on well-functioning cooperation and coordination mechanisms between different agencies and an overarching strategic framework.

Many ATI member countries are moving forward both with respect to coherent domestic policies and inter-agency cooperation. 23 of the 25 ATI members that replied to the question regarding inter-agency cooperation have formal and/or informal coordination mechanisms for domestic revenue mobilisation in place. With respect to coherent domestic policies, all 24 countries that replied to the respective question are working on coherent policies, with different approaches and various focus areas. Not all respondents have a strategy in place specifically for policy coherence.

Examples of coherent domestic policies and inter-agency cooperation from ATI member countries

Afghanistan

In **Afghanistan**, several Memorandums of Understanding (MoUs) have been signed between the finance ministry and other agencies, showing a gradual progress regarding inter-agency cooperation. Moreover, the existence of long-term strategic plans is seen as a strength of the Afghanistan Revenue Department (ARD).

EU Institutions

At the EU level, coordination with EU Member States takes place through the Policy Coherence for Development Informal Expert Group and in the frame of Platform for Tax Good Governance. The coordination within European Commission services is done in the inter-service steering group on the UN SDGs. In the beginning of 2019, the European Commission published a report on Policy Coherence for Development.

An overview of the different approaches with regard to policy coherence adopted by the ATI signatories can be found in the online appendix.

Ireland

Ireland approved a completely new government approach to domestic revenue mobilisation in early 2019. This resulted in the creation of a cross-departmental coordination group to ensure coherence across the respective departments.

Italy

Italy, for instance, endorsed its National Sustainable Development Strategy (NSDS) at the end of 2017 with the goal of a comprehensive strategic approach to development cooperation. The reform has offered the opportunity "for building a more open, inclusive and well-structured system that embraces all institutional and non-state players across more horizontal and cooperative relations, aligning resources and actions around a set of shared goals".

Kenya

Kenya has established a multi-agency task force to fight against illicit trade and has successfully enforced anti-corruption laws through a multi-agency approach.

Liberia

The **Liberia Revenue Agency** (LRA) has concluded MoUs with other agencies for collaboration and implemented the exchange of data. Moreover, collaborative meetings of stakeholders are taking place.

Malawi

The government of **Malawi** established a so-called "one-stop centre", where key institutions work under one roof with the objective of improving public service delivery and facilitating investments in the country.

Slovakia

In its effort to ensure policy coherence for sustainable development, **Slovakia** has created various bodies and cooperation groups that address the topic, ranging from very formal to working-level ones. The topic of policy coherence for sustainable development is also reflected in the new Medium-Term Strategy for Development Cooperation of the Slovak Republic (2019-2022).

Focus areas of policy coherence

A. Illicit financial flows

One important focus area of policy coherence is the fight against illicit financial flows (IFF). Generally, IFF refer to the movement of money across borders that is illegal in its source (e.g. corruption, smuggling), its transfer (e.g. tax evasion) or its use (e.g. terrorist financing) (IMF 2018). Global Financial Integrity (GFI) estimated the value of IFFs in and out of developing countries to account for over 20% of developing country trade with advanced economies over the 10 years between 2006 and 2015.[16] This results in substantial amounts of foregone tax revenues for developing countries, undermining efforts to mobilise domestic revenues. The AAAA thus specifically highlights the goal to reduce IFF by 2030. Equivalently, SDG 16.4 refers to the goal of reducing IFF (UN 2015a and UN2015b).

The 2017 ATI Monitoring Survey on Commitment 3 asked the ATI member countries about their activities concerning policy coherence with respect to IFF. All responding partner countries mention to have put additional measures in place to fight IFF more effectively.

Benin, for instance, has defined seven strategic types of action against money laundering and terrorist financing. In **Afghanistan**, the *Financial Transactions and Reports Analysis Centre of Afghanistan*, together with financial supervisors, law enforcement agencies and prosecutors, contributes to building and maintaining an environment directed to identify and combat money laundering activity and terrorist financing. **Ghana** was one of five African countries participating in the *Tax and Good Governance Project 2015-2018* by the WU Global Tax Policy Centre and the African Tax Institute of the University of Pretoria aimed at tackling IFF. For **the Philippines**, lifting the bank secrecy for tax purposes remains to be one of the topmost legislative priority of the government.

"We are strongly in favour of transparency of the fiscal data of multinational companies and regret that the EU proposal on public country-by-country reporting by multinationals is at present in a deadlock. We would propose that ATI donor and partner countries consider the support to more public fiscal transparency by multinationals which will promote fair tax payments in all countries, including developing countries."

The Netherlands' reply to 2017 ATI Monitoring Survey for Commitment 3

Also, all ATI development partners replying to the survey highlight their commitment to fight IFF domestically through strong institutions and bodies designed to detect and combat those, both internationally via the participation in various initiatives and bilaterally via direct collaboration with ATI partner countries.

Norway, for example, is collaborating with Nigeria in the UN on a stream of activities that have promoted two UN resolutions on IFF and asset recovery so far. Through the Norwegian Agency for

[16] Global Financial Integrity, *https://gfintegrity.org/issue/illicit-financial-flows/*.

Development Cooperation, a number of civil society and research organisations receive support to ensure knowledge, transparency, accountability regarding these activities across the government and internationally. **Korea** has been an active member of the Financial Action Task Force (FATF) since 2009, when it joined FATF as a member state. As a chair country of FATF from 2015 to 2016, **Korea** repeatedly called for global efforts to block IFF, while it provides law enforcement agencies with information regarding suspicious transactions in order to combat IFF domestically. In the **United Kingdom**, the Department for International Development (DFID) works with other UK government departments to influence the policy on anti-corruption. Currently, DFID is developing a new work stream to address IFF, representing a major scale-up of the international approach that has been taken with regard to anti-corruption and aims to reduce all IFF affecting developing countries.

The **EU Institutions** promote the implementation of the FATF standards in its bilateral and regional engagement strategy with third countries. Under Directive (EU) 2015/849 (as amended by Directive (EU) 2018/843), the EU has put in place a robust regime to prevent and deter money laundering, concerning in particular the application of customer due diligence requirements. The implementation of registers of beneficial ownership information will contribute to fight against opaque structures, which are a major risk with regard to IFF. Through the new Global Facility on Fighting Money Laundering and Terrorist Financing, the EU provides assistance to partner countries' efforts to put in place effective Anti-Money Laundering/Combating the Financing of Terrorism (AML/CLT) frameworks.

B. International tax cooperation

The AAAA stresses the importance of enhancing international tax cooperation, such that it fully takes into account the different needs and capacities of all countries and is a successful instrument for curbing cross-border tax evasion and avoidance.

Activities in the area of international tax cooperation for policy coherence for domestic revenue mobilisation focus on an (automatic) exchange of information for tax purposes, the provision of information on beneficial ownership and on the implementation of the G20/OECD Base Erosion and Profit Shifting (BEPS) project.

Automatic Exchange of Information (AEoI)

Exchanging information regarding tax matters between different jurisdictions is highly relevant in order to fight cross-border tax evasion. The instrument of (automatic) exchange of information in tax matters (AEoI) is thus of great importance.

18 of the ATI development partners and three of the ATI partner countries (Ghana, Indonesia and Liberia) have so far signed the Multilateral Competent Authority Agreement (MCAA)[17] to exchange information automatically, and many countries have started the automatic exchange of information in 2018 (Status as of 25 April 2019). Liberia is intended to start the automatic exchange of information in September 2020. Thus, there has not been a change with respect to the number of signatories among ATI member countries since the ATI Monitoring Brief 2016.

21 ATI member countries have so far signed the MCAA to exchange information automatically.

[17] "The legal basis for the MCAA (which is agreed at competent authority level) rests in Article 6 of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters which provides for the automatic exchange of information between Parties to the Convention, where two Parties subsequently agree to do so" (OECD 2018).

Exchange of information on request (EOI) is more prevalent for the ATI partner countries: Georgia reports to have 102 jurisdictions in its EOI-network, the Philippines 42, Liberia 15, Benin 9, and Ghana 8.

As for the MCAA, 18 development partners have signed the Multilateral Competent Authority Agreement on the exchange of Country-by-Country Reports (CbC MCAA). Three partner countries (Georgia, Senegal, Indonesia) are among the signatories (as of January 2019).

Under ***Australia's*** *presidency, the G20 adopted the* ***G20 High Level Principles on beneficial ownership transparency****.*

Among the development partners, **Australia** mentioned to have had an effective exchange of information relationships with 114 countries and jurisdictions (as of March 2019). Moreover, the OECD Global Forum on Transparency and Exchange of Information for Tax Purpose (Global Forum) peer review process has provided positive feedback on **Australia's** responsiveness in practice when receiving exchange of information requests from other countries' revenue authorities. Regarding exchange of information on request, **France** was assessed by the Global Forum in 2018 and granted the highest grade possible. **Canada** enacted legislation to require Country-by-Country Reports (CbCR) for large multinational enterprises. This information is then exchanged between the Canada Revenue Agency and other tax authorities to allow for high-level assessments of transfer pricing and other BEPS risks.

Malawi intends to sign an agreement on Mutual Administrative Assistance in Tax Matters with the Government of the Republic of South Africa and **Kenya** pursues the ratification of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

The **European Institutions** support the implementation of Beneficial Ownership (BO) standards both within the EU as well as in partner counties.

Base Erosion and Profit Shifting (BEPS)

Base erosion and profit shifting (BEPS) of multinational enterprises results in substantial revenue losses of estimated at USD 100 billion to USD 240 billion for governments all over the world each year and is, hence, a topic of high priority in the area of international tax cooperation (OECD, 2017). The BEPS inclusive framework, which held its first meeting in 2016, was founded to bring all countries together to work on the implementation of the BEPS Package. It aims to review and monitor the implementation of the whole BEPS package as well as include partner countries specifically. Over 125 countries and jurisdictions are part of the BEPS Inclusive Framework. All ATI development partners and several ATI partner countries (Benin, Burkina Faso, Cameroon, Georgia, Indonesia, Kenya, Liberia, Paraguay, Senegal and Sierra Leone) have joined the BEPS Inclusive Framework and are now working on the implementation of the BEPS standards, in line with their domestic capacities.

For Canada, 14 out of 18 tax treaties with ATI development partners and 3 out of 6 treaties with ATI partner countries include the minimum standard on anti-treaty abuse provisions, according to the Action 6 recommendations of the BEPS Project. That is, ***71% of Canada's tax treaties with ATI member countries include the minimum standards****. Overall, 69% of Canada's treaties in force include the minimum standard (64 out of 93 treaties).*

For the country profiles, the 2017 ATI Monitoring Survey on Commitment 3 asked ATI members whether they participate in the Inclusive Framework and whether they are signatories to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS. All of the 16 responding ATI development partners participate in the BEPS Inclusive Framework and are signatories to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS. From the nine ATI partner countries that took part in the 2017 ATI Monitoring Survey on Commitment 3, five participate in the BEPS Inclusive Framework and two intend to join. Three signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS and three stated their intention to sign.

Moreover, ATI development partners participating in the survey mention their active work related to BEPS – domestically in terms of implementation, internationally in terms of participation in the international fora on tax policy and in cooperation with partner countries. Switzerland, for instance, stresses the support for the work of the OECD with developing countries in the implementation of the global standards related to an exchange of information for tax purposes and those elaborated in the BEPS project. The EU Institutions' direct financial support to the BEPS Inclusive Framework demonstrates the commitment of the EU towards implementation of tax good governance standards within and beyond its borders. At bilateral level, the EU is systematically pursuing the improvement of Public Financial Management (PFM) systems, as well as increased budget transparency and oversight in partner countries through all of its budget support programmes.

Signatory to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS

Australia	*Kenya*
Belgium	*Korea*
Burkina Faso	*Liberia*
Canada	*Luxembourg*
Cameroon	*Netherlands*
Denmark	*Norway*
Finland	*Senegal*
France	*Slovakia*
Georgia	*Slovenia*
Germany	*Sweden*
Indonesia	*Switzerland*
Ireland	*United Kingdom*
Italy	

In the survey, Afghanistan, Kenya and Liberia stated their intention to sign the MLI.

Source: OECD, status as of 29 May 2019.

Participating in the Inclusive Framework on BEPS

Australia	*Korea*
Belgium	*Liberia*
Benin	*Luxembourg*
Burkina Faso	*Netherlands*
Canada	*Norway*
Cameroon	*Paraguay*
Denmark	*Senegal*
Finland	*Sierra Leone*
France	*Slovakia*
Georgia	*Slovenia*
Germany	*Sweden*
Indonesia	*Switzerland*
Ireland	*United Kingdom*
Italy	*United States*
Kenya	

In the survey, Afghanistan and the Philippines stated their intention to join.

Source: OECD, status as of March 2019.

C. Tax incentives for investments

Many countries use preferential tax policies in order to attract foreign direct investment (FDI). Those policies can include different types of tax incentives, such as the temporary exemption from corporate income tax ("tax holidays") or tax credits for investments in specific sectors. The topic is of relevance for policy coherence in the area of domestic revenue mobilisation, since tax incentives at first often decrease revenue and are, thus, at odds with the goal of revenue mobilisation. The competition to attract FDI can further lead to effective tax rates close to zero, which might considerably shrink the space of partner countries for government spending. Available evidence on the benefits of incentives for the attraction of FDI for developing countries is mixed and limited (see Andersen et al. 2017).

The AAAA, on one hand, notes that tax incentives can be an appropriate policy tool. On the other hand, the AAAA also encourages countries to discuss the role of tax incentives, taking into account potential disadvantages (UN, 2015a).

Conducting periodic evaluations of tax expenditures

Afghanistan	*Italy*
Australia	*Kenya*
Benin	*Korea*
Denmark	*Malawi*
France	*Netherlands*
Georgia	*Norway*
Germany	*Slovakia*
Ghana	*Slovenia*
Indonesia	*Sweden*
Ireland	*The Philippines*

In the survey, Finland and Liberia stated that they intend introducing periodic evaluations of tax expenditures.

Source: 2017 ATI Monitoring Survey on Commitment 3

In the 2017 ATI Monitoring Survey on Commitment 3, ATI partner countries were asked for the highlights in their activities with respect to tax incentives for investment. Five of the nine participating partner countries responded to this question.

The Philippines mention that the second package of the comprehensive tax reform is focused on rationalising the fiscal incentives system of the country. The following principles regarding the granting and administration of incentives are envisaged: performance-based, transparent, time-limited, and targeted. Furthermore, the enactment of a legislation that mandates all investment promotion agencies in the country to submit data on an annual basis to the Department of Finance should allow for more informed policy discussions with regard to the restructuring of tax incentives in the Philippines. In **Afghanistan**, an amendment of the Income Tax Law, which includes tax Incentives for companies, is being discussed in parliament.

Moreover, ATI member countries were asked whether they conduct periodic evaluations of their tax expenditure. In order to have a discussion on tax incentives, it is important to have an overview about which incentives are currently in place and how much they cost. Eight out of nine responding ATI partner countries regularly evaluate their tax expenditures. Twelve out of 16 ATI development partners stated that they conduct periodic evaluations of tax expenditures. Furthermore, two countries, Finland and Liberia, intend to introduce such a measure.

10 of 25 responding ATI members have a tax treaty policy in place that looks specifically at policy coherence for development.

D. Coherence of double taxation agreements

Double taxation agreements (DTAs) govern the allocation of the rights to tax incomes from cross-border transactions between different jurisdictions. The primary goal of those treaties is to avoid double taxation of incomes in the two contracting countries and encourage investment, but DTAs also aim to prevent double non-taxation of incomes. So-called anti-abuse

Tax treaty policy in place, which looks specifically at policy coherence for development

Australia	*Ghana*
Benin	*Korea*
Canada	*Malawi*
France	*Netherlands*
Germany	*Norway*

In the survey, Finland, Georgia, Indonesia, Liberia, Switzerland and the Philippines stated to intend introducing a tax treaty policy that looks specifically at policy coherence.

Source: 2017 ATI Monitoring Survey on Commitment 3

clauses are often integrated in tax treaties to counter tax evasion. The negotiation of double tax treaties has a direct impact on domestic revenue mobilisation in the contracting partners and is, consequently, an important topic with respect to policy coherence for development. There is an inherent trade-off between securing one's own domestic revenue in the residence countries (mostly development partners) and allocating more taxation rights to the source countries (mostly partner countries). Empirical research indicates that treaty negotiations between development partners and partner countries may have often led to a less favourable outcome for the partner countries (ICTD 2016, Hearson 2018).

Three ATI partner countries have a tax treaty policy in place, which looks specifically at policy coherence for development, while four ATI partner countries state that it is intended to have such a policy in place.

The government of **Malawi** plans to negotiate new DTAs and review some old DTAs to take into account emerging issues. **Afghanistan** is in the process of negotiating DTAs with Iran, Pakistan and Turkey. More requests for negotiations are pending. **Georgia** has elaborated its draft DTA, which serves as the basis for negotiations, and **Kenya** is reviewing existing DTAs to update them in line with the BEPS recommendations, and enhancing the DTA policy to guard against revenue leakage.

Two ATI development partners, Finland and Switzerland, intend to put a tax treaty policy in place that looks specifically at policy coherence for development. Seven ATI development partners already have such a policy in place. From the 16 development partners that filled the survey, nine answered the question regarding their activities to ensure coherence of double taxation agreements.

Switzerland is a signatory to the Multilateral Instrument (MLI) and is in the process of preparing for its ratification. For tax treaties that are not covered by the MLI, Switzerland has put in place a specific plan for renegotiation. **Canada** states to have a consistent tax treaty policy, which uses a mix of OECD and UN Model Tax Convention provisions. In addition, **Canada** has signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting. In the **United Kingdom**, tax treaties are negotiated by HM Revenue and Customs (HMRC) officials. The Department of International Development plays an active role in informing HMRC's tax treaty negotiating programme. The **EU Institutions** launched a discussion in the framework of the Platform for Good Tax Governance on spill over effects of DTAs signed by EU member states with partner countries in 2017. In this context, the European Commission elaborated a working paper, which highlights areas where a more supportive approach towards developing countries could be advisable.

*A recent evaluation (2018) assesses the existing treaties of **Norway** with developing countries.*

Please find an overview of the ATI member countries' efforts in the country profiles in table 6.

Country	*Participating in the Inclusive Framework on BEPS*	*Signatory to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS*	*Tax treaty policy in place, which looks specifi-cally at policy coherence for development*	*Signatory to the Convention on Mutual Administrative Assistance in Tax Matters*	*Conducting periodic eval-uation of tax expenditures*
Afghanistan	Intended	Intended	No	No	Yes
Australia	Yes	Yes	Yes	Yes	Yes
Belgium	Yes	Yes	NA	Yes	NA
Benin	Yes	No	Yes	No	Yes
Burkina Faso	Yes	Yes	NA	Yes	NA
Cameroon	Yes	Yes	NA	Yes	NA
Canada	Yes	Yes	Yes	Yes	NA
Denmark	Yes	Yes	No	Yes	Yes
Ethiopia	No	No	NA	No	NA
Finland	Yes	Yes	Intended	Yes	Intended
France	Yes	Yes	Yes	Yes	Yes
Georgia	Yes	Yes	Intended	Yes	Yes
Germany	Yes	Yes	Yes	Yes	Yes
Ghana	No	No	Yes	Yes	Yes
Indonesia	Yes	Yes	Intended	Yes	Yes
Ireland	Yes	Yes	NA	Yes	Yes
Italy	Yes	Yes	NA	Yes	Yes
Kenya	Yes	Intended	No	Yes	Yes
Korea	Yes	Yes	Yes	Yes	Yes
Liberia	Yes	Intended	Intended	Yes	Intended
Luxembourg	Yes	Yes	NA	Yes	NA
Madagascar	No	No	NA	No	NA
Malawi	No	No	Yes	No	Yes
Namibia	No	No	NA	No	NA
Nepal	No	No	NA	No	NA
Netherlands	Yes	Yes	Yes	Yes	Yes
Norway	Yes	Yes	Yes	Yes	Yes
Paraguay	Yes	No	NA	Yes	NA
Rwanda	No	No	NA	No	NA
Senegal	Yes	Yes	NA	Yes	NA
Sierra Leone	Yes	Yes	NA	No	NA
Slovakia	Yes	Yes	NA	Yes	Yes
Slovenia	Yes	Yes	No	Yes	Yes
Solomon Islands	No	No	NA	No	NA
Sweden	Yes	Yes	NA	Yes	Yes
Switzerland	Yes	Yes	Intended	Yes	NA

Country	*Participating in the Inclusive Framework on BEPS*	*Signatory to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS*	*Tax treaty policy in place, which looks specifically at policy coherence for development*	*Signatory to the Convention on Mutual Administrative Assistance in Tax Matters*	*Conducting periodic evaluation of tax expenditures*
Tanzania	No	No	NA	No	NA
The Gambia	No	No	NA	No	NA
The Philippines	Intended	Yes	Intended	Yes	Yes
Uganda	No	No	NA	Yes	NA
United Kingdom	Yes	Yes	No	Yes	NA
United States	Yes	No	NA	Yes	NA

Table 6: Country international cooperation profiles

E. Taxation of ODA support

In recent years, the discussion about the taxation of Official Development Assistance (ODA) has resurfaced and it continues to be an important topic for ATI development partners and ATI partner countries alike. ODA has generally been exempt from taxation in partner countries, with the inefficiency of partner countries' tax systems and administrations being the main argument for exemptions (Caldeira et al. 2018). Moreover, ODA tax exemptions are assumed to increase the quantity of aid and reduce costs for donors. However, there is little evidence that this is in fact the case (Steel et al. 2018).

Looking at ODA taxation from the perspective of policy coherence, supporting countries in their efforts to mobilise revenues and at the same time asking for tax exemptions does not represent a consistent approach. The topic has therefore been brought to the table again and the Platform for Collaboration on Tax (PCT), for instance, has suggested to review ODA tax exemptions (PCT 2016). ATI development partners take various approaches regarding taxation of ODA support. Some countries have started to review their practices and implement changes, while for others different topics are prioritised.

"Thanks to the idea developed by certain countries during the last ITC/ATI Tax and Development Conference in Berlin, according to which development aid should support VAT in the beneficiary country, some financial partners, notably the World Bank in Benin, are currently evaluating some of its projects. ***This is a step forward in the assessment of the tax policy for development aid.****"*

Benin, 2017 ATI Monitoring Survey

Since 1 July 2016, **Australian** Government employees pay tax on income from delivering Australian ODA. Australia requests tax exemptions of varying forms from each of its development partners. **Canada** states that, in recent years, some developing country partners have questioned the exemptions in specific programming contexts and in response to these growing pressures, **Canada** has recently initiated an internal review of its policy related to ODA taxation. Since 2016, **the Netherlands** no longer demand tax exemptions (VAT and import duties) for goods and services under state-to-state aid. **Norway** removed the tax exemption clause from its state-to-state bilateral aid in 2014 to 2015. **Slovakia** does not encourage ODA tax exemptions. The legislation allows, however, for exemption from some taxes within humanitarian assistance. At the Financing for Development (FfD) Conference in Addis Ababa in 2015, **Sweden** was signatory to the joint statement advocating policy coherence through the principle of abolishing tax exemptions for ODA support in partner countries, together with the Netherlands, Denmark and Poland. In 2016, the Government tasked the Swedish International Development Cooperation Agency to review the preconditions and effects of a removal of tax exemptions for ODA support. Work in this area is ongoing within the Government Offices. For **Benin**, taxation of ODA is a topic currently being discussed. In line with its commitment to the AAAA and building on the experiences of several EU Member States, the **European Commission** has proposed that taxes, duties and charges imposed by partner countries may be eligible for financing under the 2021-2026 Neighbourhood, Development and International Cooperation Instrument (NDICI).

F. Domestic revenue mobilisation and green growth

The policy coherence framework has outlined the importance of promoting green growth for sustainable development (OECD 2015). Among the instruments to strengthen green growth are many policies that are related to domestic revenue mobilisation and taxation. These include, among others, environmental taxation (which includes excises on fuels, carbon and energy taxes or tax exemptions on renewables) or the elimination of harmful discrepancies in the tax system (e.g. differential treatment in the taxation of gasoline and diesel). Moreover, policy coherence in the area of domestic revenue mobilisation and green growth can mean working towards the abolishment of fossil fuel subsidies (OECD 2015). Several countries replying to the 2016 ATI Monitoring Survey on Commitment 3 stress support to the removal of fossil fuel subsidies in this respect.

For **the Philippines**, taxation is one of the main tools in promoting clean energy and renewables, as well as in influencing the shift from using fossil fuels to energy-efficient and sustainable energy sources. In 2019, the government enacted the Energy Efficiency and Conservation Act, which provides incentives in alignment with the above objective. The mobilisation of domestic revenues in **Benin** takes into account the environmental aspect.

Australia has supported developing countries' own priorities for internal development, including balancing the trade-off between environmental and human development goals.

Canada continues to support the G20 commitment to phase out inefficient fossil fuel subsidies.

Green growth also plays an important role in German development cooperation. In Vietnam, **Germany** supports the Ministry of Finance in the development of a fiscal framework for the national green growth strategy. This includes the introduction of the Environmental Protection Tax and its current revision with additional focus on waste water and emissions. In Indonesia, Germany supports capacity development inside the Fiscal Policy Office to formulate tax laws and fiscal incentive systems in accordance with the 2030 Agenda. This program aims at strengthening the capacities of government officials towards domestic revenue mobilisation and supporting the fulfilment of the SDGs in Indonesia.

Sweden highlights its own experience with carbon taxation, which proved to be a major instrument to successfully reduce emissions of greenhouse gases from fossil fuels. The aim is to deliver on the Paris Agreement, while at the same time mobilising domestic resources and raising essential revenues.

Switzerland advocates for tax incentives for green growth through the IMF Revenue Mobilization Trust Fund and the WB Global Tax Program. Furthermore, Switzerland strongly encourages developing countries to rethink their subsidies on fossil fuels.

Finland promotes the removal of environmentally harmful fossil fuel subsidies (e.g. as a member of the international initiative "Friends of the Fossil Fuel Subsidy Reform") and supports developing countries in using carbon pricing as a climate policy tool (e.g. via the Partnership for Market Readiness).

In the **European Union**, several pieces of environmental legislation make reference to the use of taxes as part of the set of policy instruments to reach environmental targets. Further, the European Institutions support the Sub-Committee for Environmental Taxation under the UN Committee of Experts on International Cooperation in Tax Matters.

G. Other topics

In the 2017 ATI Monitoring Survey on Commitment 3, respondents also had the possibility to report on additional topics related to policy coherence for development.

Health

The Philippines mention the sin tax reform in 2012, which was a landmark legislation that increased the excise on tobacco and alcohol primarily aimed at reducing the prevalence of consuming these products. Currently, in 2019, the same effort is being discussed in Congress to fund the Universal Health Care Law. **Italy** funded a Programme of the World Health Organisation (WHO), which strengthens the tobacco tax system in Ethiopia, Mozambique, Tanzania and Uganda, in order to increase government revenues and achieve significant health gains due to reduced consumption. **Sweden** also mentions efforts regarding health. In a long-term policy direction, Sweden will contribute towards effective national health systems and institutions that deliver services to prevent illness and injury, and good quality, integrated and gender-equal health and medical care for all.

Trade

Moreover, **Sweden** has a work stream in the area of trade and will contribute towards the creation of open, inclusive and sustainable markets in developing countries. The focus lies on those parts of the economy where the potential for productive employment and sustainable development is particularly high. Sweden will support low and middle-income countries to participate in trade and become integrated in regional and international value chains and markets. In order to facilitate trade, **the Korean government** has granted duty-free and quota-free market access and applied preferential rules of origin for products originating from 47 least developed countries (LDC).

In order to ensure policy coherence, **Switzerland**, in general, analyses the trade-offs between different policy goals and administrative capacity in developing countries. Furthermore, opportunities of using the blockchain technology in the enforcement of taxes (VAT and excise fees mainly) are explored.

Gender

Swedish development cooperation also relies on a prominently discussed gender perspective. With its feminist foreign and development policy, the Swedish Government is increasing its focus on gender equality by taking gender equality aspects into account throughout its development cooperation. Sweden works eagerly towards ensuring the implementation of the SDGs in the 2030 Agenda. The AAAA is also characterised by a gender perspective.

Conclusion

ATI member countries are continuing their work on policy coherence for development. The feedback of 25 countries to the 2017 ATI Monitoring Survey on Commitment 3 highlights efforts in many areas. ATI member countries are putting effort into the introduction and establishment of coherent policies with different approaches and various focus areas. Cooperation mechanisms of both formal and informal nature between different agencies to pursue the goal of policy coherence for development are either already established in ATI member countries or are in the process of being established. Similarly, in the area of international tax cooperation, many steps have been achieved and much work is ongoing. Exchange of information, BEPS and activities to fight IFF are important working domains.

Several countries intend to establish a tax treaty policy, which looks specifically at policy coherence for development, and discussions about taxation of ODA continue within countries and at the international level. Other topics relevant to policy coherence, such as health and trade, are pursued by both ATI development partners and ATI partner countries.

In general, but also more specifically regarding domestic revenue mobilisation, the challenge of measuring policy coherence for development in a more systematic way as a means to evaluate progress with respect to policy coherence remains.

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ATI Supporting Organisations

International organisations that provide technical assistance to enhance domestic revenue mobilisation (DRM) in partner countries and that endorse the ATI objectives can join the Addis Tax Initiative as ATI supporting organisations.

15 international organisations endorse the ATI objectives.

Table 1 displays the regional and international organisations, forums and private sector foundations that have joined the Addis Tax Initiative as supporting organisations. Since 2015, three supporting organisations have joined the ATI – the think tank Global Financial Integrity, and the two civil society organisations (CSOs) Oxfam International and Save the Children. The number of ATI supporting organisations now stands at 15.

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

The supporting organisations differ considerably in terms of the scope of their activities, focus areas, country portfolios and modes of delivery.

ATI supporting organisations do not sign up to the three ATI Commitments, but they are invited to contribute to bring forward the objectives of the Addis Tax Initiative. For example, by supporting the outreach to non-ATI partner countries or by contributing to the coordination efforts of the ATI signatories. The ATI supporting organisations are furthermore invited to complement the DRM Database by providing information on their DRM portfolio and their DRM-relevant capacity building activities. Additionally, supporting organisations actively engage within the ATI Consultative Groups.

During the monitoring process, the ATI supporting organisations received a survey and were welcomed to report on recent and upcoming efforts in the area of domestic revenue mobilisation and to present your success stories and good practices with regard to support to DRM in partner countries. Moreover, the supporting organisations were asked how they view the role and the impact of the Addis Tax Initiative on technical support to DRM.

Out of the 15 ATI supporting organisations, 6 have replied to the survey: The Asian Development Bank (ADB), ATAF, Global Financial Integrity (GFI), the International Monetary Fund (IMF) the Organisation for Economic Co-operation and Development (OECD), and the World Bank Group (WBG).

In general, the replying organisations note that the Addis Tax Initiative provides a platform for discussion and sharing of experiences. It is further mentioned that the Addis Tax Initiative can help raise certain topics, but that more action would be needed to take up those topics and continue the work on them.

The six responding organisations differ considerably with respect to their priorities, which is not surprising since they are also very different in terms of their organisation, their domains of expertise and their geographical area. You can find a short overview of the participating organisations' priorities and objectives in the following. Some highlights regarding their activities are found in the blue bubbles. For a more detailed presentation of these ATI supporting organisations, please refer to the online annex of the 2017 ATI Monitoring Report, which can be found on the *ATI website*.

The ADB has been successful in collaborating with ATI supporting organisations and other international partners to provide capacity development activities, as ADB's response to the region's diverse and specific challenges and needs on domestic revenue mobilisation.

The priority of the ADB is to strengthen public financial management, including expenditure and debt management, in order to support domestic revenue mobilisation in their developing member countries' (DMCs). Since the establishment of the Domestic Revenue Mobilisation Trust Fund (DRMTF) in July 2017, the ADB has provided various in-country consultations through the DRMTF and trainings to selected DMCs in the areas of tax system review, local revenue generation, business intelligence systems, tax reporting and accountability, and tax performance benchmarking. ADB's collaboration with *Study Group on Asian Tax Administration and Research* (SGATAR) member countries was also enhanced.

*ATAF has conducted **12 technical assistance (TA) missions** in the review period.*

The ATAF focuses its work on two key areas: technical assistance and research. Different activities evolve around three main objectives in those areas: *Fostering efficient and effective African tax administrations, driving the knowledge hub on African tax matters as well as informing and influencing the regional and global dialogue as the African voice in the field of taxation*. Many activities have been undertaken to work

*ATAF conducted **cross-border taxation country programmes in 15 countries**. The country programmes have resulted in: revisions of transfer pricing legislation and regulations, new interest deductibility legislation, new permanent establishment legislation.*

towards these objectives. ATAF will moreover continue its efforts to influence the global tax standards.

The 2nd and 3rd edition of the African Tax Outlook (ATO) was published, bringing together valuable, practical and relevant descriptive and analytical information on tax issues from participating African tax administrations.

GFI supports domestic revenue mobilisation through **economic analysis of a country's trade misinvoicing** and the resulting estimated revenue loss, **policy advice to reduce illicit financial flows** and with the **provision of GFTrade**, a cloud-based trade risk database that enables the customs department to identify when misinvoicing takes place in real time (i.e. when the goods are still in the port). This can help a government collect tens of millions of dollars (or more) that would have otherwise been lost. GFTrade has been implemented in several in several African countries.

Two governments using GFTrade identified tens of millions in trade misinvoicing in very brief periods of time (i.e. weeks or months) indicating that the tool is fit for purpose and can be a game-changer in terms of helping them capture more revenue and boost domestic revenue mobilisation.

The IMF, together with the WBG, has been leading support for countries considering developing and implementing a MTRS.

The **IMF** has capacity development assistance as one of its core mandates. **Priorities of the IMF** are to **identify reform priorities and technical assistance needs** through regular dialogue with member countries and through the use of diagnostic tools, **to design and implement tax policy, tax law, revenue administration reform strategies** and action plans, **to analyse and formulate responses to current challenges through research** and stock-takes of experience gained through technical assistance, and **to strengthen regional and international tax cooperation**.

*Jointly with the WBG, **the IMF has designed the Tax Policy Assessment Framework (TPAF)**, which has been is a framework for systematic and consistent assessments of all major tax sources, aiming to provide a solid analytical basis and practical guidance for the design of tax policy. The first TPAF module—VAT—was released for public consultation and discussions in September 2018.*

OECD's priorities on domestic revenue mobilisation lay on **supporting the development and implementation of international tax standards in developing countries**. Support is provided to around 100 countries through a combination of peer review, bilateral capacity building, Tax Inspectors Without Borders (TIWB) and multilateral training programmes.

*In 2018, the OECD's **International Academy for Tax Crime Investigation trained over 600 investigators from more than 80 countries.***

The priority of the WBG on domestic revenue mobilisation is to improve the efficiency of tax systems in client countries, and through that, the operations of government. WBG tax engagements aim to facilitate the design and implementation of evidence-based tax capacity development and policy reforms. **Three primary DRM goals of the WBG focused on taxation are** to establish mutually recognised roles of International Organizations for more effective delivery for clients, to strengthen the legitimacy of the international tax system and to achieve a 15% of GDP minimum tax revenue in all countries.

***The initiative TIWB was further strengthened in 2018**, in 29 countries across all regions of the globe, with 39 programmes ongoing, 11 completed and 25 programmes in the pipeline at the end of 2018.*

***The WBG is the largest provider of concessional financing for efforts to strengthen domestic revenue mobilisation in developing countries.** A total of 295 DRM-related operations and activities are ongoing in 91 countries, of which 136 are lending operations and 159 are Advisory Service and Analytic activities.*

***The WBG has launched the Global Tax Program Multi-Donor Trust Fund (GTP MDTF) in 2017.** Since then, more development partners have joined the GTP MDTF, which is currently receiving 55 mio. USD in funding.*

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