2020 ATI Monitoring Report

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The Addis Tax Initiative (ATI) is a multi-stakeholder partnership consisting of partner countries, developing partners and supporting organisations. It fosters collective action to improve tax systems in light of recognised gaps in development finance and aims to promote fair and effective domestic revenue mobilisation (DRM), policy coherence and the social contract through partnerships and knowledge building.

The ITC provides secretarial services for the ATI.

Published by

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This publication was commissioned to Agulhas Applied Knowledge. The analyses are based on publicly available data as well as data provided to the ITC Secretariat by the respective organisations and countries. The ITC Secretariat does not take any responsibility for this data.

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Design and Layout

ARKYL GmbH

Bonn, May 2023

Addis Tax Initiative

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Foreword from the ATI Steering Committee Co-chairs

The world faces multiple challenges linked to rising food and energy prices, the socioeconomic effects of the COVID-19 pandemic, geopolitical conflicts, and the severe impacts of the climate crisis. Against this backdrop, ATI members closed one chapter on their efforts to strengthen domestic revenue mobilisation (DRM) and fulfil the three commitments collectively endorsed under the ATI Declaration 2020. The new chapter reflects the changing needs and priorities in the tax and development landscape and is articulated through four new commitments under the ATI Declaration 2025. The new declaration emphasises the quality of revenue collection in partner countries, and of the DRM support provided by development partners, is as important as the quantity. It also highlights the vital role that DRM plays in reducing inequalities, protecting the environment, and accelerating progress towards the Sustainable Development Goals (SDGs) in this "Decade of Action".

The 2020 ATI Monitoring Report has the twofold purpose of (i) taking stock of the progress achieved in implementing the original three ATI commitments from 2015 to 2020, and (ii) laying the foundation for the delivery and measurement of the four ATI Declaration 2025 commitments. The report reveals that ATI partner countries' average tax-to-GDP ratios reached 14.20% in 2020, ending a sustained increase in tax-to-GDP levels during the period 2016-2019. ATI development partners increased their ODA for DRM by 58.8% between 2015 and 2020, falling short of the collective commitment to double their support over that period. Overall, the results reflect the impact of the COVID-19 pandemic on the economies of partner countries as well as the response of development partners to the crisis unleashed, which necessitated difficult trade-offs in the prioritisation and allocation of ODA.

Now, more than ever, we must unite efforts to strengthen the capacities of partner countries to make their tax and broader fiscal systems more resilient to crises while promoting justice, equity, and sustainability. We must strengthen the social contract, ensuring that all segments of society contribute equitably to the fiscal system, and are empowered to demand accountability for how their money is spent. We should also seize this opportunity to shore up partner countries' tax bases by boldly addressing tax expenditures, tax evasion, and tax-related illicit financial flows, working collaboratively with a wide range of domestic, regional, and international actors. In spite of the global challenges we face today, the ATI partnership and the commitments we have made together create new opportunities for effective, inclusive and sustainable DRM reforms. Let us tap into these opportunities together.

Sincerely,

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ATI Co-Chair

Deputy Commissioner General, National Revenue Authority, Sierra Leone

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Glossary

AAAA	Addis Abeba Action Agenda
AEoI	Automatic Exchange of Information
ATI	Addis Tax Initiative
BEPS	Base Erosion and Profit Shifting
BMGF	Bill and Melinda Gates Foundation
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CATA	Commonwealth Association of Tax Administrators
CbCR	Country-by-Country Reporting
CGD	Centre for Global Development
CEQ	Commitment to Equity Institute
CIAT	Inter-American Center of Tax Administrations
CIT	Corporate income tax
CREDAF	Exchange and Research Centre for Leaders of Tax Administrations
CRII	Commitment to Reducing Inequality Index
CSO	Civil society organisation
DAC	Development Assistance Committee
DFI	Development Finance International
DRM	Domestic revenue mobilisation
DTA	Double taxation agreement
EC	European Commission
EU	European Union
GFG	Good Financial Governance
GFI	Global Financial Integrity
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German development cooperation agency)
IBFD	International Bureau for Fiscal Documentation
IBP	International Budget Partnership
ICTD	International Centre for Tax and Development
IFFs	Illicit financial flows
IMF	International Monetary Fund

Addis Tax Initiative

IOTA	Intra-European Organisation of Tax Administrations
ITC	International Tax Compact
KSP-TA	Knowledge Sharing Platform for Tax Administrations
LDCs	Least developed countries
NGO	Non-governmental organisation
OBS	Open Budget Survey
ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
PCT	Platform for Collaboration on Tax
PIT	Personal income tax
RM-TF	Revenue Mobilization Trust Fund (IMF)
SDGs	Sustainable Development Goals
SGATAR	Study Group on Asian Tax Administration and Research
Sida	Swedish International Development Cooperation Agency
StC	Save the Children
TA	Technical assistance
TIWB	Tax Inspectors without Borders
TP	Transfer pricing
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US	United States of America
USAID	United States Agency for International Development
VAT	Value-added tax
WATAF	West African Tax Administration Forum
WBG	World Bank Group
WHO	World Health Organisation

Executive Summary

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership which brings 71 partner countries, development partners, and supporting organisations to promote fair and effective domestic revenue mobilisation (DRM), policy coherence, and the social contract through partnerships and knowledge building, focusing on the needs of partner countries. The ATI was launched at the Third International Conference on Financing for Development (FfD) in Addis Ababa, Ethiopia, in July 2015, at which members collectively endorsed the ATI Declaration 2020, and its three core commitments to support DRM over the period to 2020. In November 2020, ATI members renewed their commitments to DRM and launched the ATI Declaration 2025, which sets out four core commitments to support DRM. Since its launch, the number of countries and organisations formally supporting the ATI has grown significantly, and today its signatories include: 30 partner countries from across Africa, Asia, South America, and the Pacific, who collectively receive half of total ODA for DRM; 20 development partners, who collectively provide more than 95% of total ODA for DRM; and 21 supporting organisations, including international organisations, private foundations, and research organisations.

The ATI Declaration 2025 sets out the commitments below for ATI members on DRM. The first three of which aim to build on and deepen progress made under ATI Declaration 2020, with the fourth adding an important new element to the collective efforts of ATI members on DRM.

ATI Commitment 1
ATI partner countries commit to enhance DRM on the basis of equitable tax policies as well as efficient, effective and transparent revenue administrations.
ATI development partners commit to support such reforms.

ATI Commitment 2
ATI development partners collectively commit to maintain or surpass the 2020 global target level (USD 441.1 million) of DRM cooperation for country-owned tax reforms.

ATI Commitment 3
ATI members commit to apply coherent and coordinated policies that foster DRM and combat tax-related illicit financial flows (IFFs).

ATI Commitment 4
ATI members commit to enhance space and capacity for accountability stakeholders in partner countries to engage in tax and revenue matters.

ATI Commitment 1

In 2020, the average revenue-to-GDP ratio for ATI partner countries was 16.3% , with tax revenues contributing an average of 84% to these total revenues. In 2020, average tax-to-GDP ratios were 14.20% in 2020, down from 14.91% in 2019 and ending a sustained increase in tax-to-GDP levels during 2016-19. Amongst sources of tax revenues in 2020, the largest contributor was taxes on goods and services (39.7% of the total), followed by taxes on income, profit, and capital (37.8%). ATI partner countries widely use tax policies to promote environmental sustainability, although only one country reported having used tax policy to promote gender equality. Amongst ATI partner countries, virtually all have Large Taxpayer Offices and at least six have set up units engaging High Net Worth Individuals. Amongst ATI partner countries, tax payments are timelier than filings, and the timeliness of filings and payments is higher for Value Added Tax (VAT) and Pay As You Earn (PAYE), than for Corporate Income Tax (CIT) and Personal Income Tax (PIT). Nine of the twelve ATI partner countries responding to ATI survey questions on tax gap analysis noted that they had recently undertaken such analysis, with a strong emphasis on VAT. Across ATI partner countries, the closing stock of tax arrears at year end in 2020 averaged 30% of total tax revenue and ranged from 1% to 133%. In relation to ODA for DRM from ATI development partners in 2020, 40% (by value) focussed in some way on promoting equity outcomes and 16% (by value) supported strengthening the efficiency, effectiveness, and transparency of tax administrations.

ATI Commitment 2

In 2020, levels of gross ODA for DRM disbursed by ATI development partners reached USD 350.15 million, representing a decrease of USD 23.45 million (or 6%) from gross disbursements in 2019. Over the period since 2015, ATI development partners increased their ODA for DRM by 58.8% and missed their collective target to double DRM levels during 2015-20 by USD 91 million. However, eight out of 20 ATI development partners doubled their ODA for DRM over this period. Gross ODA disbursements for DRM by ATI development partners in 2020 were 97.8% of the committed levels, suggesting that the predictability of these flows is improving. In 2020, at least 100 countries received ODA support for DRM from ATI development partners, with six ATI partner countries (Indonesia, Afghanistan, Tanzania, Niger, Ghana, and Cameroon) amongst the ten largest recipients. Of the 30 ATI partner countries, 11 received increased levels of ODA for DRM in 2020 while 19 received decreased levels of ODA for DRM. In 2020, sub-Saharan Africa was the most significant regional recipient of ODA in support of DRM from ATI development partners (29.3% of the total), although its share has continued to steadily decline since 2017. In 2020, Least Developed Countries (LDCs) were the largest recipients of ODA for DRM from ATI development partners, with their share totalling 35% of ODA disbursements, down significantly from 43.9% in 2019. "Project-type interventions" remain the largest category of DRM programming from ATI development partners, accounting for 59.3% of the total support. 13 of the 18 ATI monitoring surveys received from development partners identified ways in which these governments are promoting a country owned approach to their ODA for DRM.

ATI Commitment 3

The 2020 peer review on harmful tax practices flagged recommendations for three ATI development partners. Of the 19 ATI government development partners[1], 18 (with the exception of the United States) are signatories to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) (BEPS Action 6) and the Country-by-Country Multilateral Competent Authority Agreement (CbC MCAA) (BEPS Action 13). The peer review on BEPS Action 6 found a huge increase in the number of compliant agreements covered by this. There are 35 activated bilateral exchange relationships under the CbC MCAA from ATI development partners to partner countries, although these focus exclusively on Indonesia and Pakistan. In Stage 2 peer review reports, all ATI development partner countries received recommendations regarding their Mutual Agreement Procedure (MAP) provision in tax treaties (BEPS Action 14). In 2020, only Denmark and the Netherlands had implemented a spillover analysis to assess the impact their country's tax practices had on other countries' ability to raise domestic revenue. Amongst ATI partner countries, 21 ATI partner countries have previously published tax expenditures data, 13 of these on a regular basis. Also, around half of ATI partner countries do not share information related to tax expenditures as part of their supporting budget documentation for the budget year. With regard to combatting IFFs, 18 of the 19 ATI development partners (with the exception of the United States) are signatories to and had begun implementing CRS Multilateral Competent Authority Agreement (MCAA) for purposes of Automatic Exchange of Information (AEoI), as well as the Amended Multilateral Convention on Mutual Administrative Assistance in Tax Matters for Exchange of Information on Request (EoIR). ATI development partners and partner countries need to improve their financial legal frameworks to accurately identify and register beneficial owners, as limited transparency could give rise to increased illicit financial behaviour.

ATI Commitment 4

In the aspect of transparency, 11 ATI partner countries had tax/revenue strategies in place in 2020, although only two were judged to be comprehensive. Also, 22 ATI partner countries reported publicly on taxes raised across individual taxes and 10 reported taxes raised across sectors of their economies. Across ATI partner countries in 2020, 64% published information on individual sources of tax revenue as well as multi-year estimates of revenue by category in budget processes. On transparency of tax expenditures, less than half (43%) of ATI partner countries published some information, but with some "core" information, such as the policy rationale, a listing of the intended beneficiaries, and an estimate of the revenue foregone not included. With regard to tax gap analysis by ATI partner countries, taxes on goods and services were most commonly reported on and the most substantial in most cases, with reporting on property taxes very limited and overall tax gaps varying widely – from 0.83% in Burkina Faso to 5.49% in Senegal. With respect to engagement of non-state actors, an analysis of the Open Budget Survey (OBS) suggests that in ATI partner countries, this engagement is in practice modest and far from systemic. Finally, on enhancing capacities, a share (by value) of 14% of total ODA for DRM from ATI development partners focussed in some way on promoting accountability, transparency, and the role of non-state actors in relation to tax policy, and only 4.7% of the total was provided directly to civil society organisations as primary implementing partners.

[1] This excludes the EU, as individual countries are signatories.

Addis Tax Initiative

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Introduction

The Addis Tax Initiative (ATI) was launched at the Third International Conference on Financing for Development (FfD) in Addis Ababa, Ethiopia in 2015. At this conference, the founding members of the ATI agreed to a declaration which included three core commitments to support domestic revenue mobilisation (DRM) over the period to 2020. These commitments focussed on: i) Development partners expanding DRM support; ii) Partner countries expanding DRM levels; iii) Both development partners and partner countries improving policy coherence for DRM. During 2015-20, these commitments were the core focus of the ATI membership, which has also grown rapidly over this period.

During the couse of 2020, a working group called "ATI post-2020 Task Force" representing the three stakeholder groups of the ATI began highly consultative process of developing work on a new declaration which would guide the continued work of the ATI during 2020-25. As a result, the ATI Task Force and all ATI members jointly created the new ATI Declaration 2025, which was presented at the 2020 ATI General Assembly2 and officially launched during a high-level side event at the 2021 United Nations Economic and Social Council (ECOSOC) Forum on Financing for Development (FfD) in early 2021.3

The new ATI Commitments 1, 2, and 3 included in the ATI Declaration 2025 aim to sustain progress achieved through the original three commitments, and to broaden attention into new qualitative areas of these spheres of action on DRM. ATI Commitment 4 aims to expand the focus of the ATI into the importance of integrating accountability stakeholders to engage in tax and revenue matters. All these commitments aim to better emphasise the mutual responsibility of development partners and partner countries on DRM across the commitment areas.

This evolution, which has also been directed towards the "ATI Declaration 2025 Monitoring Framework", is illustrated in the table below:

Commitment	*Main areas of continuity*	*Main new areas of emphasis*
1) ATI partner countries commit to enhance DRM on the basis of equitable tax policies as well as efficient, effective and transparent revenue administrations. ATI development partners commit to support such reforms.	Partner countries to expand their levels of tax and revenue, and strengthen their tax administrations (former ATI Commitment 2).	Partner countries to better emphasise tax gaps, managing tax arrears, use of tax measures to promote environmental sustainability and gender equality; Development partners to expand their official development assistance (ODA) for equitable tax revenue outcomes and for strengthening the efficiency, effectiveness, and transparency of tax administrations.

[2] See as a reference the article on the ATI Declaration 2025 and the confirmation of a new partnership agenda at the 2020 ATI General Assembly here.

[3] See as a reference the article on the Official Launch of the ATI Declaration 2025 at the 2021 ECOSOC Forum on Financing for Development here.

2) ATI development partners collectively commit to maintain or surpass the 2020 global target level (USD 441.1 million) of DRM cooperation for country-owned tax reforms.	Development partners to increase ODA for DRM, without having to strictly surpass the ATI 2020 target of USD 441.1 million (former ATI Commitment 1).	Development partners to focus on promoting the country ownership of their ODA for DRM.
3) ATI members commit to apply coherent and coordinated policies that foster DRM and combat tax-related illicit financial flows (IFFs).	Development partners and partner countries commit to implement international agreements to tackle IFFs and promote international tax cooperation (e.g. on (Automatic) Exchange of Information amongst tax authorities); Partner countries commit to improve use of tax expenditures.	Development partners commit to undertake spill-over analysis and improve transparency on corporate tax (e.g. in relation to beneficial ownership (BO) and a wider range of action on IFFs); partner countries commit to improve inter-agency coordination and parliamentary scrutiny of tax expenditures, improve corporate tax transparency and a wider range of action on IFFs.
4) ATI members commit to enhance space and capacity for accountability stakeholders in partner countries to engage in tax and revenue matters.	New commitment area – Partner countries to promote transparency and accountability of state and non-state actors on tax issues; development partners to provide ODA for promoting accountability, transparency, and the role of these actors on tax issues	

In 2020, the ATI Declaration 2020 came to an end and the ATI Declaration 2025 began. As a result, this monitoring report therefore both:

Reports on the progress ATI members achieved during 2015-20 in delivering on the ATI Declaration 2020, with a focus on the specific commitments made in 2015 and identifying the gaps still to be filled in meeting these commitments; and

Sets the baseline against which delivery of the ATI Declaration 2025 will be assessed, with a focus on the specific commitments included in this declaration

1. Reports on the progress ATI members achieved during 2015-20 in delivering on the ATI Declaration 2020, with a focus on the specific commitments made in 2015 and identifying the gaps still to be filled in meeting these commitments; and
2. Sets the baseline against which delivery of the ATI Declaration 2025 will be assessed, with a focus on the specific commitments included in this declaration

Addis Tax Initiative
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ATI Commitment 1

Introduction

The core objective of the Addis Tax Initiative (ATI) is to support partner countries to expand their domestic revenue mobilisation (DRM), so that they can sustainably meet the development needs of their populations. Partner countries that have joined the ATI have signalled their commitment to take reform actions on DRM and ATI Development Partners committed to support such reforms.

This chapter explores the efforts the 30 ATI partner countries have made on DRM during 2020, and to set the baseline for monitoring their progress in meeting the commitments set out in the ATI Declaration 2025. It presents data on their performance in relation to total – tax and non-tax – revenues, the equity of their tax systems and the efficiency, effectiveness, and transparency of revenue administrations. These issues reflect the full range of themes related to DRM that partner countries committed to address in the Addis Ababa Action Agenda (see Box 1 below) and utilises the ATI Declaration 2025 monitoring framework recently developed by ATI members.

The AAAA sets out a global framework for financing the Sustainable Development Goals (SDGs), and includes a strong emphasis on DRM, as detailed below:

"We recognize that significant additional domestic public resources, supplemented by inter- national assistance as appropriate, will be critical to realizing sustainable development and achieving the sustainable development goals. We commit to enhancing revenue administration through modernized, progressive tax systems, improved tax policy and more efficient tax collection. We will work to improve the fairness, transparency, efficiency and effectiveness of our tax systems, including by broadening the tax base and continuing efforts to integrate the informal sector into the formal economy in line with country circumstances. In this regard, we will strengthen international cooperation to support efforts to build capacity in developing countries, including through enhanced official development assistance." (UN 2015, paragraph 22)

Box 1: The AAAA and DRM

This chapter begins with a summary of findings; it then presents the methodology, indicators and data sources used to assess the progress of partner countries and development partners in responding to ATI Commitment 1; and it then presents an analysis of this progress and insights from the Monitoring Surveys provided by ATI member countries on Commitment 1.

Methodology

The monitoring of ATI partner countries' performance on revenue mobilisation is based largely on official publicly available data sources, including the following.

- *Government Revenue Dataset (GRD):* The GRD is produced by the International Centre for Tax and Development (ICTD) and managed by United Nations University World Institute for Development Economics Research (UNU-Wider). It analyses data on government revenues from all available sources, and has developed a standard system for classifying and combining data into a single research dataset. This source was used because it had the most up to date data for 2020 on revenue levels.[4]
- *International Survey on Revenue Administration (ISORA):* ISORA is a joint web-based survey developed by a number of international and regional tax organisations[5], hosted and resourced by the IMF. It is used here to report on the progress of ATI partner countries in improving the efficiency and effectiveness of their tax administrations.
- *African Tax Outlook data portal:* This source developed by the African Tax Administration Forum (ATAF) presents and describes tax administrative, customs, and macroeconomic data of a wide array of (currently 35 in total) African countries.
- *Commitment to Reducing Inequality (CRI) Index:* This index has been developed and is periodically produced by Oxfam and Development Finance International (DFI), and includes indicators that inform how progressive countries' tax structures are and the impact tax collection has on inequality.
- *Tax Justice Network (TJN)* - Financial Secrecy Index: This Index is a ranking of jurisdictions most complicit in helping individuals to hide their finances from the rule of law, and is a composite of twenty indicators. This chapter utilises TJN's Key Financial Secrecy Indicator (KFSI) number 11, on Tax Administration Capacity.

In addition, this chapter includes insights from responses to the 2020 ATI Monitoring Survey on Commitment 1. This survey asked ATI partner countries to report on recent progress in enhancing their DRM efforts, on tax administration effectiveness and transparency, as well as ATI member countries on gender and environment issues. Representatives (Ministries of Finance or revenue administrations) from 13 partner countries submitted (full or partial) responses to this years' survey.

[4] The IMF's Government Finance Statistics were considered as the main source for data on revenue levels and trends across partner countries within the ATI Declaration 2025 monitoring framework. However, at the time the research for this report was carried out (September-October 2022), detailed revenue data for 2020 was only available for 17 of the 30 ATI partner countries, as compared to 25 of 30 countries for the GRD.

[5] ISORA is developed collaboratively by the IMF, the Inter-American Center of Tax Administrations (CIAT), the Intra-European Organisation of Tax Administrations (IOTA) and the OECD.

Findings

An overview of the findings from the monitoring exercise on ATI Commitment 1 is presented in the following sections. For more detailed information on individual ATI partner countries, please refer to the country sections at the end of the 2020 ATI Monitoring Report.

Total revenues

Revenue-to-GDP ratio

The average revenue-to-GDP ratio for the 25 ATI partner countries for which data is available for 2020 was 16.8%. This figure represented a significant fall compared to 2018 and 2019 (when average revenue levels 17.4%), and left their revenue levels below their 2015-2017 average figure (16.6%). This trend is similar to that for non-ATI developing countries, whose average revenue levels fell from just below 23% in 2018 and 2019 to 21.6% in 2020, and left their revenue levels below their 2015-17 average figure (22.1%).

Amongst these ATI partner countries, one had a revenue level of less than 10%; 12 had revenue levels of 10%-15%; seven had revenue levels of 15-20% of GDP; three had revenue levels of 20%-25% of GDP; and two had revenue levels of more than 25% of GDP. As noted in previous ATI Monitoring Reports, revenue-to-GDP ratios in 2020 were on average lowest amongst Low Income Countries (LICs), at 13.5%, followed by Lower Middle-Income Countries (LMICs), at 17.2%, and then Upper Middle-Income Countries (UMICs), at 23.9%, which is consistent with global research on trends in revenue levels across these groups of countries (ERD 2015).

However, even within these groups, revenue levels can vary significantly, and they vary more widely as you go up the income scale. Amongst LICs, revenue levels varied from a low of 9.9% (Madagascar) to a high of 18.8% (Rwanda). Amongst LMICs, revenue levels varied from a low of 10.6% (Indonesia) to a high of 24.9% (Nepal). Amongst UMICs, revenue levels varied from a low of 12.5% (Paraguay) to a high of 32.7% (Namibia). This finding illustrates how DRM challenges can affect countries at all levels of development.

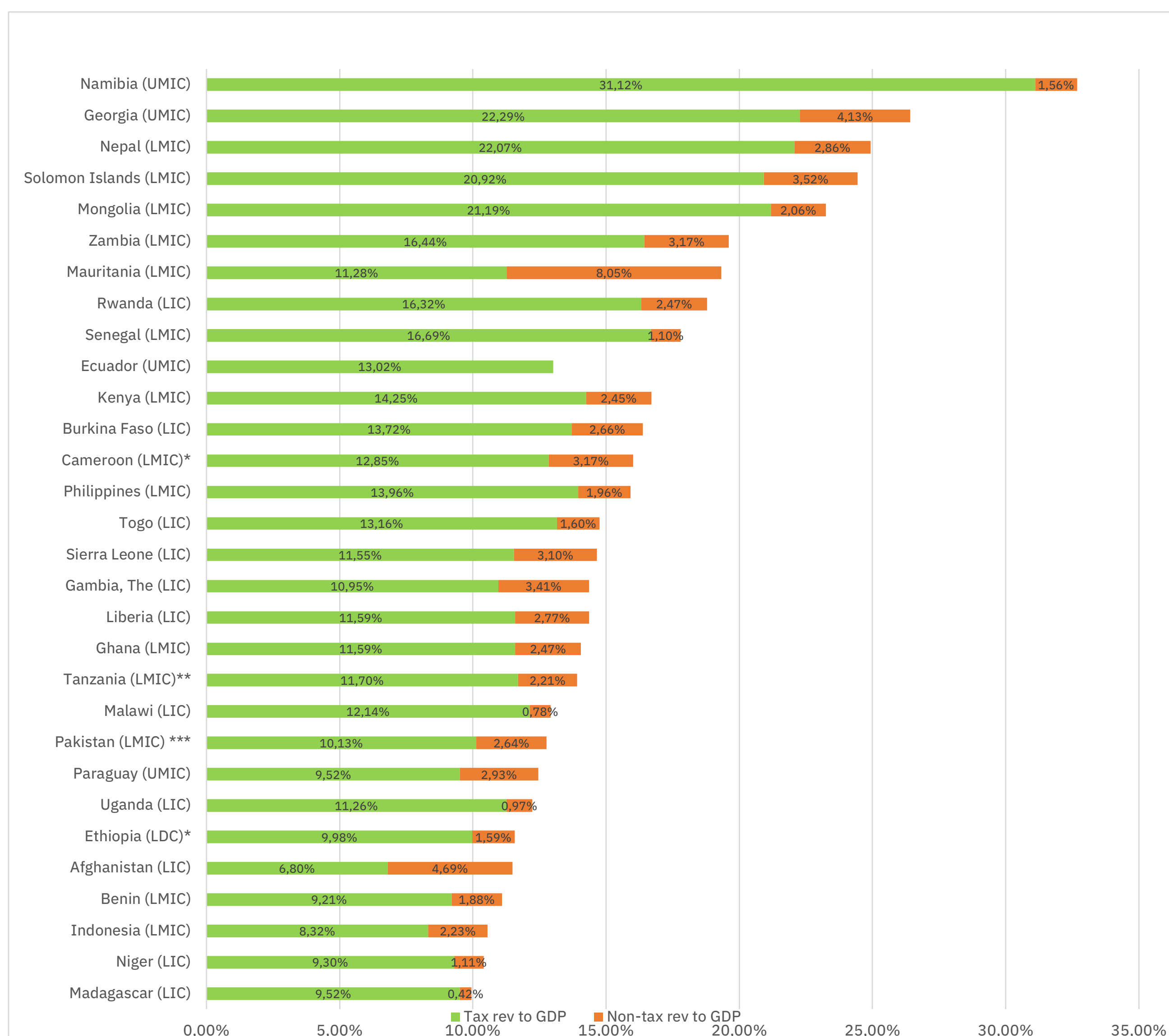

Figure 1: Revenue-to-GDP ratios (%) for individual ATI partner countries (2020, except where stated)

Source: Government Revenue Dataset (ICTD-UNU-Wider); Notes: * 2019 data; ** 2018 data; ***2015 data; Note: This data excludes social security contributions.

Revenue composition

In terms of the sources of revenue that make up overall revenues for ATI partner countries, tax revenues represent an average of 84% of the total.[6] However, the proportion of overall revenues that are contributed by tax revenues varies significantly across countries, from a low of 59% in Afghanistan to a high of 96% in Madagascar. For three-quarters of the ATI partner countries for which we have data more than 80% of their revenues came from tax revenues in 2020, and for a quarter this figure was over 90%.

Levels of tax revenue as a share of GDP averaged 14.20% in 2020, which is slightly below the 15% level thought to be necessary for governments to function and deliver basic services (Mascagni et al. 2014). This figure does though represent a fall since 2019, when it was 14.91% - due to the effects of the COVID-19 pandemic – and ended a sustained increase in these levels during 2016-19 (see chapter 5 for more detail on these trends).

In terms of the composition of tax revenues, we have analysed the average proportion of tax revenues that have been contributed by four main categories of taxes for 17 of the 30 ATI partner countries for which this data is available across the period 2015-2020. This data illustrates that in 2020 taxes on goods and services were the most important source of tax revenue for these ATI partner countries (41.6% of the total), followed by taxes on income, profits and capital gains (36.3% of the total), and then taxes on international trade and transactions (18% of the total) and other taxes (4.1%). These figures compare to 42.4%, 35%, 19% and 3.6% respectively in 2015.

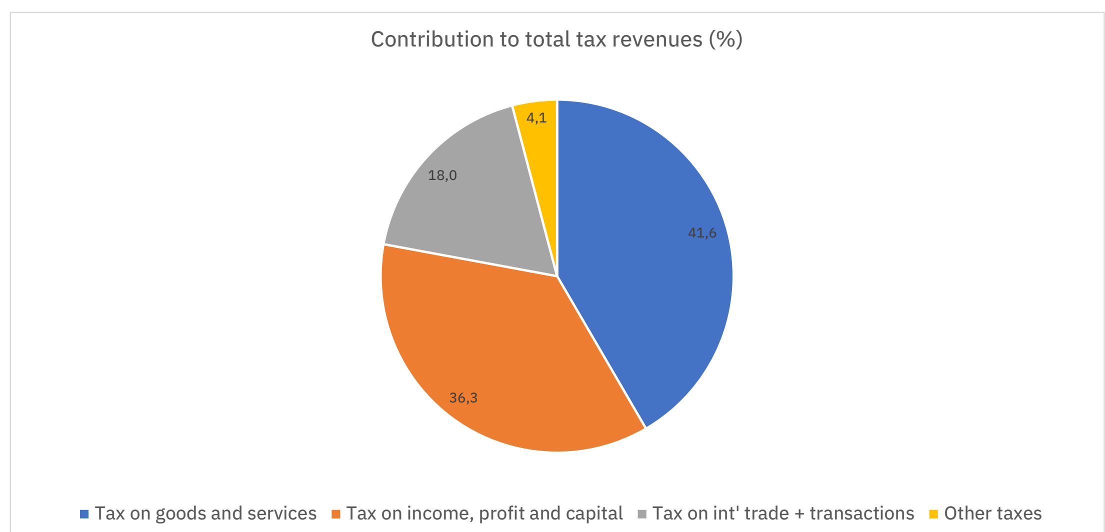

Figure 2 – Tax revenue composition for ATI partner countries (% of total tax revenues)

Source: GRD (ICTD-UNU- Wider).

Note: This graph is based on data from 16 of the 28 ATI partner countries.

[6] This figure is calculated by averaging the percentage share of tax revenues in overall revenues for the 29 ATI partner countries for which there is revenue data.

Equitable taxation

The survey shared with ATI partner countries as a part of the ATI's monitoring of commitment 1 includes a question asking partner countries to report information on the tax measures they have in place that improve gender equality and environmental sustainability, either through discouraging activity that undermines these agenda or incentivising action that promote them.

Six partner countries responded to this part of the survey. As regards tax measures to promote environmental sustainability, Georgia, Paraguay and Rwanda have recently introduced measures to exempt electric engine vehicles from import duties; Madagascar has reduced VAT on butane gas from 20% to 5%, to discourage use of firewood or charcoal; and Paraguay does not apply taxes to biofuels. In addition, Kenya has gradually increased the excise duty payable on polythene bags (before banning their use in 2017); applies VAT exemptions for sealed tanks made of plastic to produce biogas; applies VAT exemptions and import duty wavers for solar panels and windmills; and from 2020, exempted all services and supply of machinery to plastic recycling plants from VAT.

Amongst the six partner countries that responded to the monitoring survey, only Sierra Leone referenced tax measures to address gender equality; it has introduced an income tax credit of 6.5% on the PAYE of females employed in management positions, which will apply between 1 January 2021 and 31 December 2023.

In order to examine the steps ATI partner countries have taken on the socio-economic side, the 2020 ATI Monitoring Report makes use of the Commitment to Reducing Inequality (CRI) Index. The CRI Index assesses tax progressivity (CRII indicator T1a), using a selection of indicators as a proxy for a progressive tax structure, i.e. one that supports the redistribution of the national tax burden from lower income households to higher income households. Indicator T1a produces a score between 0 and 1, with higher scores indicating a more progressive tax structure.

The CRI Index for 2021 includes data on all 30 ATI partner countries, and their average score against indicator T1a was 0.57, compared to an average for all countries assessed by the CRII of 0.48 and for OECD countries of 0.37. The ATI partner countries with the most equitable tax structure in 2021 included Zambia (0.71), Togo (0.70), Cameroon (0.69), Nepal (0.68) and Malawi (0.67). Those with the least equitable tax structure in 2021 were Georgia (0.22), Paraguay (0.33), Mongolia (0.42), Madagascar (0.46), and Solomon Islands (0.48).

Effective, efficient and transparent revenue administration

The ATI Declaration commits ATI partner countries to strengthen the efficiency, effectiveness and transparency of their tax administrations, so they can function better in supporting DRM efforts. It also commits development partners to support these reforms. The ATI monitoring process applies a wide range of indicators in order to monitor the implementation of these aspects, for which the baseline data for 2020 is presented below.

Managing large taxpayers and High Net Worth Individuals (HNWIs)

A key step that many countries have taken to promote increased levels of tax compliance amongst more significant taxpayers is to dedicate administrative capacity for engaging large or wealthy taxpayers. Amongst ATI partner countries, at least 26[7] have set up Large Taxpayer Offices (LTOs),

[7] For the other four ATI partner countries it is not clear if they have LTOs due to data constraints.

which manage engagement with firms or individuals that have significant tax liabilities. Across these countries, LTOs are responsible for managing on average 55% of total tax revenues, ranging from 84% in Burkina Faso and the Gambia to just 1% in Senegal (see table 1 below). In addition, at least seven ATI partner countries have set up units to engage HNWIs (see table 1 below). However, available information suggests that these units are yet to begin mobilising significant levels of revenue. Cameroon, the only country to report on this in the latest ISORA survey - reported that its HNWI program contributed only 1% of total revenue.

COUNTRY	*LTO Revenue as % of total tax revenue*	*HNWI programme?*
Afghanistan	n/a	No
Benin	81	No
Burkina Faso	84	No
Cameroon	70	Yes
Ecuador	54	No
Ethiopia	71	n/a
The Gambia	84	No
Georgia	48	No
Ghana	18	Yes
Indonesia	27	Yes
Kenya	36	Yes
Liberia	46	No
Madagascar	82	No
Malawi	65	No
Mauritania	n/a	n/a
Mongolia	60	No
Namibia	51	No
Nepal	31	No
Niger	72	Yes
Pakistan	6	No
Paraguay	67	No
Philippines	67	No
Rwanda	62	No
Senegal	1	No
Sierra Leone	80	No

Solomon Islands	n/a	No
Tanzania	n/a	n/a
Togo	80	No
Uganda	64	Yes
Zambia	55	Yes

Table 1: Information on Large Tax Payer Offices (LTOs) and High Net Worth Individual (HNWIs) in ATI partner countries

Source: ISORA, 2022 (LTO Revenue); Key Financial Secrecy Index, Indicator 11 (HNWI programme).

Withholding taxes

Withholding tax is the amount of tax retained by one person when making payments to another person in respect of goods supplied or services rendered by the payee. The African Tax Outlook presents information on 12 ATI African partner countries and the percentage of withholding tax as a share of total tax revenues. On average almost 5% of tax revenues in these countries resulted from the taxes withheld by the tax authorities, with the highest percentages observed for Liberia (9-40%) and the lowest in Namibia and Benin (around 1%).

Covering a broader range of ATI partner countries but with focus on PIT[8], ISORA provides information on the proportion of total PIT withheld by third parties and subsequently paid to the tax administration across ATI partner countries, with an average reported of 56%, and this figure ranging from a high of 95% (Liberia) and a low of 10% (Solomon Islands).

VAT refunds[9]

Across the 24 ATI partner countries for which ISORA published[10] information on their policies on the treatment of VAT refunds, 12 (or 50%) establish them as 'credit', and refund on request, with another eight (33%) automatically paying out refunds, and four (17%) paying out refunds subject to funds being available.

Data is also available through ISORA on the scale of outstanding VAT credits as a proportion of overall levels of VAT collected for 18 ATI partner countries. Across these 18 countries, in 2020 outstanding VAT credits averaged 30% of levels of VAT collected in the same year, but also varied widely, from a high of 205% for Zambia, 87% for Kenya and 83% for Burkina Faso, to a low of 0 for the seven countries that automatically pay out VAT credits, 0.1% for Sierra Leone, 2% for Ecuador and 5% for Paraguay.

8 Withholding tax on PIT is a set amount of income tax that an employer withholds from an employee's paycheck, and which the employer then remits to the tax authorities or another agency.

9 The 'ATI Declaration Monitoring Framework 2025' includes an indicator measuring "the percentage of VAT refunds made in relation to VAT claims made". However, a reliable method for calculating this indicator has not yet been developed, and instead this monitoring report details the nature policy on VAT refunds and the scale of VAT credits across ATI partner countries.

10 For two countries – Ethiopia and Ghana – this information was only up to date for 2019 and not 2020.

COUNTRY	Policy on treatment of VAT credits	Value of outstanding VAT credits as % of VAT collected, 2020
Benin	Automatically paid out	0
Burkina Faso	Established as 'credit', refunded subject to funds	83.2%
Cameroon	Established as 'credit', refunded subject to funds	n/a
Ecuador	Established as 'credit', refunded subject to funds	2%
Ethiopia	Established as 'credit', refunded subject to funds	n/a
The Gambia	Established as 'credit', refunded subject to funds	n/a
Georgia	Automatically paid out	0
Ghana	Established as 'credit', refunded subject to funds	9.3%
Indonesia	Automatically paid out	0
Kenya	Established as 'credit', refunded subject to funds	87.1%
Madagascar	Automatically paid out	0
Malawi	Paid out subject to funds	n/a
Mongolia	Automatically paid out	0
Nepal	Established as 'credit', refunded subject to funds	9.3%
Niger	Automatically paid out	0
Pakistan	Automatically paid out	0
Paraguay	Established as 'credit', refunded subject to funds	5%
Philippines	n/a	22.7%
Rwanda	Established as 'credit', refunded subject to funds	22.5%
Senegal	Established as 'credit', refunded subject to funds	n/a
Sierra Leone	Paid out subject to funds	0.1%
Togo	Established as 'credit', refunded subject to funds	n/a
Uganda	Paid out subject to funds	25.4%
Zambia	Paid out subject to funds	204.6%

Table 2: VAT treatment of VAT credits and outstanding VAT credits in ATI partner countries

Source: ISORA, 2022; Note: N/a – not available.

Note: "Established as 'credits'" refers to VAT refund being established as a 'credit' in the taxpayer's account, until such time as the taxpayer may legally request the refund.

COUNTRY	On-time filing rate % - Corporate income tax	On-time payment rate % - Corporate income tax	On-time filing rate % - Personal income tax	On-time payment rate % - Personal income tax	On-time filing rate % - Value added tax	On-time payment rate % - Value added tax	On-time filing rate % - Employers that withhold tax from employees	On-time payment rate % - Tax withheld from employees by employers
Afghanistan	35	n/a	3	n/a	n/a	n/a	16	n/a
Benin	66	99	66	69	72	94	67	91
Burkina Faso	24	15	49	71	62	67	54	63
Cameroon	51	n/a	51	n/a	51	n/a	n/a	n/a
Ecuador	45	84	40	64	67	91	22	89
Ethiopia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gambia, The	n/a	233	n/a	283	n/a	90	n/a	165
Georgia	76	91	80	96	90	99	63	98
Ghana	82	90	49	86	87	100	84	95
Indonesia*	60	90	98	80	n/a	79	n/a	81
Kenya	40	94	28	100	73	73	47	65
Liberia	6	95	4	96	n/a	n/a	18	81
Madagascar	66	85	30	93	48	61	57	54
Malawi	37	n/a	66	n/a	81	101	n/a	n/a
Mongolia	61	86	31	80	85	48	70	90
Namibia	2	3	39	n/a	63	68	73	n/a
Nepal	32	226	48	226	39	552	104	333
Niger	100	75	80	75	75	75	75	90
Pakistan	n/a	n/a	72	n/a	n/a	70	38	n/a
Paraguay	56	83	n/a	76	68	67	n/a	n/a
Philippines	47	n/a	90	n/a	101	n/a	n/a	n/a
Rwanda	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Senegal	6	43	3	n/a	11	69	73	67
Sierra Leone	45	n/a	45	n/a	89	n/a	64	n/a
Solomon Islands	n/a	40	97	n/a	n/a	n/a	n/a	n/a
Togo	n/a	90	n/a	86	99	n/a	n/a	87
Uganda	33	67	3	32	75	48	62	97
Zambia	100	100	64	100	32	100	25	100

Table 3: On time filing and payment rate across various taxes for ATI partner countries, 2022

*Source: ISORA 2022; Note: n/a - not available; * data is for 2019.*

Note: Some values of more than 100% are observed. As the on-time payment rate is calculated as the ratio of on-time payment to expected payments, the rate will be greater than 100 percent if the estimated expected payment is less than the on-time payment.

The timeliness of tax filings and payments

A valuable measure of how effectively a tax system is functioning is understanding the degree to which the filing of tax returns and payments are being undertaken in a timely way. Table 3 below presents data on the proportion of tax filings and payments for Corporate Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT) and PAYE that were undertaken on-time across each of the ATI partner countries in 2020. It illustrates that in general payments for these taxes are timelier than filings, and that the timeliness of filings and payments is higher for VAT and PAYE than for CIT and PIT.

Tax gaps and arrears

Another key measure of the effectiveness of tax administrations is what proportion of the total potential tax level that could be collected (given the value of potential taxpayer liabilities and prevailing tax rates) is actually collected in practice. The difference between these figures is commonly referred to as the 'tax gap', and it is important for tax administration to understand the extent of tax gaps, so that they can find ways to reduce them and increase tax revenue levels. This tax gap can emerge either because taxes aren't administered effectively (e.g. due to lack of capacity or corruption) or because of taxpayers fail to pay their taxes on time (e.g. due to financial constraints or error).

Among the 13 partner countries that shared information in their monitoring surveys, nine said that they had undertaken such analysis in recent years, with many doing so with support from the IMF and other international organisations. Eight countries (Georgia, Kenya, Liberia, Madagascar, Mongolia, Paraguay, Rwanda and Sierra Leone) have undertaken tax gap analysis on VAT; three countries (Kenya, Liberia and Paraguay) have undertaken tax gap analysis on corporate income tax; and one country (Liberia) have undertaken tax gap analysis on personal income tax. In addition, the Philippines recently undertook a comprehensive analysis of tax gaps to feed into the recently implemented Comprehensive Tax Reform Program, and in Sierra Leone a general tax gap analysis was undertaken by the National Revenue Authority (NRA) in 2016 and by the World Bank in 2020.

Part of the tax gap in any context consists of taxes that are recorded as due for payment but which have not yet been paid. Across ATI partner countries the closing stock of tax arrears at year end (which could have accumulated over a number of years) averaged 31% of total tax revenue, and ranged from a low of 1% in Sierra Leone, 2% in Solomon Islands and 5% in Gambia, to a high of 133% in Kenya, 107% in Zambia and 73% in Burkina Faso.

Tax administration commitments and responsibilities

The ATI monitoring framework includes an indicator on the proportion of ATI partner countries which publish a taxpayer service charter which emphasises taxpayers' rights (e.g., fair and reasonable assistance for taxpayers, reasonable cost of compliance, a fair and impartial appeal procedure, etc.) and taxpayers' obligations (e.g., a complete and honest disclosure of facts and information, maintain accounting records and documents as prescribed under the income tax law, timely filing, and payment of taxes, etc.).

Based on a search of the websites of tax authorities / ministries of finance of ATI partner coun-

tries, it was identified that as of 2020, 13[11] of 29[12] (44%) countries for which information was accessible have tax charters (or similar documents) that set out taxpayer rights and obligations, with 16 (56%) not having put in place such frameworks by 2020.

DRM support by ATI development partners towards equitable, efficient, effective and transparent tax systems

The ATI Declaration 2025 commits development partners (DPs) to support partner countries in building more equitable, efficient, effective, and transparent tax systems. Based on a methodology developed by Oxfam, which analyses basic information published by DPs on their ODA for DRM projects,[13] this section presents analysis on the extent to which ATI DPs used their ODA disbursed in 2020 to support partner countries to promote equity outcomes, and also to support the development of efficient, effective, and transparent tax systems. It also identifies which ATI partner countries were the most significant recipients of ODA focussed on these agendas.

Looking across all ATI DPs, this analysis suggests that in 2020, 40% of their ODA for DRM (by value) focussed in some way on promoting equity outcomes. In terms of types of equity outcomes being promoted, 17% of ODA for DRM from ATI DPs in 2020 emphasised a general response to issues of equity, inequality, and justice, 17% emphasised the promotion of equity in relation to corporate income, 4% emphasised equity in relation to extractive industries, 3% emphasised gender equity and 3% emphasised equity through efforts to address corruption. In addition, 5% of this ODA aimed to address equity outcomes through policy analysis and research.[14]

Amongst DPs, those with the highest proportion of their ODA for DRM in 2020 that focussed on equity outcomes in some way included: Slovak Republic (99%), Finland (97%), Luxembourg (89%), Norway (85%) and Belgium (63%). In value terms, the most significant contributors of ODA for DRM that focussed on equity outcomes included: the EU ($47 million), Norway ($30.4 million), the UK ($14.5 million), Finland ($12.4 million) and Canada ($7.4 million).

Looking across all ATI DPs, this analysis suggests that around 16% of their ODA (by value) in 2020 supported ATI partner countries to strengthen the efficiency, effectiveness and transparency of their tax administrations in some way. The most active DPs in providing this support were Finland, France, Germany, Norway and the UK.

Amongst ATI partner countries that received at least $2 million in ODA for DRM in 2020, those with the highest proportion of this ODA that was focussed in some way on strengthening the efficiency, effectiveness and transparency of their tax administrations included: Myanmar (100%), Kenya (99.7%), and Sierra Leone (73.2%). Those receiving the highest absolute level of ODA focussing on these agendas included Tanzania ($6.23 million), Ghana ($4.51 million), and Kenya ($2.72 million).

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11 Ethiopia, Gambia, Georgia, Ghana, Kenya, Liberia, Madagascar, Malawi, Namibia, Niger, Pakistan, Philippines, Tanzania, Uganda and Zambia.

12 For Mongolia relevant websites could not be accessed.

13 This methodology utilises key word searches of project level information published by DPs and additional quality assurance checks of this information in order to distinguish projects that aim to address issues related to equity and gender equality. The full methodology can be accessed here.

14 These categories of equity are not mutually exclusive, as an individual project can address more than one element of equity, and therefore the total percentage of these sub-categories exceeds the proportion of all ODA for DRM from ATI DPs in 2020 that addressed equity in some way (40%).

Case Study

Sierra Leone – tax breaks for companies employing women in managerial positions

Sierra Leone's National Revenue Authority (NRA) has for some time been exploring the challenges facing women in finding private sector employment in management roles and opportunities for owning their own businesses. Its proposals for addressing this challenge were informed by research, which found that 60% of businesses in the country are owned by men, most of the companies owned by women are Small and Medium Enterprises (SMEs) and women are under-represented in management positions in private sector companies.

Over recent years, the Government of Sierra Leone have introduced a range of tax measures to promote the employment of women in managerial positions in the private sector, including:

- Finance Act 2020: Micro Taxpayers – introduced an exemption from income tax for any company with an annual turnover of less than Le10,000,000.00 (i.e. targeting SMEs, many of which are women owned)
- Finance Act 2021: Women Employment – introduced a tax credit of 6.5% on the PAYE of any female employee who is working in management position, to be applied over the period 1 January 2021 and 31 December 2023

These reforms have had a very significant impact in promoting the role of women in the economy of Sierra Leone. The proportion of females paying PAYE in management position increased from an annual average of 30.5% in 2021 to 80.8% in 2022, which is equivalent to a 165% growth in this proportion over the course of 2022. Whilst some of this increase may be down to existing roles simply being reclassified, it is likely that it also reflects the fact that new opportunities have emerged for women in management roles.

Although robust data is not yet available to confirm the trend, the NRA's initial observations of data suggests that there has also been an increase in female participation in the Micro Taxpayer Segment.

Expert piece

Tax revenue mobilisation during the pandemic: setbacks and new opportunities

Giulia Mascagni and Seid Yimam (International Centre for Tax and Development)

There is no doubt that the pandemic caused unprecedented social and economic challenges around the world. Tax was no exception: lower-income countries lost substantial amounts of revenue due to national lockdown measures, coupled with a dip in economic activity and trade globally. For example, in Rwanda firms' sales liable for the Value Added Tax declined by 11.4% in 2020, compared to 2019, in correspondence to a national lockdown, then quickly rebounded to pre-crisis levels once restrictions were lifted.[15] This reduction in revenue happened against the backdrop of increased resource needs to finance healthcare responses and social protection programmes, while tackling rising inequality and increased vulnerability to poverty.[16]

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15 Mascagni, G., & Lees, A. (2022). The Economic Impact of the Pandemic in Rwanda: An Analysis of Firm-Level VAT Data. Journal of African Economies, 00, 1–30.

16 Poverty and Shared Prosperity 2022 (worldbank.org)

While the pandemic had immediate negative impacts on revenue, these incredibly challenging times have also brought about new opportunities. There are at least four aspects of the post-pandemic world that revenue administrations and development partners can leverage to improve tax systems.

Firstly, the pandemic made the importance of tax revenue to fund public services, particularly healthcare, more salient than ever. As governments struggled to respond to the crisis while offering some form of tax relief, [17] [18] [19] taxpayers' perceptions shifted in positive directions. Evidence from Rwanda and Sierra Leone shows increased perceptions of fairness of the tax system, while taxpayers' attitude to compliance become more conditional on the provision of good quality public services.[20] [21] These studies also show that the crisis improved citizens' support for progressive reforms, including taxing the better-off in society more effectively – a finding that is echoed in higher-income contexts too.[22]

Secondly, and related to this shift in perceptions, during the pandemic and post pandemic periods, the idea of taxing the wealthy and making billionaires pay their fair share has become increasingly popular – especially against the backdrop of rising global inequalities. In lower-income countries, such a step generally requires both broadening the base among wealthy taxpayers, some of whom are not registered at all for tax, and improving compliance among the relatively wealthy, higher-income earners, that are already in the tax net.[23] [24] [25] Central to this challenge is to improve taxation of incomes from diverse non-labour sources, including property, and devising new strategies for taxing wealth and income held and earned offshore. Broad-based taxes on wealth are, however, unlikely to become a priority in low-income countries at least in the short-run mainly because of the immediate need to strengthen enforcement of the existing taxes on income and property.[26] [27]

Thirdly, the pandemic provides a good opportunity to address counterproductive narratives on the revenue potential of the "informal sector," usually intended as small and micro businesses that are not registered for tax. During the pandemic, there has been a growing discussion on 'formalising the informal sector' to get revenue in response to the crisis, which is particularly striking

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17 Akalu, M., Gashaw, M. & Asegid, Z. (2023). The Tax Response to COVID-19 in Ethiopia: Lessons for the Future. ICTD African Tax Administration Paper, 28.

18 OECD (2020). Tax and Fiscal policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience. Policy Responses to Coronavirus (COVID-19)

19 IMF (2022). Revenue Mobilization in Sub-Saharan Africa during the Pandemic. International Monetary Fund Special Series on COVID-19.

20 Mascagni, G & Santoro, F. (2021). The Tax Side of the Pandemic: Compliance Shifts and Funding for Recovery in Rwanda. ICTD, Working Paper 129.

21 Van den Boogaard, V., Prichard, W., & Jibao, S. (2019). Informal taxation in Sierra Leone: Magnitudes, perceptions and implications. African Affairs, 118(471), 259-284.

22 Klemm, A., & Mauro, P. (2022). Pandemic and progressivity. International tax and public finance, 29(2), 505-535.

23 Kangave, J., Nakato, S., Waiswa, R. & Zzimbe, P. (2016), Boosting Revenue Collection through Taxing High Net Worth Individuals: The Case of Uganda. ICTD Working Paper, 45.

24 Kangave, J., Nakato, S., Waiswa, R., Nalukwago, M., Zzimbe, P. (2018). What Can We Learn from the Uganda Revenue Authority's Approach to Taxing High Net Worth Individuals? ICTD Working Paper, 72.

25 Kangave, J., Byrne, K., & Karangwa, J. (2020). Tax compliance of wealthy individuals in Rwanda. ICTD Working Paper, 109.

26 Prichard, W., Custers, A. L., Dom, R., Davenport, S. R., & Roscitt, M. A. (2019). Innovations in tax compliance: Conceptual framework. World Bank Policy Research Working Paper, 9032.

27 Mascagni, G. & McCluskey, R. (2021, October). Pandora's box is open: What should lower-income countries do to tax the wealthy now? ICTD Blog. https://www.ictd.ac/blog/pandora-lower-income-countries-tax-wealthy-now/

in contrast to limited action to tax the better-off in society. While there seems a valid rationale for formalising informal firms, we also know that standard measures to do so, like mass registration campaigns, are unlikely to yield much revenue at all.[28] [29] [30] [31]

These efforts to squeeze revenue from small informal firms happened against the backdrop of largely lacking support for these actors during the crisis, although it is precisely in the informal sector that the most vulnerable and survivalist group of societies operate.[32]

Last but not least, the pandemic forced governments to accelerate digital transformation of their public administrations, which was well underway already before the crisis. This meant automating and digitising tax filing and paying processes and increasingly engaging with taxpayers using digital tools.[33] [34] [35] These processes have the potential to significantly improve enforcement capacity and tax compliance, while potentially reducing the administrative burden of tax processes both on revenue administrators and taxpayers.[36] [37] For this potential to be realised, revenue administrations need to facilitate and support especially smaller taxpayers in the effective adoption and use of new technologies, while supporting the development of adequate administrative capacity to make the most of digitised data.[38] At the same time, the increased digitisation of economic interactions also posed renewed challenges for tax administrations, who have been struggling to appropriately capture the digital economy into their tax nets.[39]

In conclusion: while the years of the pandemic have been incredibly challenging, there are reasons for optimism going forward, as the crisis also brought about new opportunities for effective and equitable tax systems.

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28 Lediga, C., Riedel, N., & Strohmaier, K. (2020). What You Do (and What You Don't) Get When Expanding the Net-Evidence from Forced Taxpayer Registrations in South Africa. In Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association (Vol. 113, pp. 1-72).

29 Gallien, M., Moore, M., & Van den Boogaard, V. (2021). Taxing the Informal Economy is not a Silver Bullet for Financing Development-or the COVID-19 Recovery. ICTD, Summary Brief, 24.

30 Moore, M. (2022). Tax Obsessions: Taxpayer Registration and the Informal Sector in sub-Saharan Africa. Development Policy Review, 41. https://doi.org/10.1111/dpr.12649

31 Mascagni, G., Santoro, F., Mukama, D., Karangwa, J., & Hakizimana, N. (2022). Active ghosts: Nil-filing in Rwanda. World Development, 152, 105806.

32 Gallien, M., & van den Boogaard, V. (2021). Informal Workers and the State: The Politics of Connection and Disconnection During a Global Pandemic. IDS Working Paper, 558.

33 Mascagni, G. (2020, September). Taxpayer education: Why it matters and how research can help? ICTD Blog. https://www.ictd.ac/blog/taxpayer-education-research/

34 Santoro, F., Amine, R. & Magongo, T. (2022). Mandating Digital Tax Tools as a Response to Covid: Evidence from Eswatini. ICTD Working Paper, 140

35 Arewa, M. & Santoro, F. (2022). An Introduction to Digital Tax Payment Systems in Low-and Middle-Income Countries. ICTD Working Paper, 152.

36 Okunogbe, O. & Santoro, F. (2022). The Promise and Limitations of Information Technology for Tax Mobilization. The World Bank Research Observer; https://doi.org/10.1093/wbro/lkac008

37 Mascagni, G., Mengistu, A., & Woldeyes, F. (2021). Can ICTs increase tax compliance? Evidence on taxpayer responses to technological innovation in Ethiopia. Journal of Economic Behavior & Organization, 189, 172-193.

38 Santoro, F., Lees, A., Carreras, M., Mukamana, T., Hakizimana, N. and Nsengyiumva, Y. (2023) Technology and Tax: Adoption and Impacts of E-services in Rwanda. ICTD Working Paper, 153.

39 The Economist (2022, October 13). African governments hope digital taxes will fill a budget hole. ICTD Blog. https://www.ictd.ac/blog/african-governments-digital-taxes-fill-budget-hole/

ATI Commitment 2

Introduction

In support of the ATI's core objective to assist partner countries to expand their DRM, development partners that have joined the ATI have signalled their commitment to collectively maintain or surpass the 2020 global target level (USD 441.2 million) of DRM cooperation for country-owned tax reforms.

This chapter explores the efforts the 20 ATI development partners have made to meet or surpass the 2020 global target level of ODA for DRM in 2020, and to set the baseline for monitoring their progress in meeting the commitment set out in the ATI Declaration 2025. Presented within the chapter are data on the performance of development partners in relation to meeting the 2020 global target level of ODA, trends in ODA disbursements for DRM by recipient, channel and support type; insights on strategic, policy and programmatic approaches to DRM; as well as efforts of development partners to increase the country ownership of tax reforms in partner countries. These issues reflect the full range of themes related to DRM that development partners committed to address in the AAAA and utilises the ATI Declaration 2025 monitoring framework recently developed by ATI members.

This chapter begins with a presentation of the methodology, indicators and data sources used to assess the progress of development partners in responding to ATI Commitment 2; it then presents the findings and an analysis of this progress and insights from the Monitoring Surveys provided by ATI development partners on Commitment 2.

Methodology

The monitoring of ATI Commitment 2 is primarily based on data on ODA collected and published by the OECD DAC under the Creditor Reporting System (CRS). The CRS database is the unique source for official, standard, and comparable statistics on ODA, including support for DRM, with data collection from DAC members based on a standard methodology and agreed definitions.[40]

The monitoring exercise focuses on disbursements and commitments of ODA. ODA commitments usually vary considerably from year to year but provide a good proxy for ODA pledges made and reflect development partners' funding intentions. On the other hand, ODA disbursements record the actual international transfer of ODA in the respective year and therefore provide a more concrete measure of the ODA efforts made by development partners. Data on disbursements of ODA for DRM quoted in this report is largely reported on a "gross" basis, i.e., without taking into account any reflows (e.g., loan repayments or grant recoveries) resulting from these disburse-

[40] OECD DAC CRS guidelines define purpose code 15114 as "support to domestic revenue mobilisation/tax policy, analysis and administration as well as non-tax public revenue, which includes work with ministries of finance, line ministries, revenue authorities or other local, regional or national public bodies" (OECD-DAC 2020). There are also voluntary sub-codes development partners can apply in reporting ODA for DRM, including 15116 (tax collection), 15155 (tax policy and administrative support, and 15156 (other non-tax revenue administration), however these additional codes are not consistently reported against by all development partners.

ments, and including both grants and loans. In contrast to years prior, all of the ODA reported by ATI development partners in 2020 was provided in the form of grants.

As part of the monitoring process, ATI development partners were given the opportunity to review and adjust the information they reported to the OECD DAC on ODA in support of DRM. ATI development partners may need to make adjustments either because they have applied a more granular data collection for ATI reporting purposes or because they account for parts of their ODA for DRM through approaches that cannot be assigned to a purpose code under the CRS.[41] 19 of the 20 ATI development partners formally verified their ODA for DRM data during this process, with 11[42] making adjustments to the data they had initially reported to the OECD DAC. The final data reported by ATI development partners through this process is then compiled into a database and used for the analysis of this report.

In addition to reviewing their CRS data, ATI development partners were sent a survey with six questions on their support for DRM, which 18 ATI development partners completed. The 2020 Monitoring Survey includes a specific indicator on country-owned tax reforms, which looks at the effort ATI development partners put into increasing country ownership of tax reforms in ATI partner countries. More detailed information about the ATI monitoring exercise under the ATI Declaration 2025 can be found *here*.

Findings

The ATI dataset for 2020 contained 756 entries (compared to 857 in 2019 and 868 in 2018) for projects funded by ATI development partners in support of DRM efforts in partner countries, amounting to USD 352.68 million in gross disbursements and USD 362.27 million in commitments.

Overall flows of ODA for DRM from ATI development partners to partner countries

In 2020, levels of gross ODA disbursed by ATI development partners for DRM reached USD 352.68 million, representing a decrease of USD 20.91 million (or 5.9%) from gross disbursements in 2019.

Gross ODA disbursements for DRM were 97.34% of the committed levels in 2020. This figure is comparable to gross disbursements made in 2019 (94.3%). Looking at the period 2018 – 2020, the steady increase in gross disbursements against annual commitments suggests that the predictability of ODA for DRM from ATI development partners continued to improve in 2020.[43] [44]

41 For example, the ATI monitoring framework allows development partners to include data of DRM projects coded as budget support programmes. While budget support is included in the CRS, it cannot be assigned to a purpose code under the CRS rules.

42 Belgium, Canada, the EU, Finland, France, Germany, Italy, the Netherlands, Switzerland, the UK, the US.

43 See Figure in Annex 1 for data on ATI development partner commitments to ODA for DRM.

44 Some commitments are multi-year commitments, which can cause fluctuations in the level of disbursements against commitments.

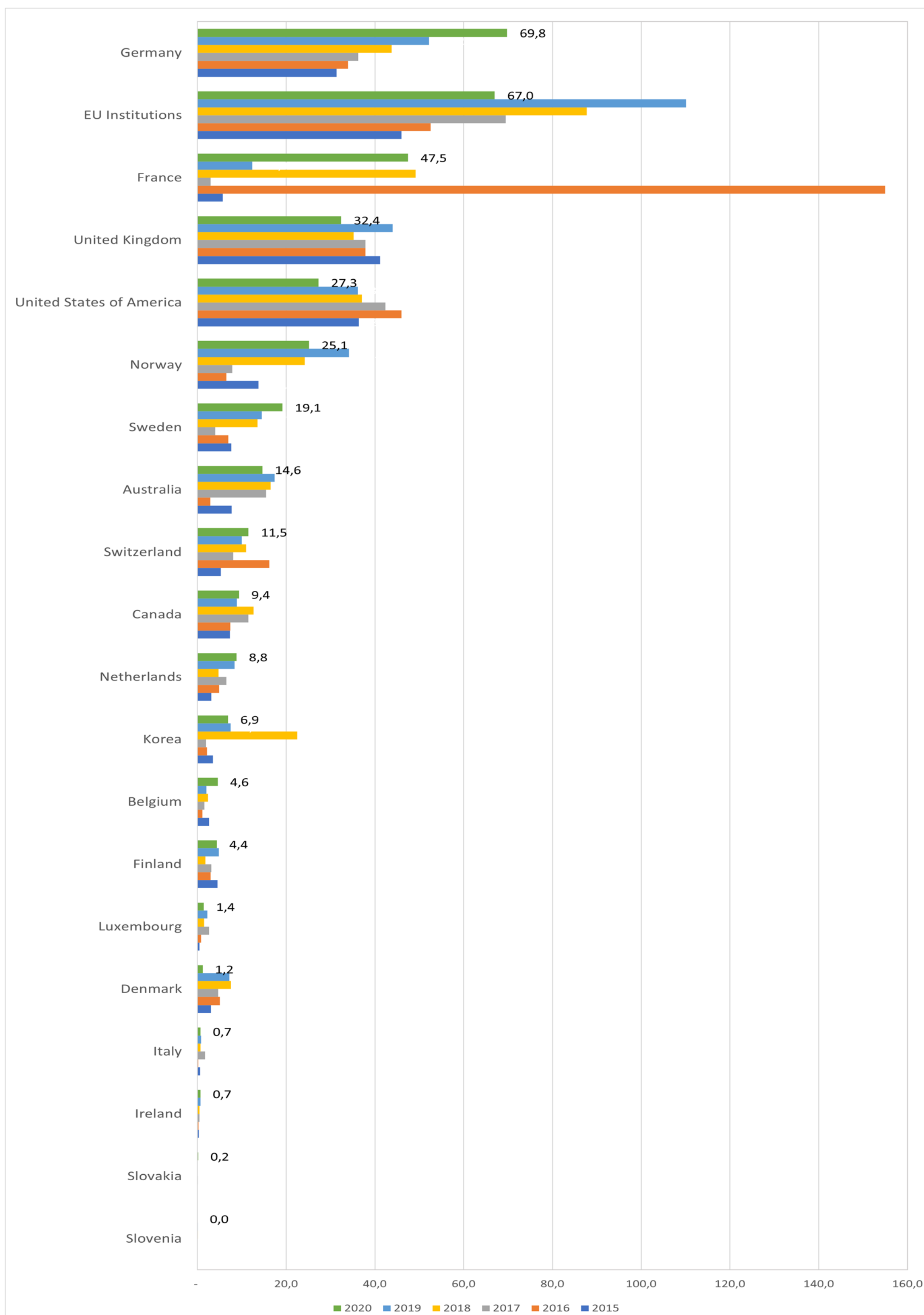

Figure 3: ATI development partners' support to DRM (gross disbursements, USD millions, 2015 – 2020)

Source: ATI database on ODA for DRM

Note: Belgium and the UK apply a 2014 baseline, so their figures for 2015 are based on reporting for 2014.

Insights on the evolving strategic, policy and programmatic approaches to DRM of ATI development partners

This section presents insights from a selection of individual ATI development partners on the major strategic, policy and programmatic developments in relation to their support for DRM during the COVID-19 pandemic. These insights are extracted from responses to the 2020 ATI Monitoring Survey on Commitment 2.

The COVID-19 pandemic had a profound impact on ODA for DRM, as many countries shifted funding to address the acute crises arising from the spread of the virus both internally and in developing countries. The UK, Norway, Italy, Denmark, and EU institutions all stated in their survey responses that there were significant budgetary reallocations due the pandemic, ultimately affecting the achievement of doubling efforts to support DRM.

In addition to budgetary reallocation, some countries noted major shifts in their strategic objectives as they integrated COVID-response and recovery measures into their DRM strategies. As part of Germany's efforts to promote and support the establishment of fair tax systems worldwide, addressing inequality and mitigating the impacts of the COVID-19 pandemic in the short, medium, and long term became central features of its development and DRM strategy. In 2020, France launched a new inter-ministerial strategy[45] to support improved domestic resource mobilisation in developing countries alongside a strategic investment plan (PISD). The PISD implementation, through its direct support to DRM, but also through its more general support to fiscal policy, ensures that development objectives and outcomes of projects are aligned with the broader response to COVID-19 pandemic.

While some countries adjusted their strategic objectives surrounding DRM in 2020, others maintained their strategic objectives while paying special attention to the impacts of COVID-19. Belgium continued to prioritise its efforts in the Artisanal and Small Mining sector throughout the pandemic, working to mitigate the negative effects of the pandemic in regard to fragility, conflict, and crisis. This was emphasised in conjunction with improving health and social protection outcomes within the sector, as well as formalising the sector for better DRM. Other examples include Slovenia and Norway, who noted shifts in their technical assistance programming to reflect the COVID-related challenges of partner countries, and Slovakia who began providing support to the IMF's efforts to respond to low-income countries' post-pandemic needs through the Poverty Reduction and Growth Trust, to which the EU contributed as well. EU overall rapid response to the tune of EUR 3 billion provided partner countries with immediate fiscal space enabling them to cope with the health, economic and social impact of the crisis.

ATI development partners also noted tangible ways in which the pandemic impacted the delivery of DRM-related programming. Slovakia, Italy, and Ireland saw delays in the implementation of projects and internal coordination. This is likely due to budgetary reallocation and changes in delivery modality. Slovenia, Norway, Italy, and Canada highlighted that the delivery of capacity building and technical assistance programming shifted to online platforms in an effort to circumnavigate travel and social restrictions.

Recipient countries of ATI development partners' support to DRM

In 2020, at least 100 countries received ODA support for DRM from ATI development partners.

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45 Interministerial strategy 2020: Support for improved domestic resource mobilization in developing economies, June 2020, link.

Indonesia received the largest amount of ODA for DRM (USD 57.8 million), followed by Afghanistan (USD 27.5 million) and Tanzania (USD 14.3 million).

The top recipients include six ATI partner countries (Indonesia, Afghanistan, Tanzania, Niger, Ghana and Cameroon), the same as in 2019[46], which collectively received 37% of the total ODA for DRM. Despite the number of ATI partner country recipients remaining constant, there was a decrease in the proportion of ODA for DRM from 2019 levels (40%). This suggests a decrease in the concentration of ATI development partner support for DRM in 2020, which is likely attributable to the impacts of COVID-19 on allocations for ODA in support of DRM.

It is also the case that in 2020 three countries (Ukraine, Haiti and Cameroon) on the list of the ten largest recipients of ODA for DRM had not been on this list before (during 2015 – 2019)[47], indicating that in 2020 there was still a somewhat limited degree of diversification[48] of these flows.

Recipients	*Gross ODA Disbursements (USD Millions)*
Indonesia*	57.78
Afghanistan*	27.50
Tanzania*	14.30
Niger*	12.99
Ghana*	10.79
Ukraine	7.47
Haiti	6.88
Tunisia	6.22
Somalia	5.94
Cameroon*	5.66
Total top 10 recipients	155.20

Table 4: Top 10 recipients of gross ODA disbursements for DRM from ATI development partners, 2020

Source: ATI database on ODA for DRM

*ATI partner country

[46] Afghanistan, Niger, Ghana, Benin, Rwanda and Tanzania. Note that Niger became a Partner Country in 2022 but is included here for baseline calculations.

[47] This compares to two countries in 2019, two countries in 2018, 5 countries in 2017 and 3 countries in 2016. Between the period of 2015 to 2020, ODA disbursements for DRM have been largely concentrated on 24 countries, which make up the list of top recipients over this time period.

[48] The diversity of ODA flows refers to the number of countries included in the list of top recipients that have not been on the list previously within the 2015 to 2020 period. A higher number of countries new to the list would indicate a good degree of diversification.

ODA for DRM to ATI partner countries

In 2020, USD 178.2 million (50.52%) of the total ODA support for DRM from ATI development partners went to the 2022 group[49] of 30 ATI partner countries. An amount of USD 84.6 million (24%) of the total ODA support for DRM went to non-ATI partner countries, while USD 68.0 million (19%) was earmarked for developing countries, unspecified. The remaining funds were dispersed regionally without country specification.

Of the 30 ATI partner countries, 11 received increased levels of ODA for DRM in 2020 while 19 received decreased levels of ODA for DRM. ATI partner countries seeing the largest absolute increases in grant ODA for DRM from ATI development partners in 2020 include Indonesia (increase from USD 4.9 million in 2019 to USD 57.8 million in 2020),[50] Tanzania (increase from USD 5.7 million in 2019 to USD 14.3 million in 2020) and Cameroon (increase from USD 1.8 million in 2019 to USD 5.7 million in 2020). The largest absolute decreases were experienced by Afghanistan (decrease from USD 50.7 million in 2019 to USD 27.5 million in 2020), Rwanda (decrease from USD 8.5 million in 2019 to USD 4.2 million in 2020) and Benin (decrease from USD 8.6 million in 2019 to USD 4.2 million in 2020).

49 The number of partner countries which have formally been members of the ATI has increased over time, with 19 country members in 2015, 21 in 2016, 23 in 2017, 25 in 2018, 2019, and 2020. In 2021 there were 28 partner countries and in 2022 there are 30.

50 This large increase is primarily due to increases in disbursements from France (from USD 10 million in 2019 to USD 33 million in 2020) and Germany (from USD 1.6 million in 2019 to 22.1 million in 2020).

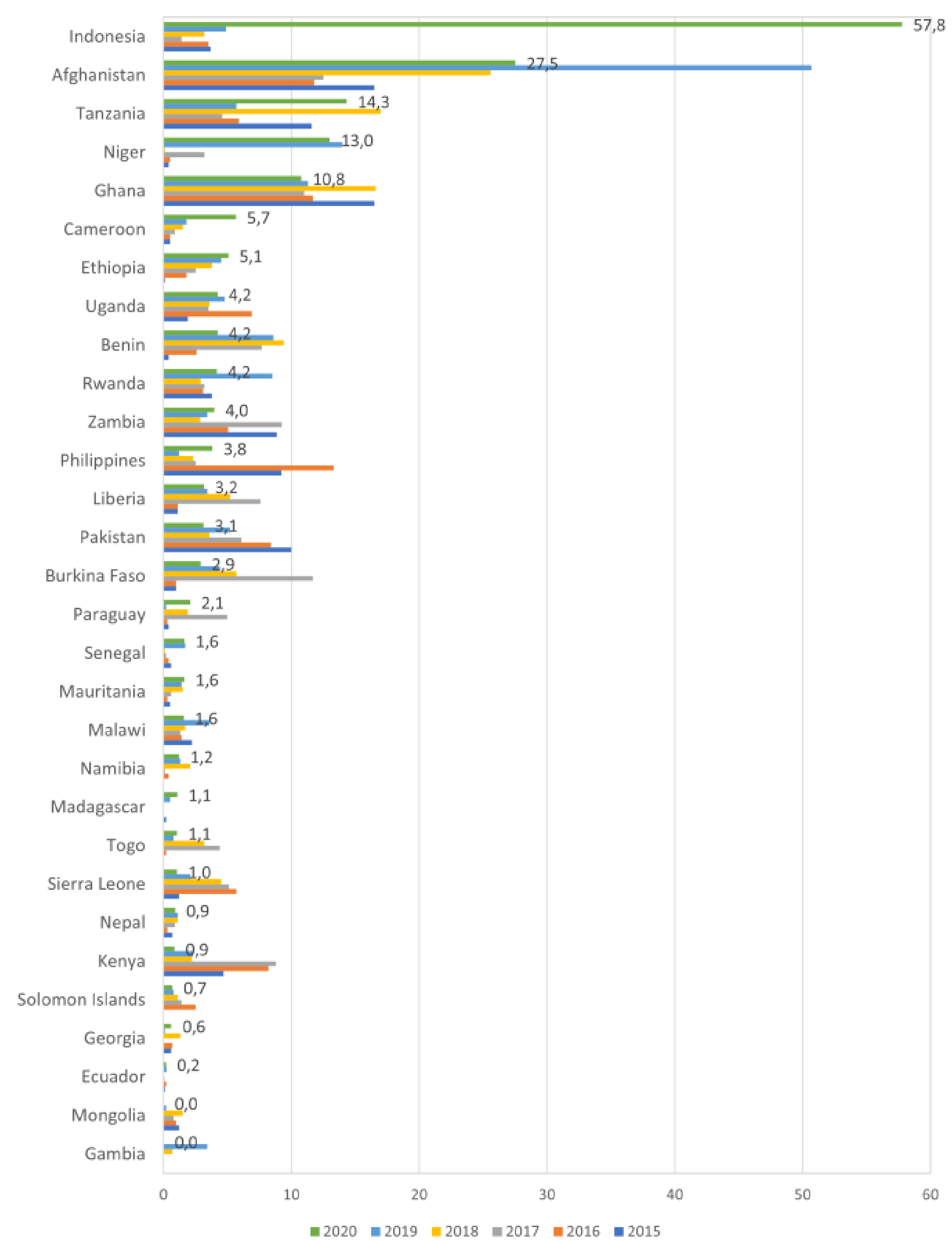

Figure 4: ODA support from ATI development partners to ATI partner countries (grant disbursements, USD millions, 2015 – 2020)

Source: ATI database on ODA for DRM

In 2020, South of Sahara was the most significant recipient regional of ODA in support of DRM from ATI development partners, at 29.4% of the total. Though still the largest recipient region, South of Sahara's share of ODA has continued to steadily decline since 2017. The second largest recipient was Far East Asia, at 19% of the total, a significant increase from its 4% share in 2019. South and Central Asia was the third largest recipient, having received 10.4%, down from 16.6% in 2019.

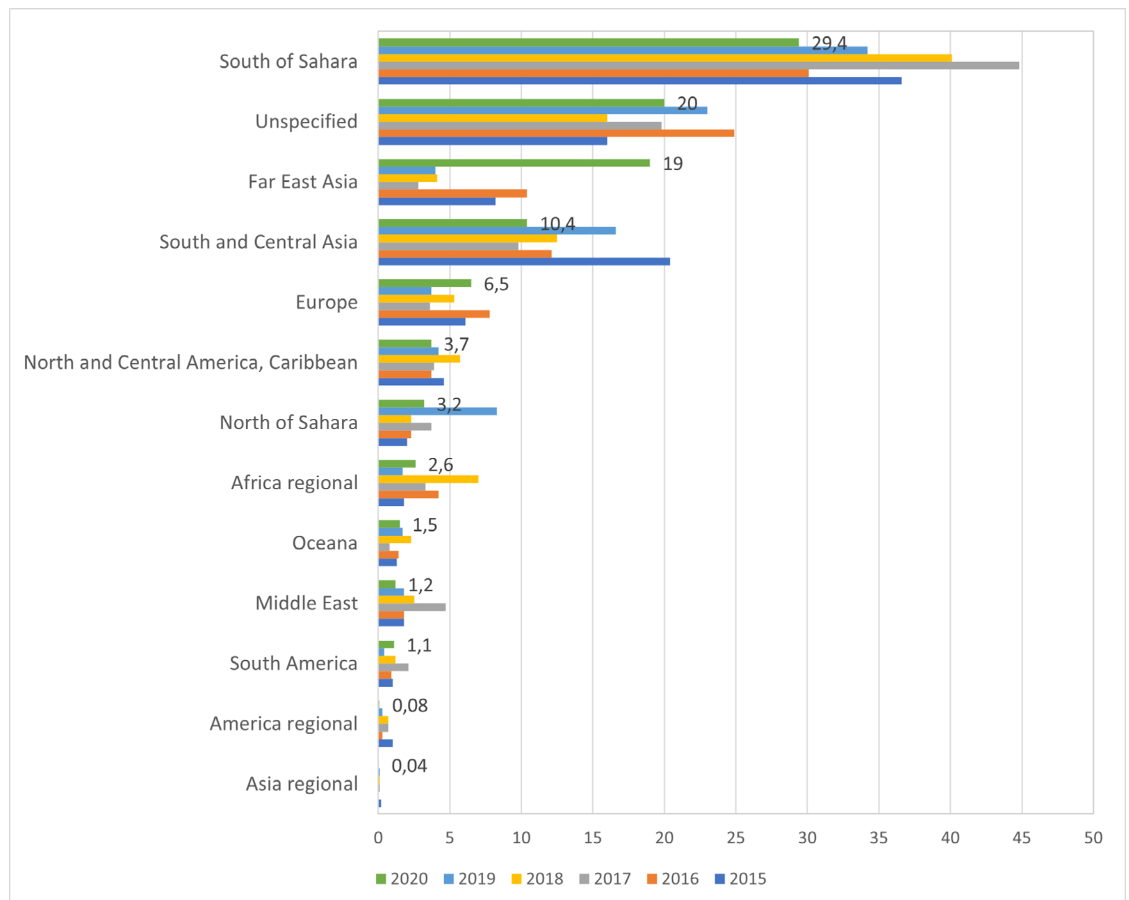

Figure 5: Regional distribution of ODA support (% of grant disbursements, 2015 – 20)

Source: ATI database on ODA for DRM

In 2020, Least Developed Countries (LDCs) were the largest recipients of ODA for DRM from ATI development partners, with their share totalling 35% of ODA disbursements. This, however, represents a significant decrease compared to 43.9% in 2019. Lower Middle-Income Countries (LMICs) make up the second largest recipient group of ODA for DRM from ATI development partners, with their share totalling 32.6% of ODA disbursements, up from 20% in 2019. Upper Middle-Income Countries (UMICs) received 6.7% of ODA disbursements, Lower Income Countries (LICs) received 0.5%, and Middle-Income Countries (MICs) received 0.02%. A further 25.4% of ODA disbursements were labelled as unallocated by income in 2020.

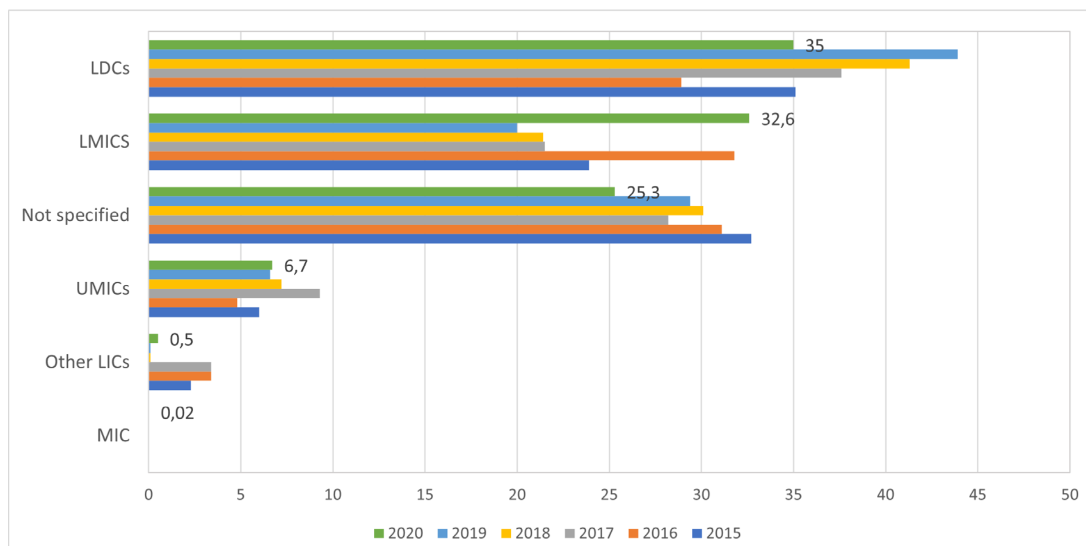

Figure 6: Distribution of ATI support by income group (% of disbursements, 2015 – 20)

Source: ATI database on ODA for DRM

Note: Country-income group categories are based on the OECD DAC's definition (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.

ATI development partners utilised a range of aid modalities for delivering their ODA to support DRM. "Project-type interventions" remain the largest category of DRM programming from ATI development partners, accounting for 59% of the total support. This proportion represents a substantial increase from previous levels, which accounted for 51.3% of total support in 2019. The second most significant support type was "contributions to specific-purpose programmes and funds managed by implementing partners," at 19.03% of the total, down from 31.7% in 2019.

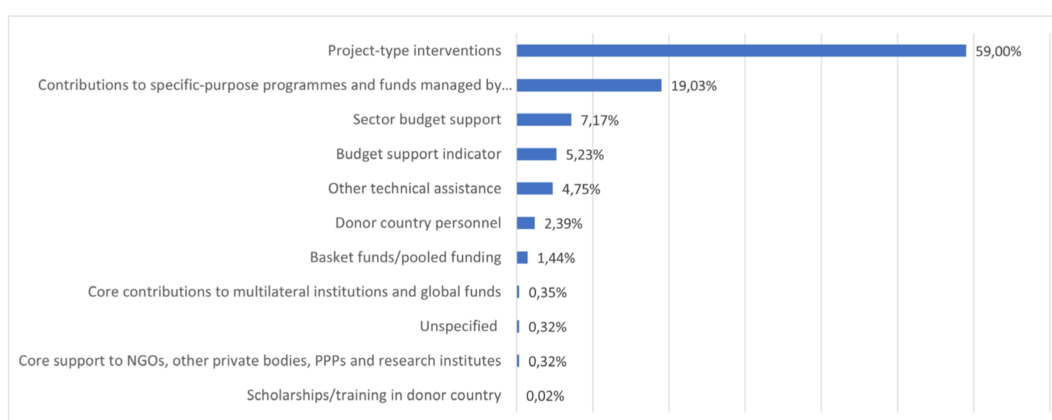

Figure 7: Support to DRM by type of support (% of grant disbursements, 2020)

Source: ATI database on ODA for DRM

The most significant channels for managing the support of ATI development partners in 2020 were central governments (28.55% of the total), followed by multilaterals (23.5% of the total)

and public corporations (10.53% of the total). Central governments overtook multilaterals as the primacy channel for DRM management in 2020.

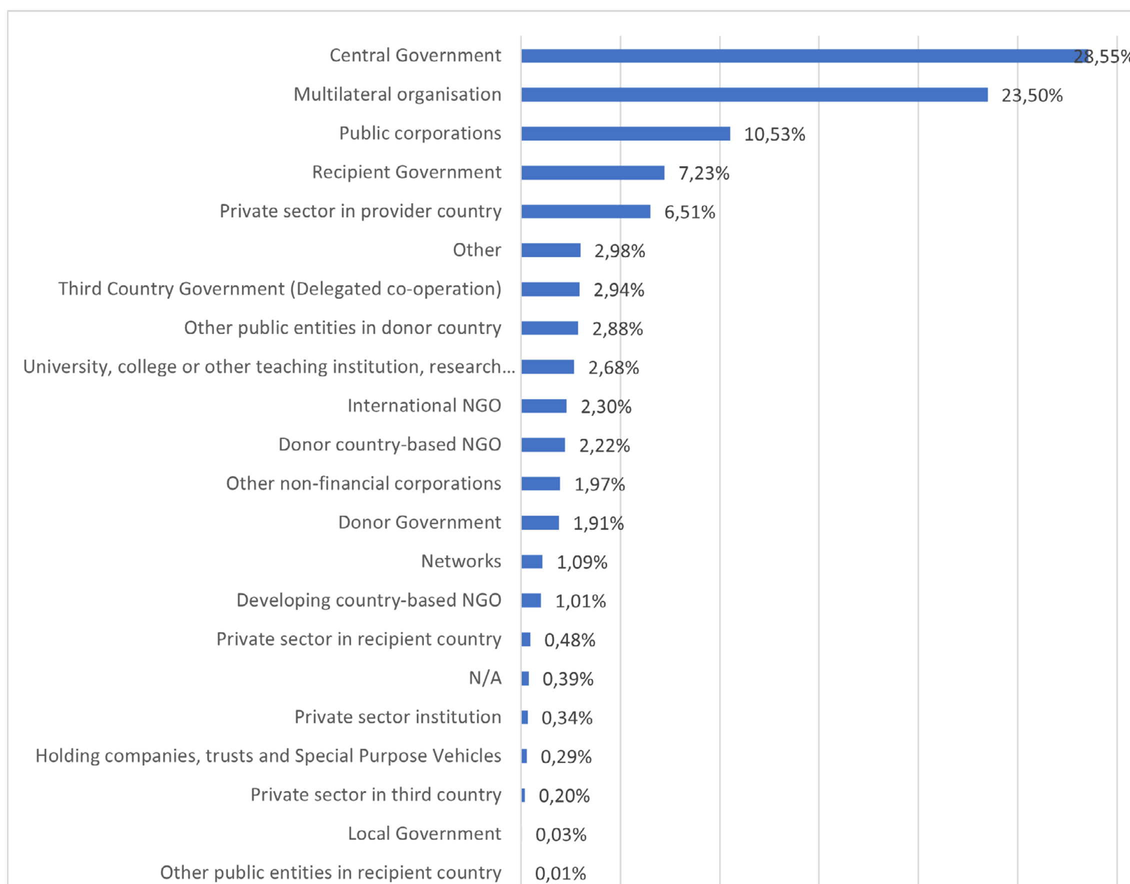

Figure 8: ODA for DRM by channel of support (% of disbursements, 2020)

Source: ATI database on ODA for DRM

Country-owned tax reforms

New to the ATI post-2020 Monitoring Framework is the indicator on country-owned tax reforms. This indicator looks at the effort ATI development partners put into increasing country ownership in partner countries, as noted in the ATI Monitoring Survey results. Of the 18 survey responses received from ATI development partners, 13[51] provided answers to the specific question around efforts to increase country ownership in partner countries. From these results, there were clear trends in how development partners embed country ownership into their DRM support.

Many development partners replied that development cooperation is demand-driven[52] and in-

51 Denmark, EU institutions, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Slovakia, Sweden, Switzerland, and the UK.

52 The EU, Germany, Ireland, the Netherlands, Norway, Slovakia, Switzerland cited demand as a driving force behind their development cooperation and aid management.

formed by local contexts and recipient priorities.[53] Germany, the Netherlands and Norway's development cooperation with partner countries is based on requests for support from partner countries, ensuring that programming is in line with recipient needs. Slovakia noted that their funding is channelled through the MFSR-UNDP multiyear programme "Public and Private Finance for Development," which is strictly demand driven, with assistance based on the identification and continuous re-assessment of partner country needs. Switzerland responded that country ownership is a central condition to their bilateral engagement, noting that if reforms are not demand-driven they will not engage.

Some ATI development partners expressed the importance of understanding local economic, social, and political contexts when delivering ODA and technical assistance for DRM. While Italy, for example, looks to domestic policy processes to align their programming with local contexts, other ATI development partners also cited early stakeholder engagement[54] as a method for ensuring that local contexts and priorities are considered. One example is Denmark, which has embedded local ownership by integrating development cooperation into local contexts, undertaking both in-country and in-Denmark consultations at an early stage of program formulation to ensure contextual understanding and active buy-in from relevant stakeholders. EU interventions are subject to wide consultation with relevant stakeholders (authorities, other donors/multilaterals) to ensure country ownership of reforms. Budgetary support from the EU is always implemented by the recipient government. France ensures programming responds to the direct needs of recipient countries by developing programmes alongside recipient countries to build country ownership. The UK also works closely with countries on DRM issues, utilising a team of Regional Tax Advisors to ensure they receive real-time information on tax challenges, opportunities, and strategies deployed in their core countries of interest.

Some development partners also noted that they engage with regional organisations to ensure DRM programming responds to the needs of recipient countries and ensure increased local-ownership of programming and reforms.[55] Finland and Ireland both provide direct funding to organisations such as African Tax Administration Forum (ATAF), which enables cooperation between donor actors and recipient countries to ensure support responds to actual needs and is directed by members of the regional organisations. Italy also channels resources through regional organisations, where recipient countries can directly express their positions and needs.

Other measures ATI development partners implemented to encourage local ownership include in Denmark, where assistance is channelled through recipient governments using local management systems, which further promotes country-ownership and lessen administrative burdens. Norway seeks to amplify the views of developing countries in global norm and standard setting negotiations so that the global agenda reflects developing country priorities. Finally, the Swedish DRM support is only targeted towards strengthening a country's administrative capacity and ability to plan, formulate, and implement reforms, thereby promoting country ownership of tax reforms.

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53 Denmark, Italy, and the UK all cited local contexts and priorities as a driver for country-owned programming.

54 Denmark, the EU, Finland, Ireland, Sweden, France, the UK all cited stakeholder engagement or participatory programme development as a means of ensuring DRM programming responded to the needs of recipient countries and were country-owned.

55 Finland, Ireland, Italy, Norway

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Case Study

France's DRM Strategy

In 2018, the Interministerial Committee for International Cooperation and Development (CICID) – which brings French Government ministries together every 5 years, and is chaired by the Prime Minister – me to set out the sectoral and geographical priorities for, as well as the resources to be devoted to, French public aid. Amongst the strategies it agreed to develop a new strategy on was domestic resource mobilisation (DRM).

Technical work and consultation on the strategy then took place over the two years that followed, with this time period required to agree priorities and develop an investment plan that would sit alongside and resource the strategy. Working Groups were set up to discuss the key components of the strategy, with the main ministries involved including the Ministry of Foreign Affairs, the Ministry of Finance (Directorate General of Treasury, Directorate General of Taxes, Directorate General of Customs) Agence Française de Développement (AFD) and Expertise France. There was also representation in these working groups from academia (including Foundation for Studies and Research on International Development (FERDI)). The strategy was eventually published in June 2020.

The strategy has three core objectives: 1) Promoting fair, efficient and economically attractive tax policies in developing countries; 2) Supporting modernisation of tax administrations; and 3) Strengthening cooperation between French stakeholders and partners.

A 'DRM platform' has been established to facilitate multistakeholder dialogue on implementation of this strategy. This platform is chaired by FERDI and brings together the two main relevant ministries, the two operators of the French aid and non-state actors to discuss key issues around the strategy every 2 months. It also monitors and reports on the implementation of the strategy.

A number of challenges have been faced in implementing this strategy, including delays caused by the COVID-19 pandemic, a difficult political context in some partner countries and constraints in relation to DRM which have constrained monitoring (such as the lack of harmonized statistics on tax revenues). Nevertheless, the strategy has achieved significant impact in guiding support to 15 priority countries in western and central Africa, and facilitating south-south cooperation (between Mauritania and Niger tax administrations for example), amongst other interventions.

There are plans for an external evaluation of the strategy in 2023, which will help to feed into continued implementation of the DRM strategy and the extension of the investment plan.

Expert piece

Environmental Taxes in low-income countries: what is their role and potential contribution?

International Centre for Tax and Development (ICTD)

Despite progress over the last decade, low-income countries still have space to increase their domestic revenue mobilisation capacity. The role of fiscal policies as a buffer in time of crisis was

highlighted by the COVID-19 pandemic, which contributed to increase the strain on stretched public finances. As governments look for new sources of revenue, environmental taxes are receiving increasing attention, including from donors wanting to understand how to support partners' efforts to mitigate greenhouse gases and other pollutants.

Existing knowledge on the deployment of environmental taxes across low and lower-middle income countries is scarce, with both inventories of measures and estimates of their present contribution to tax revenues and protecting the environment only available for a few countries.[56] Many tax measures implemented in low-income countries could be thought of as "environmentally related", that is taxes whose objective is to raise revenue from environmentally damaging activities rather than directly limiting them.[57] Donors could play an important role by supporting mapping exercises in countries demonstrating an interest in environmental fiscal reforms, so they ensure that new measures are well aligned with existing ones and expectations are correctly set.

Most research focus has recently been directed to assessing the impact of adopting carbon taxes across the world. While there is a general agreement that they should be widely implemented across all high- and many middle-income countries, their appropriateness, feasibility, and potential contribution in low-income ones is less clear. Given that only a few low-income countries governments are currently considering the implementation of carbon taxes, and even fewer have introduced one, often with debated results[58], excessive donor focus on this area may be misplaced, with two exceptions.

First, where indications that carbon taxes are under consideration exist (e.g. Botswana, Senegal), supporting scoping studies that precede their implementation are worthwhile. Second, although more controversially, it is important to note that the Carbon Border Adjustment Mechanism (CBAM) approved by the European Union might have significant impacts in different low-income countries from its onset[59], which might then be forced to take actions to encourage decarbonisation. which might increase the appeal of carbon taxes in those cases. Donors could support partner country efforts to assess whether CBAM impacts are sufficient to consider introducing carbon taxes in those cases where these were not included in their preferred policy mix.

Ongoing work identifies other areas where more research is needed to understand if environmental taxes might contribute to increasing low-income countries' revenue and environmental sustainability[60]. These are tropical forestry management, pollution from road traffic and waste management, all topics which received relatively little attention and for which donor support should prove helpful.

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56 The OECD "Policy Instruments for the Environment" database contains information on environmental policies for more than 120 countries, but many entries for low-income countries are either partially complete or contain dated information. The African Tax Administration Forum is working on the creation of a harmonised reporting framework on environmental taxes which might increase the availability of statistics for its member countries.

57 See Cottrell, J. and Falcão (2018), "A climate of fairness : environmental taxation and tax justice in developing countries", Vienna Institute for International Dialogue and Cooperation

58 See Baker, L. (2022) "The Political Economy of South Africa's Carbon Tax", International Centre for Tax and Development Working Paper 150.

59 Estimates of the potential impact of the CBAM are found in UNCTAD (2021) "A European Union Carbon Border Adjustment Mechanism: Implications for developing countries", suggesting that developing countries income might fall of up to USD5.9 billion, and by the Centre for Global Development (2022) "An EU Tax on African Carbon – Assessing the Impact and Ways Forward", suggesting that losses will be heterogenous across countries but could be as high as 1.6% of GDP in Mozambique.

60 See Occhiali, G. et al. (forthcoming), "Environmental Taxation in Sub Saharan Africa: Political Appeal and Administrative Obstacles".

Forestry taxes in tropical areas have long been underperforming, with foregone tax revenue connected with poor monitoring and illegal logging in the neighbourhood of USD 6-9 billion.[61] The resurgent interest on this topic led to various suggestions, ranging from introducing feebate schemes to relying on chokepoints to collect taxes[62], from assessments of the relationship between deforestation and agricultural incentives to a focus on carbon credit markets. Yet, more work is needed to understand which approach could yield the most promising results under different circumstances, something which donors could consider funding.

Tax policies can also help address pollution from road traffic – per capita death from air pollution in Africa are 60% above the global average. Motoring charges in low-income countries do not generally depend on emission standards or engine power, and are usually not recurrent but only paid upon purchase. The combination of age-dependent ban on used car import and motoring tax reforms could then contribute to rationalise revenue and decrease the pollution from vehicle fleets[63]. However, more research is needed to understand what policy mix better fits different contexts, as well as what data – and in what format – lies with road authorities, both areas in which donor support might prove helpful.

Environmental taxes also exist at the local governments level, such as taxes on solid waste. Waste pollution connected with poorly funded waste management strategies represents a significant health and environmental threat across many low-income countries[64], making this an area in need of attention. Little research has been dedicated to the topic, but there is evidence that these taxes are not common and, where present, they could be made more efficient.[65] Given that they have been shown to both contribute to waste reduction and to provide funding for management, their introduction could both help local government budgets and decrease pollution in urban areas. Donors' support in this area will be especially important, as local governments seldom have funds and capacity to carry out pre-implementation studies.

Finally, little is known about the political attractiveness of environmental taxes amongst the population or across domestic policymakers. Gaining a better understanding of what political economy considerations are relevant for environmental taxes deployment in specific countries is paramount, as tax reforms often fail due to political opposition. While research on the role of earmarking revenue for environmental expenditures[66] would be useful, this could be hard to fund from a donor position. On the other hand, given the wide range of donors' relationships with different ministries, departments, and government agencies, they might be well placed to assess whether these actors have competing mandates over the same resources which need to be resolved before environmental taxes are effectively deployed.

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61 See Veroheven, M. et al. (2019), "Mobilizing and Managing Public Forestry Revenue", World Bank Governance Global Practice Discussion Paper

62 Ibid and World Bank (2021), "Designing Fiscal Instruments for Sustainable Forests", World Bank Group

63 For recent discussions, see UNEP (2020), "Used Vehicles and the Environment. A Global Overview of Used Light Vehicles: Flow, Scale and Regulation" and Granger, H. et al. (2021), "'Green' motor taxation: issues and policy options in Sub-Saharan Africa", Institute for Fiscal Studies Report R197.

64 See for example IISD (2022), "Africa Identifies Chemicals and Waste Management Priorities Beyond 2020"

65 A theoretical discussion on waste taxes is presented in Matheson, T. (2019), "Disposal is Not Free: Fiscal Instruments to Internalize the Environmental Costs of Solid Waste", IMF Working Paper WP/19/283, while for an empirical overview see Alzamora, B.R. and de V. Barros, R.T. (2020), "Review of municipal waste management charging methods in different countries", Waste Management 115, pp.47-55.

66 Discussions on the role of earmarking in the acceptability of environmental taxes have been ongoing since Craig, and Keen, M (2000), "Political Uncertainty and the Earmarking of Environmental Taxes", Journal of Public Economics 75(3), pp.315-40, but have largely focused on high-income countries.

ATI Commitment 3

Introduction

Commitment 3 of the ATI focuses on the efforts of ATI members to apply coherent and coordinated policies that foster DRM, with a particular emphasis on combatting tax-related illicit financial flows. Pursuing policy coherence for DRM requires understanding the relationship between all policies and DRM outcomes in partner countries in order to address trade-offs that emerge when the policies come into tension with DRM efforts. For ATI partner countries and development partners, Commitment 3 requires that they ensure their tax and other policies assist in maximising the domestic revenues in partner countries.

This chapter explores the efforts of the 30 ATI partner countries and the 20 ATI development partners in applying coherence and coordinated policies that foster DRM, and sets the baseline for monitoring their progress in meeting this commitment. This chapter begins by presenting the methodology, indicators and data sources used to assess the progress of development partners and partner countries in responding to ATI Commitment 3. It then presents the findings and establishes the baseline analysis for continued monitoring throughout the ATI Declaration 2025.

Methodology

Monitoring the efforts and results of ATI members on policy coherence is done through a variety of sources, including a self-developed list of indicators comprised of publicly available data, as well as self-reported data gathered through the 2020 ATI Monitoring Survey on Commitment 3.

The measurement of coherent policies focuses on policies that avoid negative impacts on tax mobilisation in ATI member countries, including preventing abusive tax practices and reducing harmful tax incentives. Development partners should ensure that their tax systems do not harm efforts to raise domestic revenues in partner countries, which is assessed through the following topics defined as Inclusive Framework on Base Erosion and Profit Sharing (BEPS) minimum standards: harmful tax practices, treaty shopping, country-by-country reporting (CBCR), and mutual agreement procedures. Also considered in the analysis of the 2020 Monitoring Report are the 2021 Corporate Tax Haven Index, based on data collected in 2020, which measures the scope for tax abuse allowed by a country's tax and financial system.[67] The monitoring exercise for this aspect of Commitment 3 also considers the use of spillover analysis to assess the impact of a country's tax practices on other countries' ability to raise domestic revenue, as reported by development partners in the 2020 ATI Monitoring Survey.[68]

To ensure coherent and coordinated policies, ATI partner countries should ensure that tax expenditures are transparent and do not disproportionately impact their DRM efforts. Tax expenditure transparency is assessed based on data published by national governments and visible in

[67] Considered within the report are Indicators 1, 5, 6, 10 and 11, for which a score of 0 means no scope while a score of 100 means unrestrained scope. More information on the individual indicators can be found on the Tax Justice Network website.

[68] 18 ATI development partner countries returned survey responses.

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the Global Tax Expenditures Database[69] including annual reporting of tax expenditures, on data collected through the 2020 Open Budget Survey enquiring if ATI partner countries present information on tax expenditures as part of their Executive's Budget Proposal, as well as information included in the 2020 Monitoring Survey regarding parliamentary scrutiny of and inter-agency co-operation on tax expenditure decisions.[70]

Finally, this monitoring exercise assesses the efforts of member countries to address illicit financial flows (IFFs). Indicators include data from the OECD hosted Global Forum on Transparency and Exchange of Information for Tax Purposes to look at Automatic Exchange of Information (AEoI) and the Exchange of Information on Request (EoIR) for Tax Purposes. Also used is data on beneficial ownership registers and bearer shares, collected by the Tax Justice Network.

A complete list of the indicators used throughout this chapter can be found in the ATI Declaration 2025 Monitoring Framework.

Findings

Coherent and coordinated policies of ATI development partners

Harmful tax practices: number of recommendations reduced in ATI development partners

BEPS Action 5 seeks to counter harmful tax practices with a focus on improving transparency and is one of the four BEPS minimum standards subject to peer review. The peer reviews monitor the Action 5 transparency framework through the exchange of relevant information on taxpayer-specific rulings, as the absence of this information exchange could generate BEPS concerns.

The 2020 peer review on harmful tax practices flagged recommendations for three ATI development partners: Switzerland, France, and the Netherlands.[71] Though only four recommendations in total were made for ATI development partners, three had been made in previous peer reviews and remained unchanged. As a reference about this trend year, Switzerland (three), France (one), and Sweden (one) received recommendations in 2019.

Treaty shopping

BEPS Action 6 addresses treaty shopping and treaty abuse and is also one of the four BEPS minimum standards. The minimum standard stipulates that members of the BEPS Inclusive Framework commit to include provisions dealing with treaty shopping in their tax treaties to ensure a minimum level of protection against treaty abuse. Significant efforts to address treaty shopping were highlighted in the 2020 OECD peer review, particularly in countries that ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). The MLI has been the main tool used to implement the minimum standard to address treaty shopping.

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69 The Global Tax Expenditures Database (GTED) collates all publicly available data on tax expenditure published by governments globally. The GTED was used in this monitoring exercise to establish a baseline for which partner countries have published information on tax expenditures on their government websites.

70 13 ATI partner countries returned survey responses.

71 Switzerland received two recommendations while France and the Netherlands received one each. More detail on the recommendations can be found in the 2020 Peer Review Reports on the Exchange of Information on Tax Rulings (link).

Of the 19[72] ATI development partners, 18 are signatories to the MLI, all having signed in 2017. The United States is the only development partner that is not a signatory of the MLI. As of 2020, the MLI has entered into force in all ATI development partner signatories, except Germany.[73]

The percentage of ATI development partner tax treaties is shown in the below table, as well as instances where no concerns were raised regarding the development partners' tax agreements. Generally, the peer review on Action 6 found that in countries that had ratified the MLI, the number of compliant agreements covered by the MLI increased by around 500% since the previous peer review. This points to the differences in the progress made on the implementation of the minimum standard between countries that have ratified the MLI and those that have not. Interestingly, however, is the case of the United States, where it holds the highest proportion of compliant tax agreements, without having ratified the MLI.

Country	*Number of tax agreements*	*Number compliant with minimum standard (Action 6 BEPS)*	*% compliant*	*Implementation issues*
Australia	45	18	40.00%	No jurisdiction has raised any concerns about their agreements with Australia.
Belgium	95	24	25.26%	No jurisdiction has raised any concerns about their agreements with Belgium.
Canada	94	24	25.53%	No jurisdiction has raised any concerns about their agreements with Canada.
Denmark	71	19	26.76%	Denmark has not listed three of its bilateral agreements under the MLI, which are therefore not covered by the minimum standards.
Finland	73	25	34.25%	No jurisdiction has raised any concerns about their agreements with Finland.
France	119	25	21.01%	No jurisdiction has raised any concerns about their agreements with France.
Germany	96	2	2.08%	No jurisdiction has raised any concerns about their agreements with Germany
Ireland	73	26	35.62%	No jurisdiction has raised any concerns about their agreements with Ireland.

72 This excludes the EU, as individual countries are signatories.

73 Signatories and Parties to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, OECD, updated November 2022 (link).

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Italy	99	1	1.01%	As of 2020 Italy had not yet ratified the MLI. Additionally, Italy has not listed seven of its bilateral agreements under the MLI, which are therefore not covered by the minimum standards.
South Korea	93	4	4.30%	No jurisdiction has raised any concerns about their agreements with Korea.
Luxemburg	83	32	38.55%	No jurisdiction has raised any concerns about their agreements with Luxembourg.
Netherlands	92	25	27.17%	No jurisdiction has raised any concerns about their agreements with the Netherlands.
Norway	84	15	17.86%	Norway has not listed 24 of its bilateral agreements under the MLI, which are therefore not covered by the minimum standards.
Slovakia	70	23	32.86%	No jurisdiction has raised any concerns about their agreements with the Slovak Republic.
Slovenia	59	24	40.68%	No jurisdiction has raised any concerns about their agreements with Slovenia.
Sweden	81	2	2.47%	Sweden is conducting internal procedures, which has created delays in the MLI entering into effect. Additionally, Sweden has not listed seven of its bilateral agreements under the MLI, which are therefore not covered by the minimum standard.
Switzerland	106	4	3.77%	No jurisdiction has raised any concerns about their agreements with Switzerland.
UK	131	35	26.72%	No jurisdiction has raised any concerns about their agreements with the United Kingdom.
US	66	45	68.18%	No jurisdiction has raised any concerns about their agreements with the United States.

Table 5: Development partner tax treat minimum standard compliance (BEPS Action 6)

Source: Prevention of Tax Treat Abuse – Third Peer Review Report on Treaty Shopping (link)

Country-by-Country Reporting

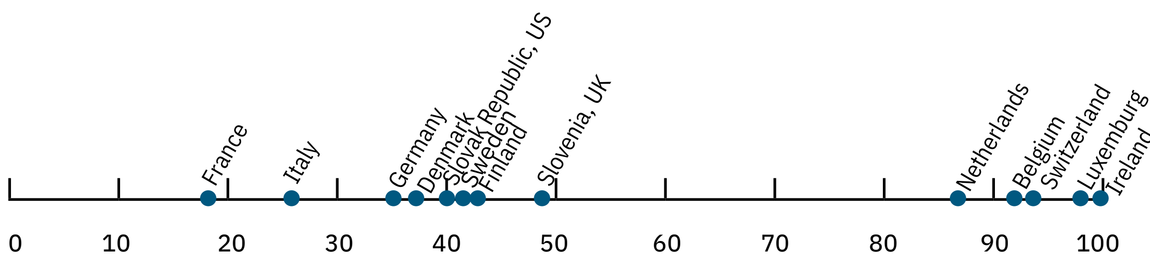
The Country-by-Country Multilateral Competent Authority Agreement (CbC MCAA) sets procedures for jurisdictions implementing BEPS Action 13 to automatically exchange CbC Reports on an annual basis. All ATI development partner countries, apart from the United States, are signatories to the CbC MCAA, having signed in 2016. There are 35 activated bilateral exchange relationships under the CbC MCAA from ATI development partners to partner countries; however, these bilateral exchanges do not represent a diverse range of relationships. Activated relationships between ATI development partners and ATI partner countries are exclusively with Indonesia (18 activated relationships) and Pakistan (17 activated relationships).

Mutual agreement procedures

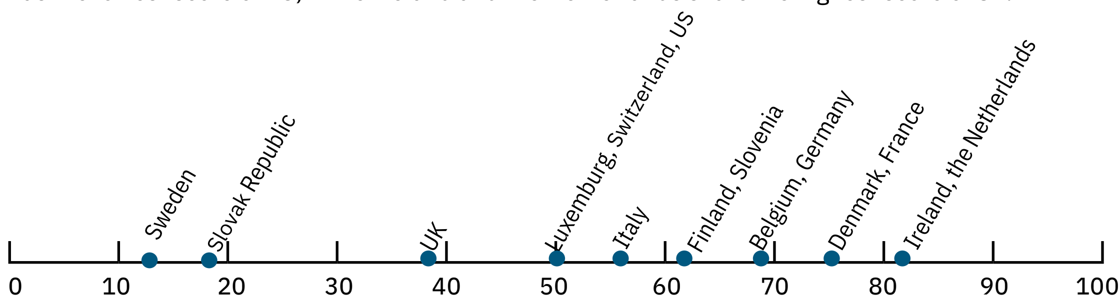
Action 14 of the BEPS Minimum Standard works to improve the resolution of tax-related disputes between jurisdictions through the inclusion of a Mutual Agreement Procedure (MAP) provision in tax treaties. In Stage 2 peer review reports, conducted in 2019, all ATI development partners received recommendations regarding their MAP. Italy received the most (13), followed by Korea (12) and France (11). By contrast, Ireland, Luxemburg, and Slovenia received the fewest, with three recommendations each. Although this provision is widely included in tax treaties, there is still further effort needed to ensure access to MAP and that cases are resolved and implemented within reasonable timeframes.

Harmful tax practices: Corporate Tax Haven Indicators

The Corporate Tax Haven Index measures the scope for tax abuse allowed by a country's tax and financial system, where a score of 0 means no scope while a score of 100 means unrestrained scope. *Indicator 1* identifies the lowest available corporate income tax (LACIT) for any large for-profit company that is tax resident in a country. Country scores indicate a wide range, with France having the lowest score of 19, and Ireland having the highest score of 100.



Indicator 5 measures the availability of broad exemptions from corporate income tax. Sweden has the lowest score of 13, while Ireland and the Netherlands share the highest score of 81.



Indicator 6 measures if and to what extent time-bound or locationally confined tax incentives are available in a country, measuring if the incentives offer partial or full exemptions from corporate

income tax, and/or capital gains tax. Belgium, Denmark, Finland, Germany, Ireland, Italy, the Netherlands, Slovakia, Slovenia, Sweden, and Switzerland all have a low score of 0, while France has the highest score at 100. Luxemburg, the UK and the US have a score of 13.

Indicator 10 measures whether companies listed on stock exchanges, involved in certain sectors, or incorporated in a given jurisdiction are obligated to publish globally available financial reporting data on a country-by-country reporting basis. The US has the highest score at 100, while 13[74] other countries score 50.

Indicator 11 assesses whether a jurisdiction ensures its own access to the country-by-country reports of relevant foreign multinational enterprises with domestic operations. France had the lowest score at 0, while the remaining countries for which there is data scored 100.[75]

Spillover analysis

In 2020, only Denmark and the Netherlands had implemented a spillover analysis to assess the impact their country's tax practices had on other countries' ability to raise domestic revenue. Denmark stated that the broader analysis of the spillover analysis can be found in their Voluntary National Review (2021), while in the Netherlands, their Policy and Operations Evaluation Department evaluates the Dutch Government's policies on strengthening developing countries' tax systems during the period 2012 – 2020 using a network analysis to estimate tax revenue losses in developing countries and the role of the Netherlands therein. While Ireland did not undertake a spillover analysis in 2020, the country includes a commitment to analyse potential impacts and undertake a spillover analysis in their 2022 Double Tax Treaty policy. Finland and Italy also indicated that while they have not yet implemented a spillover analysis, there was interest in doing so for future projects.

Coherent and coordinates policies of ATI partner countries

Tax expenditure transparency

Data provided in the Global Tax Expenditures Database, and presented in table 6 below, shows that 21 ATI partner countries have previously published tax expenditure data, 13 of these on a regular basis. Only Benin, Liberia and Mauritania have published very disaggregated data, with only Liberia publishing very disaggregated data on a regular basis.

Parliamentary scrutiny of tax expenditure

Data was available for 28 of the 30 ATI partner countries on parliamentary scrutiny of tax expenditure in the 2020 Open Budget index.[76] Question 45 of the survey sought to answer the following question: *"Does the Executive's Budget Proposal or any supporting budget documentation present information on tax expenditures for at least the budget year?"* No ATI partner countries reported presenting information on all existing tax expenditures. 16 ATI partner countries stated that information related to tax expenditures is not presented, while 12 responded that some information is presented, but that it excludes some core elements or tax expenditures.

74 Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxemburg, the Netherlands, Slovakia, Slovenia, Sweden, and the UK.

75 Belgium, Denmark, Finland, Germany, Ireland, Italy, Luxemburg, the Netherlands, Slovakia, Slovenia, Sweden, Switzerland, the US, and the UK.

76 Data was not available for the Solomon Islands or Mauritania.

Inter-agency coordination and parliamentary scrutiny of tax expenditure

13 of the 30 ATI partner countries[77] responded to the 2020 ATI Monitoring Survey. All 13 respondents of the 2020 ATI Monitoring Survey indicated that they had a designated Ministry responsible for Fiscal Policy, leading the process of granting and monitoring of tax expenditures. 11 ATI partner countries specified that their designated Ministry was the Ministry of Finance. 12 of ATI partner countries[78] indicated that tax legislation is heavily scrutinised by relevant government departments, undergoing rigorous review by their respective parliaments to ensure that existing and new tax expenditures are provided for in their tax legislation.

Country	*First year with data*	*Number of years reported*	*Type of data provided*	*Regularity of reporting*	*Does the Executive's Budget Proposal or any supporting budget documentation present information on tax expenditures for at least the budget year?*	*A designated Ministry to lead granting and monitoring of tax expenditures*	*The government ensures all existing and new tax expenditures are provided for in tax legislation, and is scrutinised by parliament*
Afghanistan	-	-	-	-	Yes, the core information is presented for all tax expenditures.	-	-
Benin	2008	11	Very disaggregated	Irregular	Yes, information beyond the core elements is presented for all tax expenditures.	Yes	Yes
Burkina Faso	2015	6	Overall estimates	Regular	Yes, information beyond the core elements is presented for all tax expenditures.	-	-
Cameroon	2017	3	Overall estimates	Regular	Yes, the core information is presented for all tax expenditures.	-	-
Ethiopia	2017	3	Somewhat disaggregated	Regular	Yes, the core information is presented for all tax expenditures.	-	-

[77] Benin, the Gambia, Georgia, Kenya, Liberia, Madagascar, Mongolia, Niger, Paraguay, the Philippines, Rwanda, Sierra Leone and Uganda.

[78] NB: Uganda did not provide an answer to this question in the survey.

Georgia	-	-	-	-	Yes, the core information is presented for all tax expenditures.	Yes	Yes
Ghana	2005	16	Overall estimates	Regular	Yes, information beyond the core elements is presented for all tax expenditures.	-	-
Indonesia	2016	5	Provision level	Regular	Yes, information beyond the core elements is presented for all tax expenditures.	-	-
Kenya	2017	4	Somewhat disaggregated	NA - only one TE published	Yes, information beyond the core elements is presented for all tax expenditures.	Yes	Yes
Liberia	2015	6	Very disaggregated	Regular	Yes, the core information is presented for all tax expenditures.	Yes	Yes
Madagascar	2015	6	Overall estimates	Regular	Yes, the core information is presented for all tax expenditures.	Yes	Yes
Malawi	-	-	-	-	Yes, the core information is presented for all tax expenditures.	-	-
Mongolia	2013	8	Overall estimates	Regular	Yes, the core information is presented for all tax expenditures.	Yes	Yes
Namibia	-	-	-	-	Yes, information beyond the core elements is presented for all tax expenditures.	-	-
Nepal	-	-	-	-	Yes, the core information is presented for all tax expenditures.	-	-

Pakistan	2003	18	Provision level	Regular	Yes, information beyond the core elements is presented for all tax expenditures.	-	-
Paraguay	2013	2	Provision level	Irregular	Yes, information beyond the core elements is presented for all tax expenditures.	Yes	Yes
Philippines	2013	7	Somewhat disaggregated	Regular	Yes, the core information is presented for all tax expenditures.	Yes	Yes
Rwanda	2018	3	Provision level	Regular	Yes, information beyond the core elements is presented for all tax expenditures.	Yes	Yes
Senegal	2008	12	Somewhat disaggregated	Regular	Yes, the core information is presented for all tax expenditures.	-	-
Sierra Leone	2010	11	Somewhat disaggregated	Regular	Yes, information beyond the core elements is presented for all tax expenditures.	Yes	Yes
Solomon Islands	-	-	-	-	Yes, information beyond the core elements is presented for all tax expenditures.	-	-
Tanzania	2000	18	Overall estimates	Irregular - last report in 2017	Yes, the core information is presented for all tax expenditures.	-	-
The Gambia	-	-	-	-	Yes, the core information is presented for all tax expenditures.	Yes	Yes

Uganda	2017	4	Provision level	NA - only one TE published	Yes, the core information is presented for all tax expenditures.	Yes	N/A
Ecuador	2005	15	Provision level	Irregular	Yes, information beyond the core elements is presented for all tax expenditures.	-	-
Mauritania	2013	5	Very disaggregated	Irregular	N/A	-	-
Niger	2011	2	Overall estimates	Irregular	Yes, the core information is presented for all tax expenditures.	Yes	Yes
Togo	-	-	-	-	Yes, the core information is presented for all tax expenditures.	-	-
Zambia	-	-	-	-	Yes, the core information is presented for all tax expenditures.	-	-

Table 6: Tax expenditure transparency and parliamentary scrutiny

Source: Global Tax Expenditures Database, Country Profiles (link); Open Budget Survey (link); 2020 ATI Monitoring Survey

Combatting tax-related illicit financial flows

Addressing illicit financial flows (IFFs) is critical to increasing the potential for DRM, as these outflows constrain the levels of finance available for investment and negatively influence efforts to raise public revenue in partner countries. International efforts to address IFFs have continued to evolve over the last decade and include indicators developed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. These focus on the Automatic Exchange of Information (AEoI) and the Exchange of Information on Request (EoIR) for Tax Purposes. The 2020 Monitoring Report also utilises data on the existence of beneficial ownership registers to assess efforts addressing IFFs.

Automatic Exchange of Information (AEoI)

18 of the 19 ATI development partners[79] are signatories to the CRS Multilateral Competent Authority Agreement (MCAA) for the implementation of AEoI on financial accounts. All 18 ATI devel-

[79] The US is not a signatory and the EU is excluded from this data set as only individual countries are signatories.

opment partner signatories[80] provide information on activated AEoI relationships under the CRS MCAA. Baseline data on the number of activated AEoI relationships can be found in Annex 4. Six of the 30 ATI partner countries are signatories to the CRS MCAA.[81] However, only Ghana, Indonesia, Pakistan and Ecuador provided information on the number of activated AEoI relationships. This can also be found in Annex 4.

EoI on Request (EoIR)

The Amended Multilateral Convention on Mutual Administrative Assistance in Tax Matters is in force in 18 of the 19 ATI development partners. The United States is the only ATI development partner where the Amended Multilateral Convention on Mutual Administrative Assistance in Tax Matters has been signed but is not in force. The amended convention is also in force in 15[82] ATI partner countries and signed, but not ratified, in three ATI partner countries.[83] Or ratified but not yet in force in further two.[84] Six ATI member countries (only development partners) are "compliant"[85] in the overall rating of EoIR requirements, while 23 ranked "largely compliant"[86] and two ranked "partially compliant".[87] Additional information on individual indicator rankings can be found in table in Annex 2.

Beneficial ownership registers and bearer shares

The overall Secrecy Score measures how much financial secrecy a country's laws allow, with a score of 0 indicating no secrecy and a score of 100 indicating full secrecy. The Secrecy Score of a country is compiled through a series of indicators. The 2020 ATI Monitoring Report looks at four indicators from the score to gain an understanding of how countries approach beneficial ownership and bearer shares. Indicators 3, 4, 5 and 6 are concerned with identifying and registering beneficial owners, or those who control or receive profits from a company or legal vehicle, with the aim of increasing transparency and discouraging illicit financial behaviours. More detail on the individual indicators can be found on the Tax Justice Network website. Looking at Annex 5, most ATI development partners and partner countries score quite highly on the Secrecy indicators, indicating that their tax and legal systems, particularly who controls or benefits from profits, are opaque. This lack of transparency around beneficial ownership also allows for the increased possibility of illicit financial behaviour.

The existence of unregistered bearer shares works alongside other harmful instruments to create a legal environment with little accountability for actors hiding illicit financial and tax activities.[88]

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[80] As the US is not a signatory it did not provide information on activated AEoI relationships under CRS MCAA; the EU is excluded from this dataset.

[81] Ghana, Indonesia, Kenya, Liberia, Pakistan, Ecuador

[82] Cameroon, Georgia, Ghana, Indonesia, Kenya, Liberia, Mongolia, Namibia, Pakistan, Paraguay, Senegal, Uganda, Ecuador and Mauritania

[83] Madagascar, Philippines, Rwanda and Togo

[84] Benin and Burkina Faso

[85] France, Ireland, Italy, Norway, Slovenia, Sweden

[86] Australia, Belgium, Canada, Denmark, Finland, Germany, Korea, Luxemburg, the Netherlands, Slovak Republic, Switzerland, the UK, the US, Burkina Faso, Cameroon, Georgia, Indonesia, Kenya, Pakistan, Philippines, Senegal, Uganda, Mauritania

[87] Ghana, Liberia

[88] Bearer shares are registered shares that are not registered with a government authority, where the owner can be any person in possession of the share certificate and where the transfer of ownership involves only delivering the physical certificate. Because they are largely untraceable, bearer shares can be used to preserve anonymity of ownership. However, there are many cases in which bearer shares have been abused to conceal private assets. Additional information on bearer shares and indicator 15 can be found on the Tax Justice Network website.

As shown in Annex 5, bearer shares are not available or not circulating in 15 ATI members. In a further five ATI member countries, bearer shares are always immobilised and registered by a public authority. In nine ATI partner countries, unregistered bearer shares are available, circulating, or registered by a private custodian.

Case Study

Netherlands - Policy coherence for DRM and assessment of spillover effects of tax policies on developing countries

The Dutch Government has set out a number of commitments for addressing policy coherence in relation to DRM over the last decade. In 2016, in a letter to Parliament, the Minister of Foreign Trade and Development Cooperation announced an Action Plan on Policy Coherence for Development, which included a range of commitments relating to reducing the impact of Dutch tax policy on tax revenue collection in developing countries.

In 2021, the Dutch Government introduced a conditional withholding tax on interest and royalty payments to low-tax jurisdictions or countries included on an EU list of uncooperative tax jurisdictions, which was noted in parliament to be linked to addressing tax avoidance in developing countries.

In an effort to monitor the impact of these measures, in 2021 the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs of the Netherlands undertook an analysis of the Dutch Government's policies on strengthening developing countries' tax systems over the period 2012-20, including the spillover effects of Dutch tax policies on DRM efforts in developing countries. Whilst a concrete estimate of tax losses resulting from the Dutch tax system was difficult to generate, the study concluded that "potential tax revenue losses by developing countries due to treaty shopping by multinationals using the Dutch tax system are substantial". The Dutch Government is amongst a small number of governments to undertake such analysis.

This spillover analysis is reported to have helped inform the most recent letter to parliament on policy coherence for development from the Minister of Foreign Trade and Development Cooperation, in November 2022. This letter included a commitment "[t]o take unilateral, bilateral and multilateral measures to tackle worldwide tax avoidance, including reducing the use of the Netherlands as a conduit country."

Expert piece

Supporting country-owned responses to multilateral tax agreements

Mbakiso Magwape and Martin Hearson (International Centre for Tax and Development)

The ATI Declaration 2025 requires members to apply coherent and coordinated tax policies, while simultaneously emphasising the importance of country ownership of tax reforms. This tension is a longstanding one in international tax negotiations which requires a delicate balance between compromise to attain common objectives and countries' political-economic need to retain sovereignty over tax matters.89 Take, for example, the 'two-pillar solution' developed by the G20/OECD Inclusive Framework on BEPS ("the IF") to address challenges brought about by the digitalisation of the economy. In line with ATI commitment 3, the IF negotiations have the potential to foster domestic resource mobilisation (DRM) and combat tax avoidance. Notwithstanding these acknowledged benefits, lower-income countries have raised questions of equity and fairness.90 The tension is inherent to the highly heterogeneous nature of the IF membership. Its members have diverging fiscal and trade policies, levels of development, domestic political pressures, and negotiating capabilities, which ultimately requires a level of flexibility of global rules.91 Lower-income countries must assess the implications of the proposed rules and guidelines for Pillars One and Two for their particular contexts.

The long-term success of tax multilateralism, as well as each country's DRM efforts, depends on taking an "inside-out" approach: examining the cost-benefit implications of implementing (or not) international standards in terms of the local context.92 This, in turn, requires technical and financial resources, to which Development Partners can contribute. In particular, expertise and resources are needed to:

1. sensitise and capacitate all relevant Ministries and Authorities around international tax standards;
2. assess how those standards interact with domestic fiscal and trade policies, and national developmental objectives and projects;
3. identify domestic industries affected by international tax instruments;
4. undertake economic assessments of the revenue implications of adopting international

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[89] Piccioto, S. (September 2013) Is the International Tax System Fit for Purpose, Especially for Developing Countries? ICTD Workiing Paper 13, 30. On Sovereignty, see Magalhães, T.D. (2020) The Aftermath of BEPS by J.C. Wheeler ed., IBFD, Chapter 6: The OECD Multilateral Instrument: Challenge or Opportunity of Multilateralism in International Tax? (accessed 1 February 2023). Magalhães argues that soverenity [in the context of BEPS] means a State's power to design its own tax system in accordance with prevailing national interests, and short and long-term economic objectives.

[90] ATAF Website, https://www.ataftax.org/ataf-sends-revised-pillar-one-proposals-to-the-inclusive-framework (accessed 7 January 2023).

[91] Bird, R.M. (April 2012) Taxation and Development: What Have We Learned from Fifty Years of Research? ICTD Working Paper 1, 5. In acknowledging the heterogenic nature of States, Bird advanced that interntional instutions cannot "...search for some new, simplistic 'one size fits all' solution".

[92] Oguttu, A.W. (2022) Preventing International Tax Competition and the Race to the Bottom: A Critique of the OECD Pillar Two Model Rules for Taxing the Digital Economy – A Developing Country Perspective, 76 Bull. Intl. Taxn. 11, Journal Articles & Opinion Pieces IBFD (accessed 10 Jan. 2023). Oguttu states that in attempting to attain sustainable and comprehensive international tax reform "...rules should not preclude countries from adopting other measures that are compatible with its aims, if such measures would be more appropriate for their contexts."

tax standards in comparison to unilateral measures; evaluate the degree of legal certainty and limitation of double taxation risks for taxpayers under each international tax instruments; and

5. establish the demands that different options will place on administrative capacity.[93]

For Pillar One, the key question concerns whether or not to join any new multilateral instrument - its costs and benefits in comparison to reliance on unilateral and bilateral measures.[94] The focus of technical and financial assistance here should be to understand the mechanics and functioning of new rules, the implications of specific design elements such as thresholds and rates and to which degree they might be applicable to each country,[95] how they might resolve or exacerbate the challenges countries face in implementing existing rules, and the experience of countries that have pursued alternative unilateral digital taxes in their various forms.[96] Countries that choose to adopt Pillar One will need considerable support to apply it correctly and make the most of opportunities for enhanced taxing rights. Assistance is also needed for countries that choose to stay outside, as they seek to take evidence-based decisions about alternative approaches. ATI supporting organisations have already begun to develop model domestic and international measures that allows lower-income countries to apply unilateral actions to safeguard their taxing rights in a coordinated manner: examples include the newly formulated Article 12B of the UN model convention on automated digital services, and ATAF's Suggested Approach to Drafting Digital Services Tax Legislation.[97]

For Pillar Two, the fast-moving adoption of minimum tax rules by the home countries of ultimate parent companies means lower-income countries are faced with impending dates to ensure their own tax bases are secured.[98] Technical assistance in this regard is required to support internal examination of trade and investment considerations, particularly: whether implementation will require elimination of tax expenditure regimes and special economic zone incentives;[99] what the implications will be for short- and long-term revenue, employment and infrastructural investment;

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93 International Bureau of Fiscal Documentation, Report on behalf of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Implementing OECD/G20 BEPS Package in Developing Countries An assessment of priorities, experiences, challenges and needs of Developing Countries, 2018. Some of the challenges anticipated in implementing Pillar 1 and 2 are existing challenges identified in implementing BEPS Actions, which are notably: lack of fundamental knowledge; lack of staff capacity and specialisation; lack of training; lack of technological tools; and lack of IT infrastructure and IT skilled staff.

94 Magwape, M. (2022) Unilateral Digital Services Tax In Africa; Legislative Challenges And Opportunities, 50, Intertax, Issue 5. Also see ICTD Website, The Inclusive Framework Tax Deal in the Interest of Lower Income Countries, https://www.ictd.ac/blog/inclusive-framework-tax-deal-interests-lower-income-countries/ (accessed 9 January 2022).

95 Jalan, N & Misquith-Tigdi, E. (2021) What Is the Road Ahead for Unilateral Digital Tax Measures?, 27 Asia-Pac. Tax Bull. 4, Journal Articles & Opinion Pieces IBFD (accessed 1 Feb. 2023). The Authors advance that revoking DST's, and consequently increasing thresholds, may result in loss of revenue if Developing Countries were to follow Pillar 1.

96 Common forms of unilateral taxed adopted are VAT/GST, Unilateral digital service taxes and Significant Economic Prescence.

97 Dourado, A. (2021) Editorial: The OECD Report on Pillar One Blueprint and Article 12B in the UN Report, 49, Intertax, Issue 1, 5.

98 Devereux, M et.al., (2022) Pillar 2: Rule Order, Incentives, and Tax Competition, Oxford University Centre for Business Taxation, p. 8. Developing Countries may utilise the Qualified Domestic Minimum Top-up Tax (QDMTT) to ensure preservation of taxing rights.

99 International Instutute for Sustainable Development (December 2022). A Guide for Developing Countries on How to Understand and Adapt to the Global Minimum Tax, page 41. The guide indicated that that Income tax holidays and Export processing zones (that include tax holidays) are highly likely to be affected by Pillar 2.

and how particular major industries such as mining may be significantly affected.[100]

Ultimately, the heterogeneity of IF members means that the costs and benefits to each state of the two-pillar solution will differ. An “inside-out” approach by Development Partners, conscious of this variation, will help maintain partner countries’ engagement in multilateral tax cooperation, for a sustainable outcome under each available international tax instrument in order to carefully identify the right balance between the potential quantitative income, related administrative burden and enabling a positive business environment.

[100] Intergovernmental Forum on Mining, Minerals, Metals and Sustaibale Development (2021) Protecting the Right to Tax Mining Income: Tax Treaty Practice in Mining Countries, https://www.iisd.org/system/files/2021-08/tax-treaty-mining-countries-draft-final.pdf (accessed 1 February 2023).

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Commitment 4

Introduction

Commitment 4 of the ATI Declaration 2020-25 commits both ATI partner countries and development partners to enhance space and capacity for accountability stakeholders in partner countries to engage in tax and revenue matters. Incorporating accountability considerations and/or facilitating feedback on the tax system is important to not only improve tax morale and compliance, but to empower citizens to engage in tax issues and increase tax revenues (OECD, 2021). Stakeholders, such as non-state actors - including civil society organisations (CSOs), the media and academia- play a vital role in promoting such accountability.

ATI members have agreed that their efforts to promote accountability within partner countries should focus on three areas:

1. transparency – the need for governments to provide publicly available information on tax issues;
2. engagement – the need for governments to provide opportunities to engage different accountability stakeholders;
3. capacity – ensuring that accountability stakeholders have the resources (finances, staff, and knowledge) to participate in the opportunities provided to engage on tax and revenue issues.

Methodology

To monitor the efforts and results of ATI members to enhance the space and capacity of accountability actors in partner countries on tax and revenue issues, we rely on indicators of progress in each of the three areas of accountability presented above.

In relation to transparency, the ATI monitors the efforts of partner countries to publish an accessible explanation of their tax strategy (including its goals, the rationale for tax policies and approach to tax administration) and core tax data (including tax revenues raised and forecast, tax expenditure and the tax gap). Analysis presented below on these areas is based on ATI's assessment of published tax strategies, data from the Global Tax Expenditures Database (GTED) and assessments of tax transparency carried out by the International Budget Partnership (IBP) through the Open Budget Survey (OBS).

In relation to engagement of accountability actors on tax issues, the ATI monitors partner country performance in opening up tax processes for engagement from accountability actors. The analysis on this area of performance is based on the responses from these members to the ATI Monitoring Survey and insights from the IBP's OBS on country performance in this area.

In relation to capacity building on tax issues, the ATI monitors the level of ODA for DRM and the extent to which this support includes accountability and the participation of non-state actors. These monitoring areas are informed by the ATI DRM database (drawn from the OECD-DAC data on DRM-related ODA flows), and the responses by ATI partner countries to the ATI Monitoring Survey.

Findings

Transparency of taxes

Transparency in relation to tax strategies, policies and outcomes is vital to the efforts of citizens and their representative bodies (i.e. non state groups) to understand how taxes will impact them, to understand how in practice the burden of taxes have fallen across society and to judge the performance of governments in undertaking revenue raising efforts. Ensuring that such transparency exists is vital to efforts to promote accountability around tax policies and practices and to support efforts to ensure that public pressure emerges for equitable taxation policies. Research has also suggested that increasing the level of tax transparency can help to build trust in a tax system and to promote voluntary compliance with it, thereby increasing revenue levels (Chindengwike and Kira, 2021; Siahaan 2013).

Transparency on tax strategies

This section presents a brief analysis of the transparency practices of ATI partner countries in relation to their tax strategies (for those countries that produce such strategies), exploring whether they present information on the following four areas; i) tax policy goals; ii) the rationale for tax base decisions; iii) tax expenditure issues; and iv) approach to tax administration. Setting out this information in tax strategies facilitates public engagement and trust building with citizens, and also supports the efforts of non-state actors to hold government accountable for its performance on tax/revenue raising.

The assessment carried out for this monitoring report identified that 11[101] ATI partner countries had tax/revenue strategies in place in 2020. An analysis of whether these strategies addressed the four priority areas is presented in the table below:

Country	*Goals of the strategy*	*Rationale for tax base*	*Address tax expenditure issues*	*Tax administration approach*
Afghanistan	No	Yes	No	No
Gambia	Yes	No	Yes	Yes
Georgia	Yes	No	No	Yes
Kenya	No	No	No	Yes
Liberia	Yes	Yes	Yes	Yes
Namibia	Yes	No	No	Yes
Nepal	Yes	No	No	Yes
Pakistan	Yes	Yes	No	No
Philippines	Yes	No	No	Yes

101 We identified two additional countries (Malawi and Rwanda) which presently have such strategies but introduced these after 2020. These results will be reflected in subsequent ATI monitoring reports.

Tanzania	Yes	No	No	Yes
Uganda	Yes	Yes	Yes	Yes

Table 7: Assessment of the tax/revenue strategies of ATI partner countries in 2020

Sources: Websites of relevant government ministries and revenue authorities

This analysis illustrates that these tax/revenue strategies commonly set out goals and objectives for tax and revenue raising, and also identify how tax administration will evolve to meet its goals and objectives. However, only four of these strategies are judged to provide a clear presentation of decisions about tax rates and revenue targets, and only three strategies set out a clear approach to addressing the challenges of tax expenditures. In addition, only two of these strategies (for Liberia and Uganda) were judged to have addressed all four areas assessed.

Transparency on tax revenues raised

The ATI monitoring process assesses the degree to which ATI partner countries publicly report information on the tax revenues that have actually been raised, with an emphasis on whether this information is reported by tax; by taxpayer; by sector of the economy. A review of the tax information published by the 29[102] ATI partner governments for which such information could be accessed, identified that:

- 22[103] of 29 ATI partner countries reported taxes raised across individual taxes
- 10[104] of these 22 ATI partner countries also reported taxes raised across sectors of their economies

Transparency on tax revenue forecasts

The IBP's OBS incorporates questions on whether:

- The Executive's Budget Proposal or any supporting budget documentation present the individual sources of tax revenue (such as income tax or VAT) for the budget year
- The Executive's Budget Proposal or any supporting budget documentation present revenue estimates by category (such as tax and non-tax) for a multi-year period (at least two-years beyond the budget year)

The OBS 2021[105] reports data on the performance of 28 ATI partner countries[106] against these indicators. It identifies the proportion of these countries which fully, partially and fail to publish such data in their Executive's budget proposals to their legislatures.

As regards information on individual sources of tax revenue in budget processes, in 2020 64% (18 of 28) published information on individual sources of tax revenue accounting for all tax revenue, 18% (5 of 28) published individual sources of tax revenue accounting for at least two-thirds of, but not all, tax revenues and 18% (5 of 25) did not present information on any sources of revenue in their budgets.

102 It was not possible to access and fully check the relevant government webpages for Mongolia.

103 For seven ATI partner countries (Benin, Burkina Faso, Ethiopia, Madagascar and Malawi) this assessment did not identify Government publications detailing tax revenue levels raised disaggregated by tax or sector.

104 The Gambia, Kenya, Liberia, Namibia, Nepal, Niger, Pakistan, the Philippines, Tanzania, Uganda and Zambia.

105 The OBS 2021 assesses activities undertaken and documents published by December 31, 2020.

106 The OBS does not currently report data for Mauritania and Solomon Islands.

As regards information on revenue estimates by category for multi-year periods in budget processes, in 2021 64% (18 of 28) published multi-year estimates of revenue by category and 36% (10 of 28) did not publish revenue estimates by category for multi-year periods.

Amongst ATI partner countries there were 13 which published full information in budget proposals on both individual sources of tax revenue and revenue estimates by category, with only 3 failing to publish any of this information at all in their budget processes.

Transparency on tax expenditures

Governments often utilise tax exemptions, waivers, deductions or credits to achieve specific public policy objectives, such as attracting investment to a particular sector or promoting the economic activities of certain groups. The tax revenues foregone through applying these preferential tax measures are called 'tax expenditures'. It is important that tax expenditures are applied in a measured and evidence-based way, so that the goals of revenue-raising can be balanced against other public policy goals. Ensuring that there is adequate transparency in relation to tax expenditures can help to promote scrutiny of and accountability for their use, thereby helping to ensure they are applied appropriately.

The IBP's OBS assesses whether "core" information related to tax expenditures is presented in the Executive's Budget Proposal or supporting information, with core information defined as including a statement of purpose or policy rationale; a listing of the intended beneficiaries; and an estimate of the revenue foregone. The OBS 2021 presents data on the performance of 28 ATI partner countries[107] against this indicator. This data illustrates that 57% (16 of 28) of these countries failed to publish any of this information on tax expenditures; 43% (12 of 28) published some information, but with some elements of core information on tax preferences not included; and no countries published all elements of this core information on tax expenditures.

The 'tax gap' is defined as the difference between the total level of tax that could be paid (given prevailing tax rates and liabilities of the population) and the level of tax actually paid. A tax gap can emerge due to individuals and companies avoiding paying tax and a failure of tax administrations to effectively collect taxes. The table below presents data on the tax gaps as a share of GDP in 2019 (the latest year for which there is comprehensive data) in relation i) taxes on income; ii) taxes on goods and services; iii) taxes on property; iv) overall, for all these taxes for each of the 17 ATI partner countries for which information on such tax gaps is available in the GTED.

Country	*Taxes on income*	*Taxes on goods and services*	*Taxes on property*
Benin	0.08	2.69	0
Burkina Faso	0.22	0.61	0
Cameroon	0.08	2.49	0
Ecuador	2.61	2.6	0.09
Ethiopia	n/a	2.74	n/a
Ghana	n/a	1.34	n/a
Indonesia	0.66	1.06	0

107 The Open Budget Survey does not currently report data for Mauritania and Solomon Islands.

Kenya	0.68	2.92	n/a
Liberia	n/a	4.34	n/a
Madagascar	0.01	2.79	n/a
Mongolia	0.48	0.78	n/a
Pakistan	0.37	2.19	n/a
Philippines	0.66	1.9	n/a
Rwanda	0.36	2.47	n/a
Senegal	0.43	5.06	n/a
Uganda	0.81	2.71	n/a

Table 8: Tax gaps by type of tax, % of GDP, 2019

Source: Global Tax Expenditure Database (GTED)

This data illustrates that for this group of ATI partner countries, tax gaps relating to goods and services were the most substantial in most cases, which is likely why the most common area in which ATI partner countries reported undertaking tax gap analysis is in relation to VAT (see chapter 1). There was also limited data on property tax gaps, although relevant tax gaps were low for those countries reporting. Overall looking across all three categories of tax gaps (income, goods and services, property) there is a wide range in total levels of tax gaps - from 0.83% in Burkina Faso to 5.49% in Senegal.

Engagement with non-state actors on tax issues

In order to ensure that non-state actors are able to adequately represent the views of citizens and hold governments accountable on tax policies it is necessary for governments to proactively engage them during the course of designing, implementing and reviewing these policies (van de Boogaard et al, 2021).

The ATI Monitoring Survey asks responding partner country governments to detail whether they had opened public consultation channels with citizens (e.g. via internet or town hall meetings) on tax policies since 2020. An overview of the responses from the 12[108] ATI partner countries that responded this question is presented below, with all but one noting that relevant consultations had been held:

- Benin – Yes – as a part of the annual state budget process consultations are held with various structures (administrations, local authorities) and socio-professional groups (including the private sector taxation working group) to collect their views
- Gambia – Yes – seminar and workshops are held with relevant stakeholders, usually with government ministers, departments and agencies, major government vendors and suppliers, National Assembly members

108 A total of 13 partner countries submitted the 2020 ATI Monitoring Survey, but Uganda did not respond to aspect of ATI Commitment 4. Mongolia and Paraguay reported the existence of public consultation channels after 2020; therefore, this information will be included in the next ATI Monitoring Report.

- Georgia – Yes - Regular meetings are held with private audit companies, accounts, major business associations and their members and the whole business community to discuss tax law drafts
- Kenya – Yes – when new tax policies are introduced there is a public notice, which states that comments can be received for 28 days; comments received are considered for developing the final legislation, with private sector bodies the most common respondents
- Liberia – Yes – through email exchanges, public consultations and regional meetings during the period in which policy instruments (such as administrative regulations), are being finalised; the main actors engaged are private sector representative organisations
- Madagascar – No – such consultations were not opened
- Niger – Yes – There is a consultation framework between the Directorate General of Taxes and the Chamber of Commerce and Industry.
- Philippines – Yes – as a matter of due process government agencies conduct public hearings, with consultations usually attended by members of parliament or their representatives
- Rwanda – Yes - several consultations were held with representatives from civil society, private sector, tax advisors, BAR association, certified public accountant, Rwanda Bank association, and other public institutions (200 participants in total)
- Sierra Leone – Yes - workshops and meetings were held with taxpayers, Chambers of Commerce, private sector representatives and other stakeholders (35 organisations engaging on average)

However, an analysis of the OBS data on government engagement with citizens on tax matters suggests that in ATI partner countries this engagement is in practice modest and far from systemic. The OBS assesses the degree to which there is engagement with citizens during the following processes: (i) budget formulation; (ii) budget implementation; (iii) legislative deliberations, and in relation to any such engagements undertaken (iv) prior information shared to support informed participation, and (v) feedback provided in response to inputs from citizens. Countries are scored on the basis of whether they meet all (100), most (67), a limited part (37) and none of the requirements for each of these indicators. The results suggest that despite overall low levels of engagement, it is most apparent in relation to budget formulation. It also shows that there have been very limited efforts to date to provide prior information to citizens ahead of engagements and to share feedback on citizen views following their engagement (in both cases, only Zambia meets at least most of the requirements for these indicators).

Country	*Budget formulation*	*Budget implementation*	*Budget legislative deliberations*	*Prior information*	*Feedback on citizen views*
Afghanistan	67	0	0	0	0
Benin	100	0	100	33	0
Burkina Faso	0	0	0	0	0
Cameroon	33	33	0	67	0
Ecuador	0	67	67	33	0

Ethiopia	0	0	33	0	0
Gambia	33	0	0	0	0
Georgia	67	0	100	0	33
Ghana	67	0	0	33	0
Indonesia	67	33	0	33	0
Kenya	67	0	100	33	67
Liberia	0	0	0	0	0
Madagascar	33	0	0	0	0
Malawi	33	0	0	33	0
Mongolia	0	33	0	0	0
Namibia	0	0	0	0	0
Nepal	33	33	33	33	0
Niger	0	0	0	0	0
Pakistan	33	33	0	0	0
Paraguay	0	0	0	0	0
Philippines	33	33	33	33	0
Rwanda	33	33	0	33	0
Senegal	0	33	0	0	0
Sierra Leone	67	0	33	0	0
Tanzania	0	0	33	0	0
Togo	0	0	0	0	0
Uganda	33	33	0	0	0
Zambia	33	33	100	33	100

Table 9: Partner country scores for the Open Budget Survey, in relation to citizen engagement

Source: IBP Open Budget Survey, questions 127, 130, 131, 137 and 138

Enhancing capacity of accountability stakeholders to engage in tax issues

Tax policy issues are often highly technical and demanding, and therefore non-state actors require the right skills and capacity to be able to effectively engage on them with governments. Recent research suggests that one of the factors that promotes strong tax-accountability links is the resources available to taxpayers for successfully making demands on governments (Prichard 2015, Resnick 2020).

Analysis of the published summary descriptions of ODA for DRM projects supported by ATI development partners using a key word search[109] shows that 14% of this ODA (by value) is focussed in

109 Using the words 'accountability,' 'transparency', 'non-state actors', 'civil society', 'consult' and 'NGO'.

some way on promoting accountability, transparency and the role of non-state actors in relation to tax policy and practice.

An analysis of the recipient codes for ODA for DRM provided by ATI development partners in 2020 suggests that only 4.7% of the total was provided directly to civil society organisations as primary implementing partners.

Case study

Oxfam - Support for local revenue collection in Uganda

Oxfam have been working with SEATINI in Uganda to implement a project on Equitable Domestic Revenue Mobilisation in ten districts in Uganda. This project involved undertaking research to explore the context and citizens perception of the local government revenue mobilisation, allocation, and utilisation of processes at the local government level, which have then been used to support advocacy on local revenue enhancement plans. The main objective of the project is to improve fairness of revenue collection and management in Uganda, at national and subnational levels with an expected outcome of increased equitable resource collections and allocations at the district level.

In the ten districts that were the focus of the project, Local Governments (LGs) face significant constraints in raising and generating local revenue to sustain their local budgets as per the mandate derived from the Constitution. On average during the financial years 2014 – 2019, these districts raised between 0.7% and 4.2% of their budgets through local revenue, generated mainly from market charges, local service tax, land fees, rents and rates as well as other licenses/fees.

LGs have more control over resources mobilised locally and have important responsibilities for engaging local stakeholders on their use. The project identified that in only a small number of the 10 LGs in the study Budget Conferences or Barazas (community meetings) were held to engage local stakeholders on local revenue mobilisation issues. Citizens were also found to have a general appreciation of the necessity of taxation to support local service provision but chose non-compliance due to lack of confidence in LGs' systems.

In response to these findings, the project has been working to ensure that central government puts in place stronger guidelines for action and accountability on revenue issues and provides more technical support to LGs in this area; that LGs fully apply procedures for local revenue enhancement and engagement of local stakeholders in this area; and that non-state actors are empowered to more effectively engage LGs on local revenue issues.

Expert piece

Achieving more equitable and accountable tax systems: Civil society's role in enabling and mobilising taxpayer engagement

Vanessa van den Boogaard and Max Gallien (International Centre for Tax and Development)

Civil society can play an important role in achieving more equitable taxation by enabling and mo-

bilising taxpayer engagement and strengthening the ability of taxpayers to hold governments to account. But this is not guaranteed: these outcomes depend on the ability of taxpayers to access and scrutinise policy, and to mobilise and generate pressure on governments for transparency, equitable taxation, and the translation of tax revenues into public benefits.[110]

Barriers to taxpayer engagement

In many low-income contexts, the ability of taxpayers to mobilise and push for better tax outcomes has been limited for at least three reasons. First, citizens often have limited "tax literacy", or understanding and awareness of how governments raise revenues and how that links to public spending.[111] Evidence suggests that across many African countries, the majority of citizens do not know what taxes they need to pay or how tax revenues are spent,[112] contributing to negative taxpayer perceptions of the fairness of tax systems.[113] Governments have increasingly adopted initiatives to promote transparency and increase taxpayer knowledge of the tax system, though research shows that these efforts are often limited in practice, with information often inaccessible and insufficiently meaningful to most taxpayers.[114] Second, and partially as a result of this, much popular engagement with tax issues has been anti-tax, rather than focusing on improved taxa-

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110 Wilson Prichard, Taxation, Responsiveness and Accountability in Sub-Saharan Africa: The Dynamics of Tax Bargaining (Cambridge, UK: Cambridge University Press, 2015).

111 For examples in Sierra Leone and Ghana, see Vanessa van den Boogaard et al., "Enabling Tax Bargaining: Supporting More Meaningful Tax Transparency and Taxpayer Engagement in Ghana and Sierra Leone," Development Policy Review 40 (2022): 1–22, https://doi.org/10.1111/dpr.12563.such positive connections are not guaranteed. Without an environment that enables tax bargaining, there is a risk that taxation will amount to little more than forceful extraction. Purpose We consider how such enabling environments may be fostered and identify specific strategies that can be adopted by governments, civil society actors, and development partners to strengthen the links between taxation, responsiveness, and accountability. Methods and approach We undertake two case studies of tax transparency and taxpayer engagement in Sierra Leone and Ghana, making use of data from taxpayer surveys, focus group discussions, and interviews with key stakeholders in government, civil society, and donor agencies. Findings We highlight two key findings. First, meaningful transparency requires that information be comprehensive, relate to taxpayer priorities, and serve as a basis for dialogue between taxpayers and governments. Second, there is a need to proactively encourage taxpayer engagement by supporting forums for engagement that are perceived by citizens as safe, secure and sincere. This has been most successful where governments have visibly demonstrated responsiveness to citizen concerns, even on a small scale, while partnering with civil society to foster trust and dialogue. Policy implications Our findings point toward the need for taxpayer education and engagement programs to (a

112 Rose Aiko and Carolyn Logan, "Africa's Willing Taxpayers Thwarted by Opaque Tax Systems, Corruption," Afrobarometer Policy Paper, 2014, http://afrobarometer.org/sites/default/files/publications/Briefing%20paper/ab_r5_policypaperno7.pdf.

113 Thomas Isbell, "Tax Compliance: Africans Affirm Civic Duty but Lack of Trust in Tax Department," Afrobarometer Policy Paper (Afrobarometer, 2017), https://afrobarometer.org/sites/default/files/publications/Policy%20papers/ab_r6_policypaperno43_tax_compliance_in_africa-afrobarometer.pdf.

114 van den Boogaard et al., "Enabling Tax Bargaining."such positive connections are not guaranteed. Without an environment that enables tax bargaining, there is a risk that taxation will amount to little more than forceful extraction. Purpose We consider how such enabling environments may be fostered and identify specific strategies that can be adopted by governments, civil society actors, and development partners to strengthen the links between taxation, responsiveness, and accountability. Methods and approach We undertake two case studies of tax transparency and taxpayer engagement in Sierra Leone and Ghana, making use of data from taxpayer surveys, focus group discussions, and interviews with key stakeholders in government, civil society, and donor agencies. Findings We highlight two key findings. First, meaningful transparency requires that information be comprehensive, relate to taxpayer priorities, and serve as a basis for dialogue between taxpayers and governments. Second, there is a need to proactively encourage taxpayer engagement by supporting forums for engagement that are perceived by citizens as safe, secure and sincere. This has been most successful where governments have visibly demonstrated responsiveness to citizen concerns, even on a small scale, while partnering with civil society to foster trust and dialogue. Policy implications Our findings point toward the need for taxpayer education and engagement programs to (a

tion more broadly.[115] Third, taxpayers in many contexts are deterred from engaging on tax issues by the prevalence of political or economic repression of dissent on these issues, or by previous experiences of tax policy being set without public engagement or with taxes being levied without seeing where revenues are spent.[116] This can lead to a sense of futility about the value of engaging.

Civil society role in enabling and mobilising taxpayer engagement

Civil society can play at least three important roles in changing these dynamics and making tax transparency efforts more meaningful and improving taxpayer engagement. First, it can act as a translator, making tax information and data more accessible and meaningful to taxpayers. This includes ensuring that information is shared in a manner that makes sense to taxpayers, for instance, by translating materials into local languages, making it relevant to taxpayers' local contexts and priorities, and ensuring that information is shared through channels that are easily accessible to taxpayers, such as local radio, social media, or community meetings.

Second, civil society can act as a trainer, by sharing tax knowledge and giving taxpayers and community leaders the skills necessary to make sense of public finances and understand their legal rights. This can help to overcome the sense that tax debates are the purview of experts. Tax issues affect everyone, and civil society can play a role in enabling broader constituencies to be able to engage in tax debates.

Third, civil society can play a role as a facilitator of taxpayer engagement, encouraging taxpayers to make demands of government, building coalitions for engagement and reform, [117] translating taxpayers' concerns into concrete collective demands for policy reform, and providing space for engagement with government. Open spaces for dialogue between taxpayers and government officials that are perceived by taxpayers to be safe and secure are often rare; civil society may play a role in facilitating these spaces and helping taxpayers to engage more constructively in public forums.

Strengthening Civil Society

While discussions of civil society often focus on NGOs and CSOs, recent research has highlighted that this focus should be wider, to include community, business, trade, and professional associa-

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115 Wilson Prichard, "Improving Tax and Development Outcomes: What next for Civil Society Engagement?" (Transparency and Accountability Initiative, 2018).

116 van den Boogaard et al., "Enabling Tax Bargaining."such positive connections are not guaranteed. Without an environment that enables tax bargaining, there is a risk that taxation will amount to little more than forceful extraction. Purpose We consider how such enabling environments may be fostered and identify specific strategies that can be adopted by governments, civil society actors, and development partners to strengthen the links between taxation, responsiveness, and accountability. Methods and approach We undertake two case studies of tax transparency and taxpayer engagement in Sierra Leone and Ghana, making use of data from taxpayer surveys, focus group discussions, and interviews with key stakeholders in government, civil society, and donor agencies. Findings We highlight two key findings. First, meaningful transparency requires that information be comprehensive, relate to taxpayer priorities, and serve as a basis for dialogue between taxpayers and governments. Second, there is a need to proactively encourage taxpayer engagement by supporting forums for engagement that are perceived by citizens as safe, secure and sincere. This has been most successful where governments have visibly demonstrated responsiveness to citizen concerns, even on a small scale, while partnering with civil society to foster trust and dialogue. Policy implications Our findings point toward the need for taxpayer education and engagement programs to (a

117 Vanessa van den Boogaard, Jason Lakin, and Paolo de Renzio, "Building Coalitions to Promote Equitable Taxation beyond the Covid Era," ICTD and IBP (blog), July 7, 2020, https://www.ictd.ac/blog/building-coalitions-civil-society-equitable-taxation-covid/."plainCitation":"Vanessa van den Boogaard, Jason Lakin, and Paolo de Renzio, "Building Coalitions to Promote Equitable Taxation beyond the Covid Era," ICTD and IBP (blog

tions; traditional authorities; academia; and the media.[118] Given greater trust that taxpayers often have in local and traditional leaders,[119] working with such community allies can overcome a lack of trust in government and feelings that engagement is futile.

Furthermore, while tax expertise among civil society groups has often been relatively limited, [120] with public engagement on tax instead often left to a small group of experts and seen as too "technical" to inspire popular engagement,[121] inclusive trainings and open stakeholder engagements can broaden expertise within CSO structures.

The role of civil society may be most effective by combining different strategies of engagement, for instance educating citizens about tax issues while also helping to mobilise social actors to keep government accountable and responsive.[122] These actions will help to ensure that government's efforts to strengthen taxpayer engagement and tax transparency lead to meaningful action and, eventually, more equitable and accountable tax systems.

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118 Kevin Grieco, "Can Traditional Political Institutions Help the State Raise Revenue?" (Sierra Leone Tax for Development Conference, Freetown, December 8, 2022); Pablo Balán et al., "Local Elites as State Capacity: How City Chiefs Use Local Information to Increase Tax Compliance in the Democratic Republic of the Congo," American Economic Review 112, no. 3 (March 1, 2022): 762–97, https://doi.org/10.1257/aer.20201159; Vanessa van den Boogaard, "Informal Revenue Generation and the State: Evidence from Sierra Leone" (PhD thesis, Toronto, University of Toronto, 2020), https://tspace.library.utoronto.ca/handle/1807/103437?mode=full.

119 e.g., Vanessa van den Boogaard, Wilson Prichard, and Samuel Jibao, "Informal Taxation in Sierra Leone: Magnitudes, Perceptions and Implications," African Affairs 118, no. 471 (2019): 259–84.

120 Fariya Mohiuddin and Paolo de Renzio, "Of Citizens and Taxes: A Global Scan of Civil Society Work on Taxation," IBP Working Paper (International Budget Partnership, 2020), https://www.internationalbudget.org/wp-content/uploads/cso-tax-scan-november-2020.pdf; Samuel Sharp, Stephanie Sweet, and Alina Rocha Menocal, "Civil Society Engagement in Tax Reform," ODI Report (Overseas Development Institute, 2019).

121 Anne Mette Kjær et al., "When 'Pockets of Effectiveness' Matter Politically: Extractive Industry Regulation and Taxation in Uganda and Tanzania," The Extractive Industries and Society 8, no. 1 (March 2021): 294–302, https://doi.org/10.1016/j.exis.2020.12.010.

122 Paolo de Renzio and Jason Lakin, "A Taxing Journey: How Civic Actors Influence Tax Policy: Lessons from Seven Case Studies on Civil Society Engagement," IBP Working Paper (International Budget Partnership, 2020), https://www.internationalbudget.org/wp-content/uploads/tax-synthesis-december-2020.pdf.

Stocktaking the ATI Declaration 2020

Introduction

The original ATI Declaration 2020 was agreed at the Third International Conference on Financing for Development in Addis Ababa in 2015. This Declaration set out three areas of commitments to be met by ATI members over the period 2015-2020, namely: i) expanding ODA for DRM by development partners; ii) expanding tax revenue levels by partner countries; and iii) improving policy coherence for promoting DRM by development partners and partner countries. This chapter presents a stocktake of the progress that was achieved in relation to these commitments during 2015-2020, identifying the areas where progress was made, the gaps that remained in meeting them by 2020 and to better guide members' actions to meet the post-2020 commitments.

Methodology

The ATI Declaration 2020 monitoring focussed on three main sets of indicators, set out below:

- **Expanding ODA for DRM** – As with ATI Declaration 2025, this policy area was monitored utilising data reported by the twenty ATI development partners (DPs) on their Official Development Assistance (ODA) in support of domestic resource mobilisation (DRM). Data for this indicator is based initially on the ODA levels DPs report to the OECD's Development Assistance Committee, which DPs are then given an opportunity to check and revise on the basis of the latest information they hold on relevant ODA activities.
- **Expanding tax revenue levels** – The ATI Declaration 2020 emphasised levels of tax revenues collected by ATI partner countries. Data for this indicator is gathered from the Government Revenue Dataset (GRD) produced by the International Centre for Tax and Development (ICTD) and managed by United Nations University World Institute for Development Economics Research (UNU-Wider). This dataset analyses and synthesises information on government revenues from all available sources, especially the IMF, and combines it into a single research dataset. This source is also part of the current monitoring framework as it provides the most up to date data for revenue levels while including most of ATI partner countries.
- **Improving policy coherence for DRM** – The ATI Declaration 2020 emphasised the importance of all ATI members ensuring that relevant domestic tax policies reflect the joint objective of supporting improvements in domestic resource mobilisation in partner countries. Monitoring of this commitment was undertaken through self-reported data and information gathered through the ATI Monitoring Survey on Commitment 3. This survey monitored efforts to develop policy coherence for DRM strategies and relevant actions in the following areas: illicit financial flows (IFFs), international tax cooperation, tax incentives for investment (partner countries only), coherence of double taxation agreements, taxation of official development assistance (ODA) support, DRM and green growth, and any other topics (for example, trade and health).

Addis Tax Initiative

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Findings

ODA for DRM levels

Over the period 2015-20, ATI development partners increased their annual gross ODA disbursements for DRM by 59.9%, from USD 220.6 million (in 2015) to USD 352.68 million (in 2020). Therefore, ATI development partners did not meet their ATI Declaration 2015 commitment to collectively double their ODA for DRM over the period 2015-2020, and fell short by USD 88.5 million in funding (see figure 9 below). Fulfilling the ATI Declaration 2025, which commits ATI development partners to maintain or surpass this doubling target (i.e., USD 441.1 million), will therefore require them to rapidly increase their ODA for DRM.

In the case of commitments, their level increased by 93.2% over this period, from USD 187.5 million (in 2015) to USD 362.27 million (in 2020). Levels of ODA for DRM therefore became more predictable during 2015-20, with disbursements more closely matching commitments.

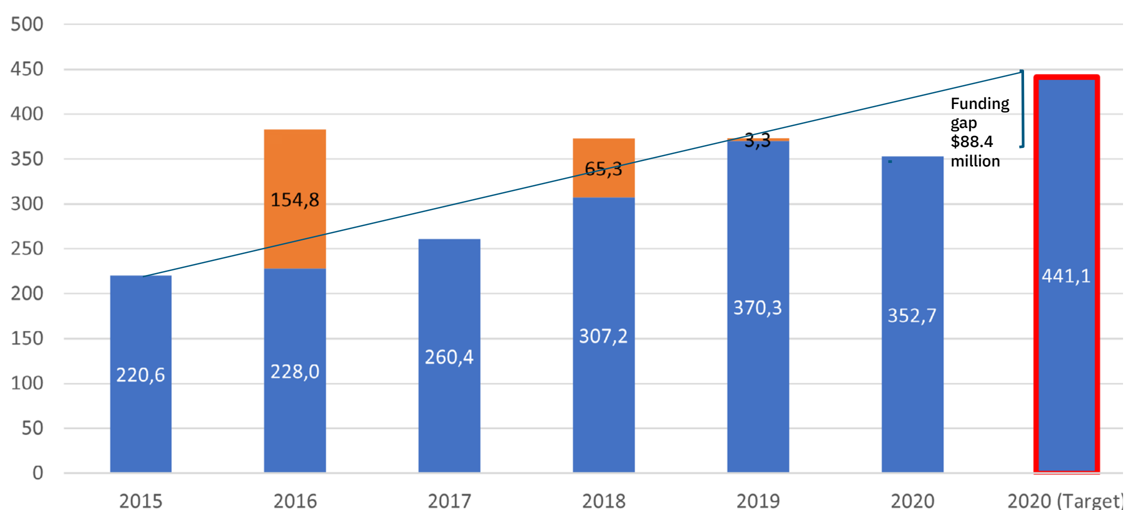

Figure 9 - Gross ODA disbursements for DRM, 2015-2020, and the funding gap to the 2020 target (USD millions, current prices)

Source: ATI database on ODA for DRM

Note: The 2015 total includes 2014 disbursement figures for Belgium and the UK (which apply a 2014 baseline).

Amongst individual ATI development partners, **eight[123] out of 20 at least doubled their annual disbursements of ODA for DRM over the period 2015-2020, and the EU exceeded the target in 2018 and 2019. In addition another five[124] increased their ODA for DRM by more than 70% and the other seven either increased their ODA for DRM by less than 50% (three) or reduced it (four) over this period.**

During 2015-2020, **the region receiving the largest proportion of ODA for DRM from ATI development partners has been sub-Saharan Africa.** However, since 2017 **its share has fallen consistently, from 44.8% in 2017, to reach 29.4% in 2020.** In addition, **the proportion of ODA for DRM from ATI development partners provided to Least Developed Countries (LDCs) fell to**

[123] EU, France, Germany, Ireland, Luxembourg, Netherlands, Slovakia, Sweden and Switzerland.

[124] Australia, Belgium, Korea, Norway and Slovenia.

35% in 2020 (just above its level of 28.9% in 2016), after having increased during 2016-2019, and reaching a peak of 43.9%. Overall, these results suggest that **ODA for DRM from ATI development partners has become less focussed on the poorest countries over the period 2015-20**. During 2020 donors were though supporting the response to the significant crisis caused by the COVID-19 pandemic across many partner countries, which disrupted many DRM programmes.

Raising tax revenues

The average tax-to-GDP ratio in 2020 for the 25[125] ATI partner countries for which data is available across the period 2015-2020 was 14.20%, leaving these levels at just above those achieved by these ATI partner countries in 2015 (14.16%). Levels of tax-to-GDP in 2020 for ATI partner countries were significantly below those achieved in 2019 (14.91%) and brought to an end an increase in these levels since 2016 (when they were 13.95%). The reduction in tax-to-GDP levels in 2020 seems to have been driven in large part by the negative impact of the COVID-19 pandemic on the economies of ATI partner countries, which has reduced revenue-raising opportunities (IMF, 2020) and required tax reductions to help stimulate economic activity (Gupta and Liu, 2020). Without the significant external shock created by COVID-19, ATI partner countries would have likely achieved increases in average tax revenue levels over the period 2015-2020. It is though important to note, that the average increase of 0.84 percentage points achieved by these countries over the period 2016-2019 is still modest and left average revenues at below the 15% minimum level thought to be required to ensure that basic services can be provided to their citizens (Walliser, 2018).

[125] Data was not available across this period for five ATI partner countries – Cameroon, Ethiopia, Pakistan, Tanzania and Togo.

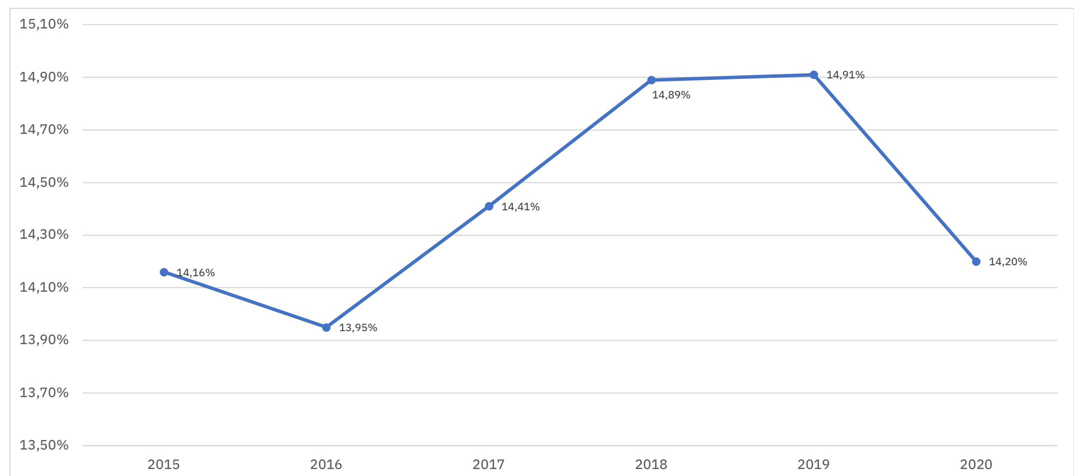

Figure 10: Average tax-to-GDP ratios for ATI partner countries, 2015-2020

Source: Government Revenue Dataset, UNU-Wider, 2022

Looking across individual ATI partner countries, **comparing performance in 2015 to that achieved in 2020, 12 of the 25 ATI partner countries for which data is available increased their tax-to-GDP levels, with Nepal increasing this figure by 7.38 percentage points, Mongolia by 3.47 percentage points and Zambia by 2.03 percentage points, with five countries increasing their tax-to-GDP levels by 1-2 percentage points.** Amongst the 13 ATI partner countries whose tax-to-GDP level in 2020 was lower than that achieved in 2015, **for six countries these reductions were less than 1 percentage point, for three these reductions were 1-2 percentage points, for three these reductions were 2-3 percentage points and for Solomon Islands the reduction was by 4.84 percentage points.** The ATI Declaration 2025, which commits ATI partner countries to enhance their DRM efforts, will therefore require them to further strengthen their efforts to expand revenue levels and exceed their current performance.

In terms of the composition of tax revenues, **over the period 2015-2020 taxes on goods and services have been by far the most significant contributor to total tax revenues for ATI partner countries, although their average share of total tax revenues has generally fallen gradually between 2017 (43.4%) and 2020 (41.6%). After falling during 2015-17, the average share of taxes on income, profits and capital gains amongst ATI partner countries has grown marginally between 2017 (34%) and 2020 (36.3%). The average share of taxes on international trade and transactions amongst ATI development partners has fallen from 19.6% in 2018 to 18% in 2020.**

During 2015-2020 ATI partner countries have also been working to improve their tax administrations, through utilising assessment tools such as the Tax Administration Diagnostic Assessment Tool (TADAT) and Public Expenditure and Financial Accountability (PEFA) to identify and address the weaknesses in their tax administration systems. **Amongst the current group of 30 ATI partner countries, only five had undertaken TADAT assessments in 2015, and this had increased to 22 by 2020. All of the ATI partner countries have undertaken PEFA assessments.** ATI Declaration 2025, which commits ATI partner countries to ensure that their tax administrations are efficient, effective and transparent, will require these countries to better utilise these and other initiatives for identifying and addressing weaknesses in their tax policies and administrations, and the appropriate technical and financial support for enabling partner countries to implement these measures.

Policy coherence for promoting DRM

The ATI monitoring survey carried out in 2021 identified that, of the 18 responding ATI development partners, only eight have some sort of strategy in place for addressing policy coherence that at least references DRM issues, although 14 had formal or informal structures that support cross-government engagement on DRM issues.[126] This suggests that ATI development partners are still not adequately pursuing strategic and coordinated policy responses to the challenge of promoting DRM efforts in partner countries.

The ATI monitoring survey carried out in 2021 also identified that:

- Of the responding 21 ATI member countries, 19 state to have an exchange-of-information relationship reflecting the international standard on exchange of information for tax matters with other countries. Of the responding 14 ATI development partners, all confirm that they have an exchange-of-information relationship with some ATI partner countries.
- All ATI development partners and 13 ATI partner countries are formally participating in the OECD/G20 Inclusive Framework on BEPS.
- All ATI development partners and 15 ATI partner countries are signatories to the Convention on Mutual Administrative Assistance in Tax Matters.
- All but one ATI development partner and seven ATI partner countries are signatories to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).
- 21 ATI partner countries have previously published tax expenditure data, 13 of these on a regular basis. Only Benin, Liberia and Mauritania have published very disaggregated data, with only Liberia publishing such data on a regular basis.

The results suggest that significant progress has been made in securing commitment to international agreements and partnerships. However, the benefits of these agreements and partnerships will depend on full and consistent application.

[126] A question on these development partner strategies and cross-government efforts on DRM was not included in the 2020 ATI Monitoring Survey performed during 2022. Nevertheless, this data can serve as a stocktake for progress to 2020, as it reflected the situation in 2021.

Addis Tax Initiative
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ATI supporting organisations

Introduction

ATI supporting organisations include international organisations, forums, academic institutions, civil society organisations and private sector foundations that endorse the objectives of the Addis Tax Initiative (ATI) and provide technical assistance and other forms of support to enhance domestic revenue mobilisation (DRM) in partner countries. Supporting organisations differ within the scope of their activities, focus areas, country portfolios and modes of delivery.

In 2021/22 an additional supporting organisation joined the Addis Tax initiative – the South Centre. This brings the total number of supporting organisations which have officially endorsed the ATI to 20.

The 2020 ATI Monitoring Survey provided supporting organisations with an opportunity to report on their priorities and recent activities in support of DRM efforts. Seven of the 20 ATI supporting organisations provided responses to the survey, an overview of which is presented below.

Findings

International Monetary Fund (IMF)

The IMF's Fiscal Affairs Department's work on DRM issues consists of both its strong advocacy of policies to promote more adequate and efficient revenue mobilisation in developing countries and its commitment to scale up its tax capacity development support.

Commitment 1 - In relation to tax policy this support focuses on providing general tax policy reviews and specific tax policy advice, particularly in the areas of income tax (including international corporate taxation), value-added tax, carbon taxation, and taxation of natural resources (including oil and gas) to improve tax systems' economic efficiency, distributional fairness, and transparency. In relation to revenue administration, this work support focusses on strengthening tax and customs administration, including the collection of social security contributions. In recent years, the IMF has also supported ATI partner countries to respond to the challenges of COVID-19 by catering to the short-term fiscal needs of the IMF's members and helping position them for the recovery phase. The IMF has a comprehensive program on fiscal issues from a gender perspective, that includes capacity development activities, seminars/training and analysis. In recent years the IMF has evolved its approach to capacity development towards providing multiyear programmatic support focusing on transformational fiscal reforms.

Organisation for Economic Cooperation and Development (OECD)

The OECD continues to offer a wide range of support to partner countries, primarily on international tax issues, but also in other policy areas.

Commitment 1 – The OECD has undertaken recent work on supporting the digitalisation of developing country tax administrations, and has also been implementing the Digital Transformation Maturity Model (DTMM) and the Inventory of Tax Technology Initiatives. The OECD has also been supporting research and discussion on tax and gender issues, including a working paper docu-

menting country approaches to tax policy and gender, and a workshop on the role of taxation in achieving gender equality. The OECD's Global Forum has enabled African countries to identify over EUR 1.2 billion of additional revenues through offshore tax investigations and voluntary disclosure programmes.

Commitment 2 - The OECD Development Assistance Committee's Creditor Reporting System provides the mechanism for tracking progress against commitment 2, and the OECD engages in continuous work to develop this system in collaboration with its members.

Commitment 3 – The OECD works extensively on international standards relating to Base Erosion and Profit Shifting (BEPS), exchange of information and VAT on e-commerce. Accelerated by the Covid-19 pandemic, since 2020, OECD has expanded online provision of its technical assistance (TA) has been the main development. This form of TA has been more accessible, with over 23,000 officials able to participate in OECD virtual training in 2021 and female tax officials making up 56% of all e-learning participants. Another key initiative has been the expansion of the OECD's Tax Inspectors Without Borders programme, which has realised over USD 1.6bn in additional revenues since its launch.

Commitment 4 – As a default practice, the OECD undertakes public consultations in developing its international tax standards. In 2020 formal consultations were undertaken to feed into a review of country-by-country reporting, on rules related to sellers in the 'sharing and gig economy', on a draft toolkit on tax treaty negotiations and on transfer pricing issues.

Oxfam

Oxfam has been working on DRM issues for some time, and has developed a range of country partnerships and programmes addressing these issues.

Commitment 1 - In Uganda, Oxfam influenced the Government on the its first Domestic Revenue Mobilisation strategy 2019/20-2023/24, and partnered with local organisations to support three cities - namely Gulu, Soroti and Arua- with the development of the Local Revenue Enhancement Plans. It also worked with Tax Justice Network Africa and SEATINI to analyse how the Ugandan tax system is impacting gender equality.

Commitment 3 – In Kenya, Oxfam's private sector engagement programme, 'The Tax Dialogue', has engaged with both foreign investors and large domestic companies to increase their compliance and transparency around their tax practices. It has also contributed to work around promoting an improved legal framework around beneficial ownership registration and commissioned a study on the compliance of large taxpayers.

Commitment 4 - In Ghana, Oxfam worked with Natural Resource Governance Institute (NRGI) and the African Centre for Energy Policy (ACEP) to develop a study on mitigating the socio-economic impact of extraction on women in Ghana, which focused on royalty-sharing mechanisms with communities (with a strong gender focus) affected by extractive projects. In Sierra Leone, Oxfam and its partners successfully promoted attention on the issue of tax incentives during the 2018 election, which led the new government to stop the granting of new incentives and create an independent council with participation of civil society to review existing tax incentives and exemptions. In addition, Oxfam has worked to promote citizen dialogues around taxation and budgets in Burkina Faso, on the transparency and tax compliance of the extractive sector in Senegal and Tanzania, and on corruption and budget transparency issues in the Solomon Islands.

Save the Children

Save the Children believes that progressive and accountable tax policies are vital for fair, effective and sustainable development finance to fund service delivery for all children, particularly those social groups that have historically been excluded or discriminated against.

Commitment 4 - Save the Children is working to increase civil society engagement in subnational tax policy development in the Bungoma and Wajir counties in Kenya, focussing on promoting effective social service delivery to marginalised children and families, particularly during COVID-19. In these counties, Save the Children has helped to expand public awareness of fiscal policies through radio programmes and foster positive relationships between property owners, the business community and local government in an effort to increase tax compliance. As a result of this civic engagement, the county governments have adopted a number of new tax reforms to cushion the most vulnerable and marginalized children and families, particularly during the COVID-19 pandemic, while still increasing county revenue.

South Centre

The South Centre's work on tax is organised under its 'Tax Initiative', which aims to improve research and analysis on tax issues by developing country authorities and academics; strengthen developing countries' engagement and coordination in international tax cooperation forums and activities; and facilitate cooperation amongst developing country authorities on international tax issues. To date this work has supported partner countries to strengthen their engagement in the following areas: tax treaty negotiation; Transfer Pricing; taxation of the Digital Economy; Exchange of Information; risk assessments; and VAT (ATI commitment 1 and 3).

During 2020 the South Centre organised events for its partners on tax policy options for funding the post-COVID recovery, taxing high net worth individuals and the informal sector, and equity in global tax regimes and linkages to the SDGs. It also produced publications on 'National Measures on Taxing the Digital Economy' and 'The Role of South-South Cooperation in Combatting Illicit Financial Flows', and submitted formal comments to international consultations on Financial Accountability Transparency and Integrity for Achieving the 2030 Agenda, the United Nations Model Double Taxation Convention Between Developed and Developing Countries, the tax consequences of the digitalized economy, and on improving cooperation in tax matters (ATI commitment 1 and 3).

Tax Justice Network Africa

Tax Justice Network Africa (TJNA) is a network of 44 civil society organisations operating in 25 countries across Africa. At the national level it works to establish national civil society tax platforms that engage with their respective governments on issues related to DRM.

Commitment 3 - TJNA works with members of parliament through its African Parliamentary Network on Illicit Financial Flows and Taxation (APNIFFT), a pan-African platform that provides capacity building for legislators on topics including illicit financial flows, tax governance and DRM. Currently the network consists of over 300 members of parliament from across the continent.

Commitment 4 – TJNA has developed the Fair Tax Monitor tool to help its members to generate technical evidence around equity issues related to tax in order to engage with governments. In Liberia, TJNA worked with its national civil society member, Integrity Watch, to build the technical expertise of Liberian members of parliament. As a result of this training, in early 2022, the members of parliament requested that the executive to re-look at an amendment of a mineral development agreement as they identified several clauses that were problematic and not in the best interest of Liberia.

World Bank

The World Bank's work on DRM focusses on promoting more and better revenues to achieve the SDGs. This approach seeks to provide countries with a stable, predictable and sustainable fiscal environment, and promote fairness, equity and inclusive growth to build trust.

Commitment 1 - A key element of this support is promoting digitalisation of revenue administrations, e.g. in relation to tax and customs. Examples of the in-country work being done by the Bank on DRM include its technical assistance to support the Government of Ethiopia (GOE) to enhance its tax revenue collection capacity efficiently and equitably, to strengthen customs processes and border management in Niger, to promote utilisation of satellite and machine learning technology to support improvements to property tax administration and collection in Rwanda and to help the Punjab government assess the gender implications of the Urban Immovable Property Tax in Pakistan. The World Bank is also using its Commitment to Equity (CEQ) methodology to assess the incidence of tax and expenditure, thereby helping to inform fiscal policy decisions that can improve inequality and poverty, including in relation to gender.

Commitment 3 - The World Bank's international tax support (including on Illicit Financial Flows) aims to increase revenues and improve progressivity. Main topics include transfer pricing, tax treaty policy, tax transparency, preferential tax regimes, dispute resolutions, digital economy, other BEPS issues, and tax evasion and IFFs.

Conclusion

2020 was a pivotal year for the Addis Tax Initiative (ATI), with the ATI Declaration 2020 coming to an end and the ATI Declaration 2025 beginning. It has therefore been an important moment for assessing progress achieved on and accountability for ATI's past commitments and setting the foundation for the delivery of ATI's ongoing commitments.

In relation to mobilising tax and other revenues (Commitment 1), 2020 was a challenging year, given the economic and political challenges posed by the COVID-19 pandemic. As a result, the progress in expanding tax revenues that was achieved during 2015-19 could not be sustained, leaving average tax revenues only slightly higher in 2020 (14.2%) than in 2015 (14.16%). However, this earlier progress and the improvements to tax administrations have provided a strong foundation for achieving the ATI Declaration 2025 commitments. The new emphasis of ATI Declaration 2025 on issues such as tax gaps, managing tax arrears and use of tax policy to promote environmental sustainability and gender equality will help to ensure that the period to 2025 will allow ATI partner countries to develop more robust and sustainable tax systems.

In relation to mobilising ODA for DRM (Commitment 2), 2020 was also a challenging year, because development partners faced very significant emergency demands in using ODA to support the economic, health, and social response to the COVID-19 pandemic. This context resulted in ATI development partners not being able to meet their ATI Declaration 2020 commitment to collectively double their ODA for DRM with a funding gap of USD 88.5 million, although levels of ODA for DRM had not been increasing rapidly enough before the pandemic to secure its delivery. This context therefore highlights the importance of ATI development partners scaling up their political commitment to addressing DRM challenges, and recognising that a sustainable recovery from the COVID-19 pandemic for partner countries will require strengthening revenue collection efforts and ensuring the support provided is driven by country priorities and needs.

In relation to promoting policy coherence for DRM (Commitment 3), during 2020 efforts have continued to mobilise political will and action to address the global tax and financial practices that undermine DRM efforts in partner countries. The endorsement of relevant international agreements and standards has continued, but whilst action to implement them has begun, progress has been too slow and it is therefore an urgent priority to rapidly scale-up their implementation. The focus of the ATI Declaration 2025 on better addressing issues relating to beneficial ownership transparency, tax expenditures, and understanding of spillover challenges will help to promote a more comprehensive adjustment to the global tax system.

In relation to supporting the role of accountability stakeholders on tax and revenue matters (Commitment 4), it is clear that despite attention growing in this area, there needs to be a dramatic scale-up in efforts to strengthen and facilitate their engagement. These efforts need to go beyond tokenistic measures and ensure that these actors can and do play a central role in the design, delivery, and oversight of tax policies and actions. Such action will not only help to strengthen tax administration and mobilisation, but it will also help to improve governance, the functioning of institutions vital to the development process, and ultimately the social contract.

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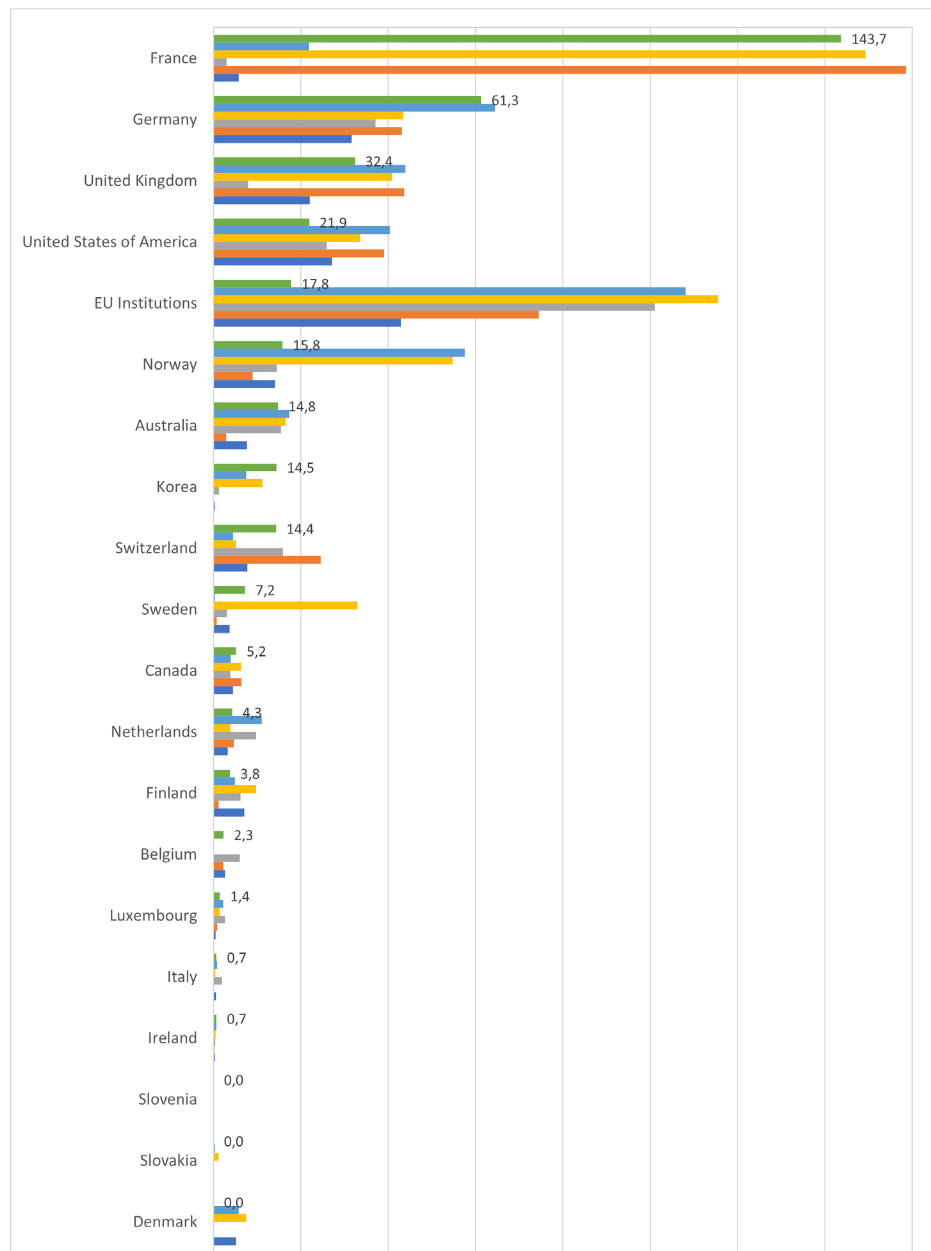
Annex



Annex 1: ATI development partners' support to DRM (gross commitments, USD millions, 2015 – 20)

Source: ATI database on ODA for DRM

Note: Belgium and the UK apply a 2014 baseline, so their figures for 2015 are based on reporting for 2014. Also, for the case of the EU, ODA commitment data prior to 2020 was collected at contract level. To align the DRM reported to OECD and ATI, the EU tested a new internal data collection method in 2020. As a consequence, the level of DRM commitments for the EU Institutions appears lower in 2020.

Country	*Amended Convention in force*	*Compliant in overall rating of EOIR requirements from peer review R2*	*A1*	*A2*	*A3*	*B1*	*B2*	*C1*	*C2*	*C3*	*C4*	*C5*
Australia	In force	Largely compliant	Partially Compliant	Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Belgium	In force	Largely compliant	Largely Compliant	Compliant	Compliant	Largely Compliant	Largely Compliant	Compliant	Compliant	Largely Compliant	Compliant	Compliant
Canada	In force	Largely compliant	Partially Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Denmark	In force	Largely compliant	Partially Compliant	Compliant	Partially Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Finland	In force	Largely compliant	Partially Compliant	Compliant	Partially Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
France	In force	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
Germany	In force	Largely compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
Ireland	In force	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Italy	In force	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
South Korea	In force	Largely compliant	Partially Compliant	Largely Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Luxemburg	In force	Largely compliant	Largely Compliant	Compliant	Compliant	Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
Netherlands	In force	Largely compliant	Partially Compliant	Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Norway	In force	Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Slovak Republic	In force	Largely compliant	Partially Compliant	Largely Compliant	Partially Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Slovenia	In force	R1: Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Sweden	In force	R1: Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Switzerland	In force	Largely compliant	Partially Compliant	Compliant	Largely Compliant	Compliant	Largely Compliant	Largely Compliant	Compliant	Partially Compliant	Largely Compliant	Largely Compliant
UK	In force	Largely compliant	Largely Compliant	Largely Compliant	Compliant	Partially Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
US	Signed	Largely compliant	Partially Compliant	Largely Compliant	Largely Compliant	Compliant	Compliant	Largely Compliant	Compliant	Compliant	Compliant	Largely Compliant

ATI Partner Countries

Afghanistan	-	-	-	-	-	-	-	-	-	-	-	-
Benin	Signed	NA	-	-	-	-	-	-	-	-	-	-
Burkina Faso	Signed	R1: Largely compliant	Partially Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
Cameroon	In force	R1: Largely compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
Ethiopia	-	-	-	-	-	-	-	-	-	-	-	-
Georgia	In force	R1: Largely compliant	Largely Compliant	Compliant	Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant	Compliant
Ghana	In force	Partially compliant	Partially Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Non-Compliant
Indonesia	In force	Largely compliant	Partially Compliant	Largely Compliant	Largely Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
Kenya	In force	R1: Largely compliant	Largely Compliant	Largely Compliant	Compliant	Compliant	Compliant	Largely Compliant	Partially Compliant	Compliant	Compliant	Partially Compliant
Liberia	In force	Partially compliant	Partially Compliant	Partially Compliant	Largely Compliant	Largely Compliant	Compliant	Largely Compliant	Compliant	Partially Compliant	Compliant	Largely Compliant
Madagascar	Signed	-	-	-	-	-	-	-	-	-	-	-
Malawi	-	-	-	-	-	-	-	-	-	-	-	-
Mongolia	In force	-	-	-	-	-	-	-	-	-	-	-
Namibia	In force	-	-	-	-	-	-	-	-	-	-	-
Nepal	-	-	-	-	-	-	-	-	-	-	-	-
Pakistan	In force	R1: Largely compliant	Partially Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant	Compliant	Partially Compliant
Paraguay	In force	-	-	-	-	-	-	-	-	-	-	-
Philippines	Signed	Largely compliant	Partially Compliant	Largely Compliant	Compliant	Compliant	Largely Compliant	Largely Compliant	Compliant	Compliant	Compliant	Largely Compliant
Rwanda	Signed	-	-	-	-	-	-	-	-	-	-	-
Senegal	In force	R1: Largely compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant
Sierra Leone	-	-	-	-	-	-	-	-	-	-	-	-
Solomon Islands	-	-	-	-	-	-	-	-	-	-	-	-
Tanzania	-	-	-	-	-	-	-	-	-	-	-	-
The Gambia	-	-	-	-	-	-	-	-	-	-	-	-
Uganda	In force	R1: Largely Compliant	Largely Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

ATI Partner Countries (Joined 2022)	Ecuador	In force	-	-	-	-	-	-	-	-	-	-	-
	Mauritania	In force	Largely Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compli-ant	Com-pliant	Compliant	Compliant	Partially Compliant
	Niger	-	-	-	-	-	-	-	-	-	-	-	-
	Togo	Signed	-	-	-	-	-	-	-	-	-	-	-
	Zambia	-	-	-	-	-	-	-	-	-	-	-	-

Annex 2: Compliance of EOIR standard ratings by ATI member countries

Source: Global Forum on Transparency and Exchange of Information for Tax Purposes, Compliance ratings following peer reviews against the standard of EOIR (link)

CTHI Indicators	*Harmful tax practices*			*CBCR*	
	Indicator 1	*Indicator 5*	*Indicator 6*	*Indicator 10*	*Indicator 11*
Australia	-	-	-	-	-
Belgium	92	69	0	50	100
Canada	-	-	-	-	-
Denmark	37	75	0	50	100
Finland	43	63	0	50	100
France	19	75	100	50	0
Germany	35	69	0	50	100
Ireland	100	81	0	50	100
Italy	24	56	0	50	100
South Korea	-	-	-	-	-
Luxemburg	99	50	13	50	100
Netherlands	86	81	0	50	100
Norway	-	-	-	-	-
Slovak Republic	40	19	0	50	100
Slovenia	46	63	0	50	100
Sweden	41	13	0	50	100
Switzerland	93	50	0	75	100
US	40	50	13	100	100
UK	46	38	13	50	100

Annex 3: Corporate Tax haven Indicators (CTHI) by ATI development partners

Source: Corporate Tax Haven Index – 2021 Results (link)

Addis Tax Initiative

AEOI	Signatory to CRS MCAA	# Activated AEOI relationshipsunder CRS MCAA
Australia	Yes	78
Belgium	Yes	50
Canada	Yes	67
Denmark	Yes	47
Finland	Yes	49
France	Yes	50
Germany	Yes	49
Ireland	Yes	48
Italy	Yes	48
South Korea	Yes	76
Luxemburg	Yes	50
Netherlands	Yes	47
Norway	Yes	77
Slovak Republic	Yes	49
Slovenia	Yes	50
Sweden	Yes	50
Switzerland	Yes	51
UK	Yes	71
US	-	NA

ATI Development Partners

ATI Partner Countries	Afghanistan	-	NA
	Benin	-	NA
	Burkina Faso	-	NA
	Cameroon	-	NA
	Ethiopia	-	NA
	Georgia	-	NA
	Ghana	Yes	72
	Indonesia	Yes	76
	Kenya	Yes	NA
	Liberia	Yes	NA
	Madagascar	-	NA
	Malawi	-	NA
	Mongolia	-	NA
	Namibia	-	NA
	Nepal	-	NA
	Pakistan	Yes	68
	Paraguay	-	NA
	Philippines	-	NA
	Rwanda	-	NA
	Senegal	-	NA
	Sierra Leone	-	NA
	Solomon Islands	-	NA
	Tanzania	-	NA
	The Gambia	-	NA
	Uganda	-	NA
ATI Partner Countries (Joined 2022)	Ecuador	Yes	68
	Mauritania	-	NA
	Niger	-	NA
	Togo	-	NA
	Zambia	-	NA

Annex 4: Automatic Exchange of Information Relationships by ATI member country

Source: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, Automatic Exchange Portal (link)

ATI Development Partners

Country	*Indicator 3*	*Indicator 4*	*Indicator 5*	*Indicator 6*	*Are bearer shares available?*
Australia	100	50	100	100	No, bearer shares are not available/not circulating.
Belgium	50	50	100	100	No, bearer shares are not available/not circulating.
Canada	100	100	100	100	No, bearer shares are not available/not circulating.
Denmark	50	50	70	50	No, bearer shares are always immobilised/registered by a public authority.
Finland	100	100	95	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
France	50	100	100	100	No, bearer shares are always immobilised/registered by a public authority.
Germany	75	100	60	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
Ireland	40	100	100	10	No, bearer shares are not available/not circulating.
Italy	65	50	95	90	No, bearer shares are not available/not circulating.
South Korea	100	100	100	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
Luxemburg	75	100	75	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
Netherlands	100	95	100	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
Norway	65	50	50	85	No, bearer shares are not available/not circulating.
Slovak Republic	65	40	40	100	No, bearer shares are always immobilised/registered by a public authority.
Slovenia	65	50	5	55	No, bearer shares are always immobilised/registered by a public authority.
Sweden	40	50	100	100	No, bearer shares are not available/not circulating.
Switzerland	100	88	100	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
UK	50	100	100	50	No, bearer shares are not available/not circulating.
US	100	100	100	100	No, bearer shares are not available/not circulating.

ATI Partner Countries	Afghanistan	-	-	-	-	-
	Benin	-	-	-	-	-
	Burkina Faso	-	-	-	-	-
	Cameroon	100	50	100	100	No, bearer shares are always immobilised/registered by a public authority.
	Ethiopia	-	-	-	-	
	Georgia	-	-	-	-	
	Ghana	40	50	0	100	No, bearer shares are not available/not circulating.
	Indonesia	75	50	100	100	Yes, but status is unknown.
	Kenya	75	50	100	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
	Liberia	100	50	100	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
	Madagascar	-	-	-	-	
	Malawi	-	-	-	-	
	Mongolia	-	-	-	-	
	Namibia	-	-	-	-	
	Nepal	-	-	-	-	
	Pakistan	100	50	0	100	No, bearer shares are not available/not circulating.
	Paraguay	50	50	100	100	No, bearer shares are not available/not circulating.
	Philippines	25	50	100	100	No, bearer shares are not available/not circulating.
	Rwanda	90	50	0	100	No, bearer shares are not available/not circulating.
	Senegal	-	-	-	-	
	Sierra Leone	-	-	-	-	
	Solomon Islands	-	-	-	-	
	Tanzania	100	50	0	100	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.
	The Gambia	100	50	100	100	No, bearer shares are not available/not circulating.
	Uganda	-	-	-	-	-
ATI Partner Countries (2022)	Ecuador	0	50	55	5	No, bearer shares are not available/not circulating.
	Mauritania	-	-	-	-	-
	Niger	-	-	-	-	-
	Togo	-	-	-	-	-
	Zambia	-	-	-	-	-

Annex 5: Beneficial ownership registers and bearer shares by ATI member country

***Source: Tax Justice Network** (link)*

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