

Report of the 2nd meeting of ATI Consultative Group 3: Coherent and coordinated policies for fostering DRM and combating tax-related IFFs

- Date: 9 March 2021, 14:00 – 15:00 (CET), virtually
- Participants: Alistair Lobo (United Kingdom), Arvinn Eikeland Gadgil (Norway), Brian McAuley (ADB), Chiara Putaturo (Oxfam), Dakila Napao (Philippines), David Dod (USA), Desma Natome (Norway), Erik Feiring (Norway), Geert Holterman (Netherlands), Gunilla Näsman (Sweden), Hira Nazir (Pakistan), Joseph Stead (OECD), Kenneth Matupa (Malawi), Lodovico Muratori (Italy), Marco Federici (European Commission), Marianna Macaskova (Slovakia), Milada Kucekova (Slovakia), Paolo de Renzio (IBP), Sebastiaan Wijsman (Netherlands), Tom Cardamone (GFI), Wim Assink (IBFD), Osman Berkay Denli (ITC), Tais Chartouni Rodrigues (ITC), Tobias Fleckenstein (ITC).
- Agenda:
1. Discuss and agree on the ATI Consultative Group 3 work plan for 2021
 2. Agree on way forward regarding the ATI post-2020 monitoring framework

The co-coordinators of ATI Consultative Group 3, **Mr. Sebastiaan Wijsman**, from the Directorate-General for International Cooperation of the Netherlands, and Ms. **Hira Nazir**, from the Federal Board of Revenue of Pakistan opened the meeting and welcomed the participants. After an introduction round, **Mr. Sebastiaan Wijsman** presented the agenda and its relevance in the context of the new [ATI Declaration 2025](#). ATI Consultative Group 3 will be dedicated to the implementation of the new ATI Commitment 3: “ATI members commit to applying coherent and coordinated policies that foster DRM and combat tax-related illicit financial flows (IFFs).”

ATI Consultative Group 3 work plan for 2021

Initially, the ITC/ATI Secretariat provided a quick recap of the [first meeting of ATI Consultative Group 3](#) that took place in November 2020, in which five main topics were discussed: (i) combatting tax-related illicit financial flows (IFFs); (ii) tax expenditures and tax incentives; (iii) ODA taxation; (iv) analysis of spillover effects; (v) promoting policy coherence. With this background, Ms. **Hira Nazir** introduced the proposed work plan for ATI Consultative Group 3 for 2021. The suggested work plan is based on these 5 pillars with different sub-activities:

1. **Tax-related IFFs**
 - Brief on ATI partner countries’ perspectives on tackling tax-related IFFs;
2. **Tax expenditure (including tax incentives):**
 - Presentation on the Global Tax Expenditure Database and follow-up events in cooperation with the German Development Institute (GDI) and the Council on Economic Policy (CEP);
 - Webinar series on different perspectives in improving tax expenditure transparency (Senegal, Mongolia)
 - Cooperation with Oxfam and Tax Justice Network Africa regarding Fair Tax Monitor tool which developed jointly to enhance transparency and accountability of national

tax systems. Uganda proposed a webinar on reforms of tax incentive regimes and civil society engagement;

3. **ODA taxation**

- Webinar on ODA taxation reforms by Netherlands, Norway, and others;

4. **Analysis of spillover effects**

- Online events on examples of ATI members' experiences conducting spillover analyses have been proposed by Netherlands, Norway;

5. **Policy coherence**

- Online event on fostering inter-agency cooperation on DRM support with country-experiences from Sweden, OECD and Ireland;
- Online event on BEPS Assessment Tool and a case study from Germany's technical cooperation in Zambia.

Mr. **Erik Feiring** expressed Norway's support to the proposed work plan. Additionally, they would be interested in further working on supporting the members in their policy coherence efforts. One approach could be a voluntary peer-review process or developing guidelines on policy coherence (what it means, how to foster it, etc.). This could also feed into the ATI post-2020 monitoring framework for ATI Commitment 3. Regarding the analysis of spillover effects, Norway will also get back to the Consultative Group 3 coordination team if there is anything to offer from their side. Mr. **Wim Assink** remarked that, regarding the analysis of spillover effects, his team has worked on Ireland and other case studies and suggested to share these experiences with ATI members. Also, another option is to share his team's experience on the BEPS assessment tool.

Mr. **Alistair Lobo** pointed out that, from the UK's perspective, the proposed work plan is comprehensive and sensible. Overall, capacity could be a question and the group should see which areas to prioritise and where the ATI can add the most value. In terms of the UK's priority areas, the issues around tax expenditures and incentives, especially in the Covid-19 context, are crucial. The high-level commitment through the ATI Declaration 2025 is a good start, and we can turn this into something tangible by defining what tax expenditure transparency means, what are the implications for the frequency and level of reporting, and the processes that need to be implemented. Political push by this group is key to put forward tax expenditure transparency and efficient tax expenditure practices into the agendas.

Mr. **David Dod** remarked that focusing on the current trends and the previous examples of the tax expenditure practices could inspire the group. Some of the major tax expenditure reforms are outdated now. It would be refreshing if some of the ATI partner countries could volunteer to share their experiences, progress, and information on the tax expenditure reforms. Mr. **Paolo de Renzio** volunteered to share IBP's project on tax expenditure transparency in Latin America, which could be useful for the group. Also, IBP has another project about the governments decision-making processes around tax expenditures, a more political economy approach to the topic. The paper will be ready in a few months and could be shared with the group.

Mr. **Dakila Napao** mentioned that the Philippines is close to passing a new legislation about tax expenditure and incentive plans. The country's experience with the tax expenditure reform and the relevant incentive plans could be interesting to be discussed within the group. By the next meeting, this new reform agenda and the planned incentives for the Philippines could be shared with ATI Consultative Group 3 members.

The ITC/ATI Secretariat welcomed the ideas presented by the ATI members and will integrate the proposals into the ATI Consultative Group 3 work plan, adding timelines to the respective activities. The draft work plan will be submitted to the ATI Steering Committee for approval.

Brief on ATI Partner countries' perspective on tackling tax-related IFFs

After the general discussion of the ATI Consultative Group 2021 work plan, Mr. **Sebastiaan Wijsman** presented the proposal of one of the main products to be developed by the group: a brief on ATI partner countries' perspective on tackling tax-related IFFs. The ATI Consultative Group 3 coordination team drafted a concept note, which will be circulated after the meeting. The proposal responds to the first topic discussed by the group, in particular the importance of sharing good practices and mapping capacity building activities towards combatting IFFs.

The research will have two main objectives. The first one is to provide a platform for partner countries to share experiences, recommendations and challenges in the implementation of measures to fight tax-related IFFs to foster peer-learning and disseminate lessons learnt, gaps in current policies. The second is to provide a collection of case studies regarding tools and capacity building activities, which support partner countries in curbing tax-related IFFs to enhance coordination and to disseminate good practices. ATI partner countries are invited to embrace this case study approach and the ATI Consultative Group 3 is looking for countries who are willing to share their experiences on combatting the IFFs as case studies.

The participants agreed on the relevance of the study. Mr. **Erik Feiring** pointed out that the proposal draws on the unique traits of the ATI membership. Mr. **Joseph Stead** also mentioned that, in terms of the tools, capacity building activities and case studies, the OECD has quite a few materials and can contribute to the group. Mr. **Wim Assink** agreed that the research proposal is relevant and promising for possible knowledge sharing activities, to which IBFD would be glad to contribute.

ATI post-2020 monitoring framework

Finally, Ms. **Hira Nazir** presented the general ideas of the concept note for the development of the ATI's post-2020 monitoring framework. There is a need for a comprehensive new monitoring framework to measure progress towards the achievement of the four new ATI commitments. Each ATI Consultative Group will contribute to the development of the monitoring framework for their respective commitment. This process will be facilitated by the ITC and an external moderator. The next step is to constitute sub-groups within the ATI Consultative Group 3 to carry out this task.

The participants agreed that the best approach for the development of the ATI post-2020 monitoring framework is through sub-groups. The ITC will share a call for expression of interest by email and the members of ATI Consultative Group 3 are invited to volunteer to participate in this discussion.

Lastly, the ITC raised the issue of possible cooperation between ATI Consultative Group 3 and the FACTI panel, taking into account their recently launched [report](#). Members agreed that a joint event to present and discuss the report could be an interesting in the future, and the ITC will follow-up on the topic.