Addis Tax Initiative

2021/22 ATI Monitoring Brief

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The International Tax Compact (ITC) is a provider of secretarial services for results-oriented initiatives in the area of tax and development. It aims to promote fair, efficient, and transparent tax systems for sustainable development. The German Federal Ministry for Economic Cooperation and Development (BMZ) has launched the ITC in 2009 and commissioned the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to facilitate the ITC. The ITC is currently funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and co-funded by the European Union.

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.

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Introduction

In 2021, the Addis Tax Initiative (ATI) Declaration 2025 was launched during the Financing for Development (FfD) Forum in New York. Building on the achievements of the original ATI Declaration from 2015 to 2020, the ATI Declaration 2025 contains four commitments that guide the ATI's vision of tax systems that work for people and advance the Sustainable Development Goals (SDGs).

The 2020 ATI Monitoring Report served a dual purpose: it established the baseline for the ATI Declaration 2025 and provided a stocktaking of the original ATI Declaration. While the original ATI Declaration was monitored yearly, ATI members agreed to monitor the progress against the four commitments of the Declaration 2025 less frequently. The next monitoring reports are planned for the reporting years 2023 and 2025, with their respective releases in 2025 and 2027.

This ATI Monitoring Brief covers the reporting years 2021 and 2022, offering ATI members with an interim picture of the progress made against the four ATI commitments. This brief differs from the next full-fledged monitoring exercise scheduled for 2025, as it focuses on a subset of the 31 indicators defined in the ATI Declaration 2025 Monitoring Framework. Most importantly, this analysis relies on publicly available data and excludes indicators that require monitoring surveys or consultations of government websites. All indicators analysed in this Monitoring Brief will be included in the 2023 ATI Monitoring Report, along with those not covered in this interim analysis.

Commitment 1

Commitment 1 of the ATI Declaration 2025 states:

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.

The ATI Monitoring Framework contains several indicators measuring the different components of the commitment "enhance DRM", "equitable tax systems", "efficient, effective, and transparent revenue administration", and "ATI development partners commit to support such reforms".

For "enhance DRM", the revenue-to-GDP ratio is analysed, using the Government Revenue Dataset (GRD) published by the United Nations University World Institute for Development Economics Research (UNU-WIDER) and the International Centre for Tax and Development (ICTD). 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.

The term "Equitable tax systems" is normally measured by the Commitment to Reducing Inequality (CRI) Index. However, it will not be used for this brief because the 2020 ATI Monitoring Report already used the most recent data available, which dates to 2021. A proxy for equitability can also be measured by the existence of a High Net Worth Individuals (HNWI) unit. For the purposes of this brief, this indicator is examined in more detail in order to gain insights into the equitability and efficiency of partner countries' tax systems. This information is available from the Tax Justice Network's (TJN) Key Financial Secrecy Indicator (KFSI) 11 on tax administration capacity.

"Efficient, effective, and transparent revenue administration" are measured by analysing the ratio of withholding tax of total tax revenue, using the African Tax Outlook (ATO) developed by the African Tax Administration Forum (ATAF). Another major source to assess tax administrations' performance is the International Survey on Revenue Administration (ISORA). Indicators using this data source will be included in the 2023 Monitoring Report and not analysed in this brief.

The extent to which ATI development partner support these reforms is measured by the amount of DRM support directed towards equitable tax policies and efficient, effective, and transparent revenue administration. This assessment is carried out by performing a specific key-word analysis based on data from the ATI DRM Database. The analysis of this indicator will be included in the 2023 Monitoring Report. The ATI DRM database is provided by the ATI Secretariat and incorporates data from the OECD DAC on CRS purpose code 15114, along with additional inputs by development partners. More information is available on the ATI website.

Total revenue

In 2021, the average revenue-to-GDP ratio for the 28 ATI partner countries with available data[1] was 17.7%, marking a substantial increase from the 2020 ratio of 16.9%[2]. The lowest ratio was observed in Bangladesh at 9.31%, while Namibia had the highest at 30.43%.

For 2022, the average revenue-to-GDP ratio was 16.15%. However, it's important to note that the GRD only provides data for 20 out of 32 ATI partner countries for that year[3], limiting the comparability to the 2021 average.

Figure 1 shows the revenue-to-GDP-ratios, broken down by tax and non-tax revenue, for ATI partner countries for the years 2021 and 2022. Namibia consistently shows the highest total revenue, exceeding 30% in both years. The lowest ration is recorded for Bangladesh, with 9.31% in 2021 and 8.68% in 2022.

1 Data was unavailable for the following countries for 2021: Afghanistan, Cameroon, Ethiopia, Togo. Please also note that currently, Afghanistan and Niger are suspended from the ATI.

2 Please note that in the 2020 ATI Monitoring Report, a slightly different figure was reported. The data source is the same, but as the GRD considers different data sources itself that might change and get updated over the years (both in terms of GDP and revenue), the figures are subject to change over the years.

3 Countries with missing data for 2022: Afghanistan, Burkina Faso, Cameroon, Ecuador, Ethiopia, Georgia, Maldives, Mongolia, Pakistan, Paraguay, Philippines, Togo.

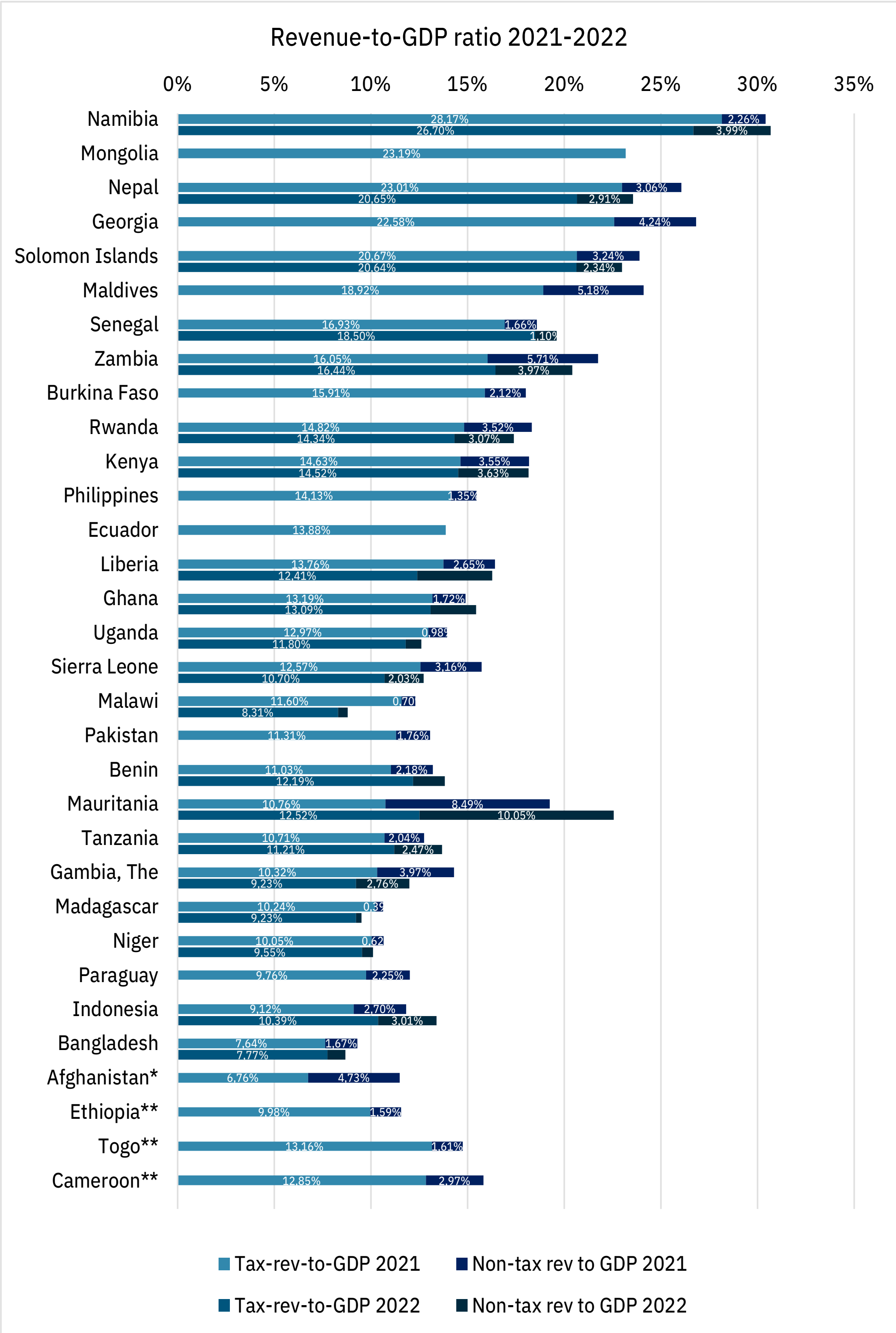


Figure 1

Source: Government Revenue Dataset (ICTD-UNU-Wider); Notes: * 2020 data; ** 2019 data; these data excludes social security contributions and grants.

To provide a clearer understanding of the revenue trends in each country, Figure 2 and Figure 3 below illustrate the changes in revenue from 2020 to 2021 and from 2021 to 2022, where data is available.

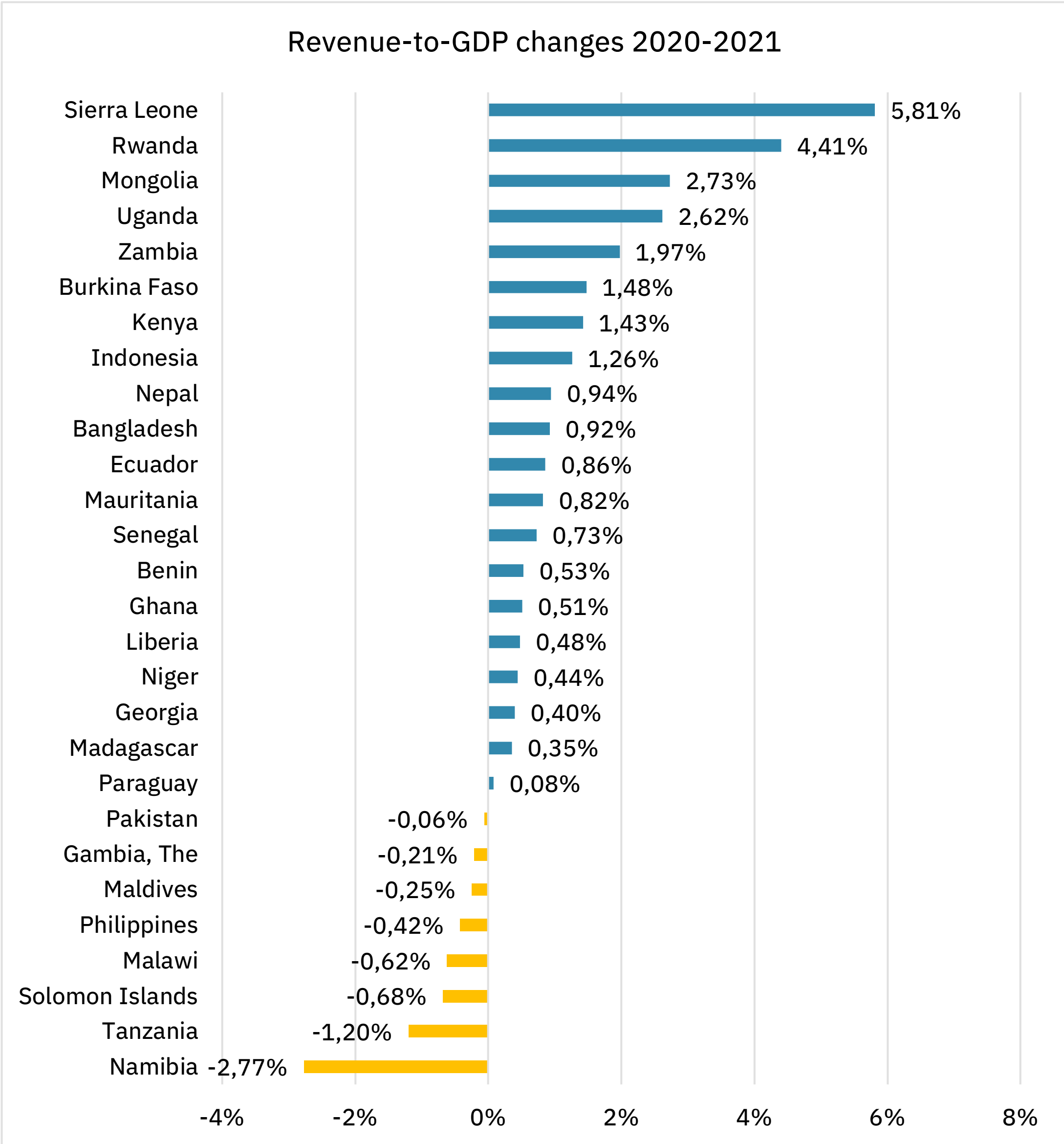


Figure 2

Source: Government Revenue Dataset (ICTD-UNU-WIDER).

In 2021, 20 out of 28 ATI partner countries with available data saw an increase in their revenue-to-GDP ratios compared to 2020. The average change across these countries was 0.86%.

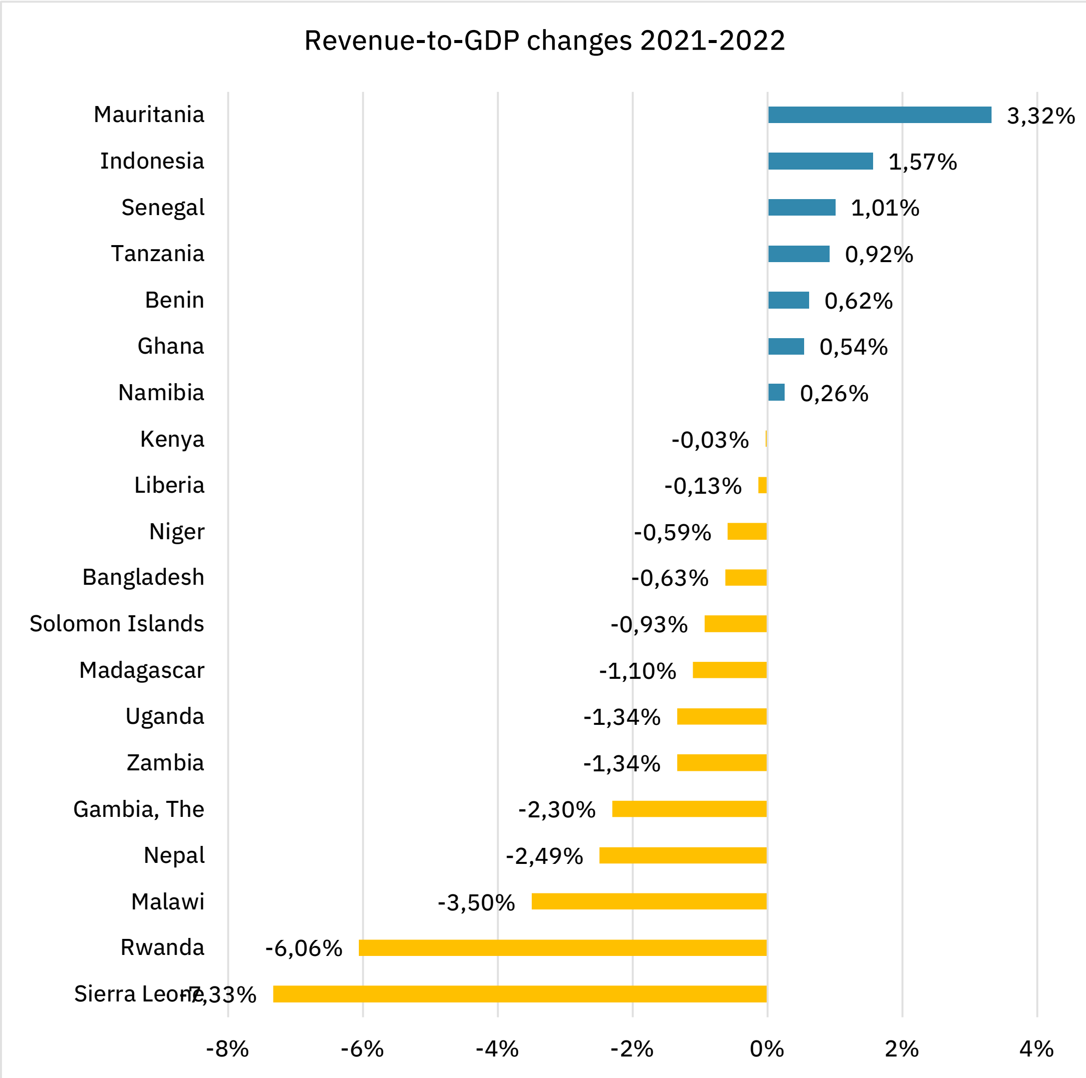


Figure 3

Source: Government Revenue Dataset (ICTD-UNU-WIDER).

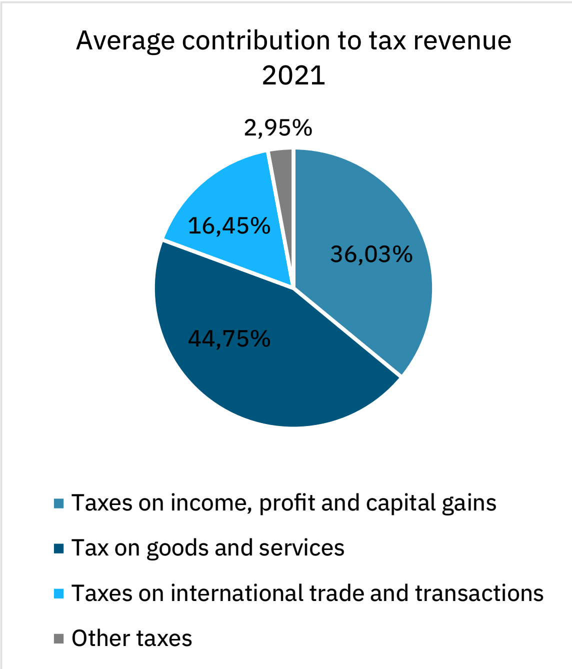
In 2022, 13 out of 20 countries with available data registered a decrease in their revenue-to-GDP ratios, with the average change being -0.98%. Among these countries, only five - Senegal, Ghana, Benin, Mauritania, and Indonesia - showed a sustained increase in revenue-to-GDP ratios from 2020 to 2022.

Revenue composition

Tax revenues constitute the largest source of revenues for ATI partner countries. In 2021, the average proportion of tax revenues in total revenues was 84.17%. The lowest proportion was observed in Mauritania at 55.91% and the highest in Madagascar at 96.35%.

In 2022, the average proportion of tax revenues to total revenues was 84.78%, with Mauritania and Madagascar again showing the lowest and highest proportions, respectively.

In terms of the composition of tax revenues, Figure 4 shows the average proportions of the four main categories of taxes for 2021 and 2022. In 2021, taxes on goods and services were the most important source of revenue for ATI partner countries, accounting for 44.75% of total tax revenue. Taxes on income, profit, and capital gains followed, contributing 36.03%. Taxes on international trade and transactions made up to 16.45%, while other taxes comprised 2.95%. This distribution is consistent with previous years.



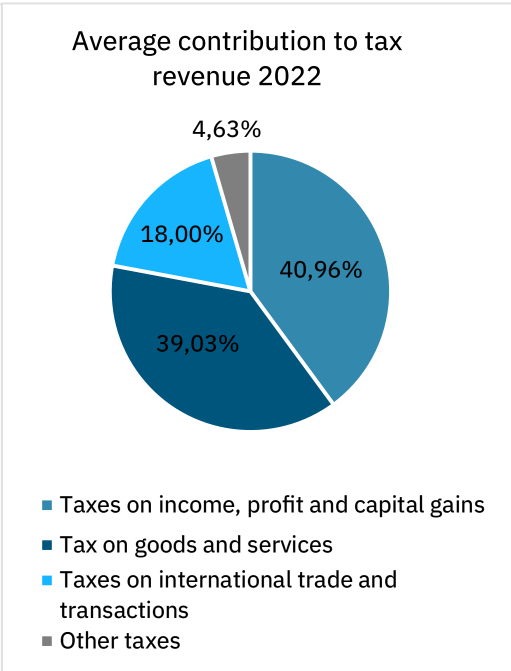


Figure 4

Source: Government Revenue Dataset (ICTD-UNU-WIDER).

Interestingly, this order changes for the year 2022. It is important to note that the figures for both years come from a different set of countries; hence, the changes from 2021 to 2022 cannot be interpreted as a trend. Nevertheless, for the 17 ATI partner countries with available data on revenue sources for 2022, taxes on income, profit, and capital gains constitute the largest source, making up 40.96% of total tax revenue, while taxes on goods and services ranked second with 39.03%.

Effective, efficient, and transparent revenue administration

The ATI Declaration 2025 commits ATI partner countries to strengthen the efficiency, effectiveness, and transparency of their tax administrations to better support DRM efforts. It also commits development partners to support these reforms. As outlined above, this monitoring brief only considered a subset of the indicators measuring these efforts.

High Net Worth Individuals

The data from the Tax Justice Network for 2022 indicates that four ATI partner countries have established HNWI units: Ecuador, Ghana, Indonesia, and Kenya. Among these, Ecuador is the only country which reported not having such a unit in the 2020 survey.

Referring to the 2020 baseline data, it is noteworthy that four additional countries - Cameroon, Niger, Uganda, and Zambia - reported having HNWI units in 2020, but did not provide data for the 2022 survey.

Withholding tax

Withholding tax is the amount of tax retained by one entity when making payments to another entity for goods supplied or services rendered by the payee. The African Tax Outlook presents information on 11 ATI African partner countries and the percentage of withholding tax as a share of total tax revenues which is displayed in Table 1. Green cells in the table indicate an increase compared to the previous year. On average, 6.21% in 2021 and 6.98% in 2022 of tax revenues in listed countries resulted from the taxes withheld by the tax authorities. In 2021, Liberia had the highest share, with approximately 10%, while Namibia had the lowest with roughly 1%. For 2022, Senegal shows the highest ratio at 17.28%, although there is no data available for Senegal for 2020 or 2021. Overall, there is a positive trend in withholding tax contributions among the 11 African partner countries for which data is available.

COUNTRY	2020	2021	2022
Benin	2,90%	3,23%	3,07%
Gambia	5,18%	5,11%	7,18%
Ghana	9,23%	7,38%	5,58%
Kenya	8,05%	8,19%	7,97%
Liberia	7,66%	10,01%	9,17%
Malawi	8,84%	9,40%	9,90%
Namibia	1,37%	1,17%	0,96%
Senegal	-	-	17,28%
Tanzania	5,37%	6,18%	6,11%
Togo	1,16%	1,66%	1,79%
Uganda	5,47%	6,34%	5,77%
Zambia	9,57%	9,60%	9,00%

Table 1: Share of withholding taxes in total tax revenues.

Source: African Tax Outlook (ATO - ATAF).

Commitment 2

Commitment 2 of the ATI Declaration 2025 states:

"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."

The ATI Monitoring Framework provides two indicators to measure progress on this commitment. The first one, which this chapter focuses on, examines whether ATI development partners have maintained or surpassed the 2020 global target level of 441.1 million USD of DRM cooperation. This analysis uses data from the ATI DRM Database, covering the years 2021 and 2022. The data is based on the Organisation for Economic Co-operation and Development Assistance Committee (OECD DAC) data for the Creditor Reporting System (CRS) purpose code 15114 and includes additional inputs from development partners. More detailed information can be found here.

The second indicator for Commitment 2 assesses the efforts of development partners to increase country ownership in partner countries and is based on a monitoring survey to development partners. This indicator is omitted from this analysis and will be included in the 2023 ATI Monitoring Report.

Overall flows of ODA for DRM from ATI development partners

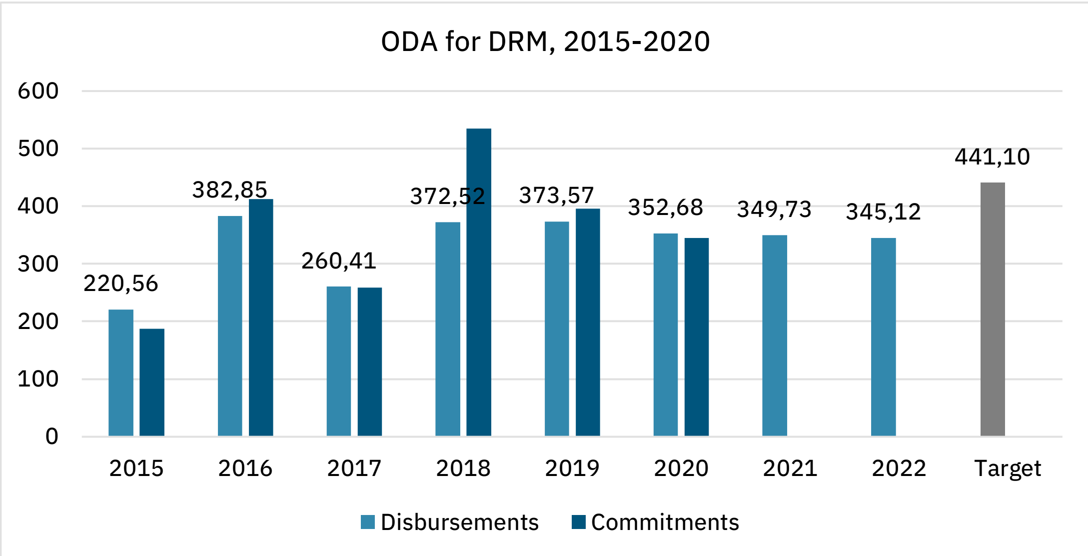


Figure 5

Source: ATI DRM Database. Notes: Since 2020, the ATI only monitors disbursements; currency is USD Millions; disbursements include both grants and loans.

Figure 5 illustrates the commitments and disbursements of ATI development partners from 2015 to 2022. In 2020, Official Development Assistance (ODA) disbursements for DRM purposes within the ATI amounted to USD 352.7 million; however, payments have decreased in both 2021 and 2022. The most recent figure for 2022 shows disbursements of USD 345.1 million, which represent a funding gap of USD 95.98 million against the target value.

Figure 6 displays the individual contributions of each ATI development partner from 2020 to 2022. During this period, the three largest donors were Germany, the European Union (EU), and Norway. Both Germany and the EU increased their disbursements from 2021 to 2022, with each recording contributions exceeding USD 90 million in 2022.

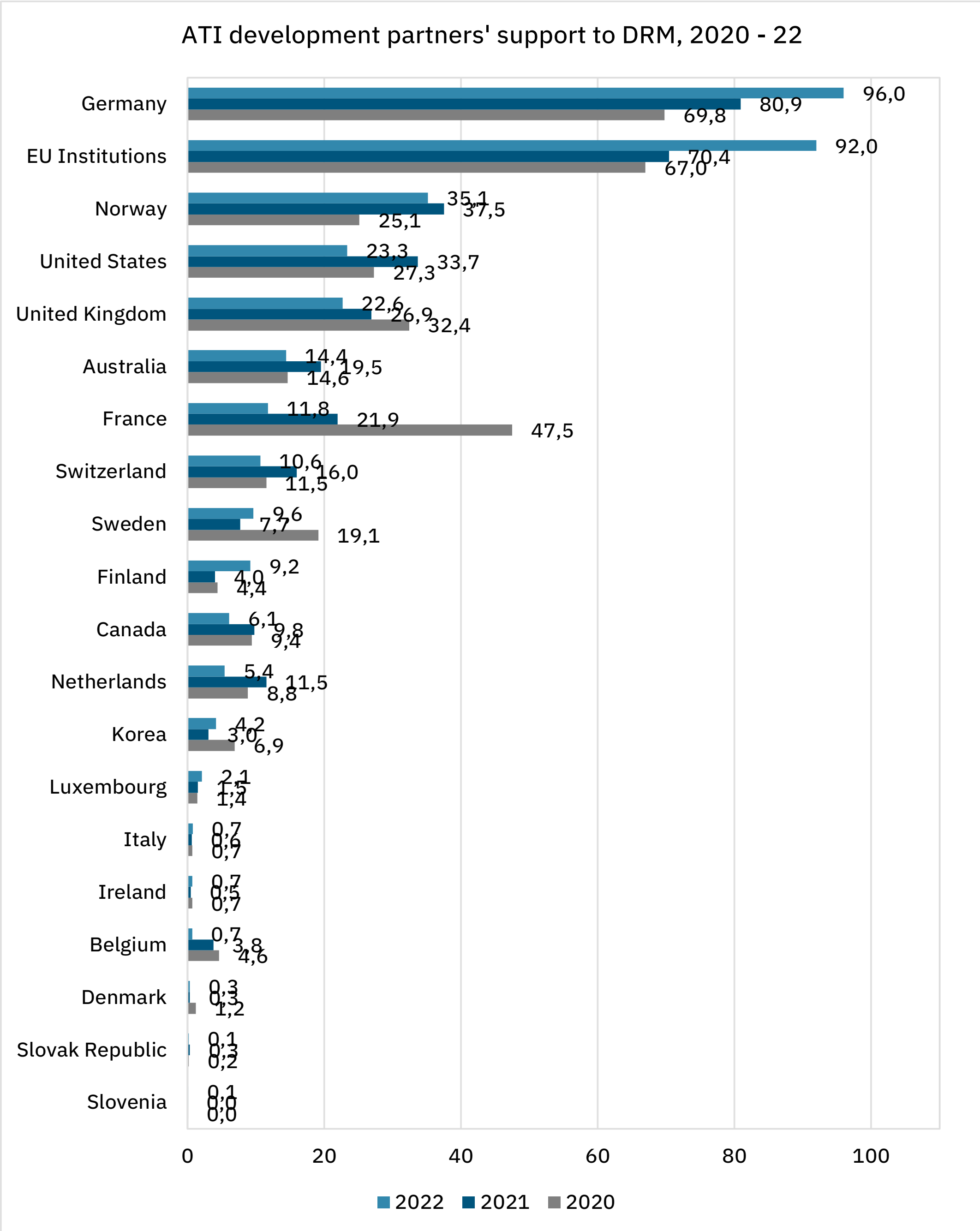


Figure 6

Source: ATI DRM Database. Note: Gross disbursements; currency is USD Millions.

Recipient countries of ATI development partners' support to DRM

COUNTRY	2021
Ghana*	17,84
Niger**	16,16
Afghanistan**	11,11
Uganda*	9,90
Ukraine	9,19
Mozambique	8,28
Cameroon*	8,19
Tanzania*	7,50
Tunisia	7,30
Indonesia*	6,79

COUNTRY	2022
Indonesia*	48,50
Tunisia	24,01
Ukraine	9,28
Mozambique	6,67
Tanzania*	6,15
Ghana*	5,68
Uganda*	5,54
Burkina Faso*	5,45
Albania	4,94
Zambia*	4,82

Table 2: Top 10 recipients of ODA for DRM by development partners.

Source: ATI DRM Database. Note: countries with * are ATI partner countries;** shows suspended ATI partner country.

Table 2 presents the top 10 recipients of ODA for DRM by ATI development partners in 2021 and 2022. In 2021, eight of the top 10 recipients were ATI partner countries, six of which were also among the top recipients in 2020.[4] In 2022, six ATI partner countries are in the top 10, with Burkina Faso and Zambia appearing on the list for the first time since 2020. This suggests a degree of diversification in funding allocation.

DRM support from ATI development partners to ATI partner countries

In 2021, USD 130.1 million (37.2%) of the total ODA support for DRM was disbursed to the 2024 group [5] of 32 ATI partner countries. In 2022, USD 115.4 million (33.4%) of ODA support accrued to ATI partner countries, indicating a slight decrease to the previous year. In that year, 23.7% of funds were dispersed without country specification.

Figure 7 shows the amounts received by all 32 ATI partner countries from 2020 to 2022. Among these countries, 20 experienced increased levels of ODA support from 2020 to 2021 (11 in 2022). The largest increase from 2020 to 2021 occurred for Ghana (from USD 10.8 to USD 17.84 million), while the most significant reduction happened for Indonesia (from USD 57.8 to USD 6.79 million). Conversely, Indonesia saw the largest increase in 2022 (rising to USD 48.5 million), while Niger registered the largest decrease (from USD 13.7 million to USD 1.5 million).

4 Indonesia, Afghanistan, Tanzania, Niger, Ghana, Cameroon.

5 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, 2020, 28 in 2021, 30 in 2022, and 32 partner countries in May 2024.

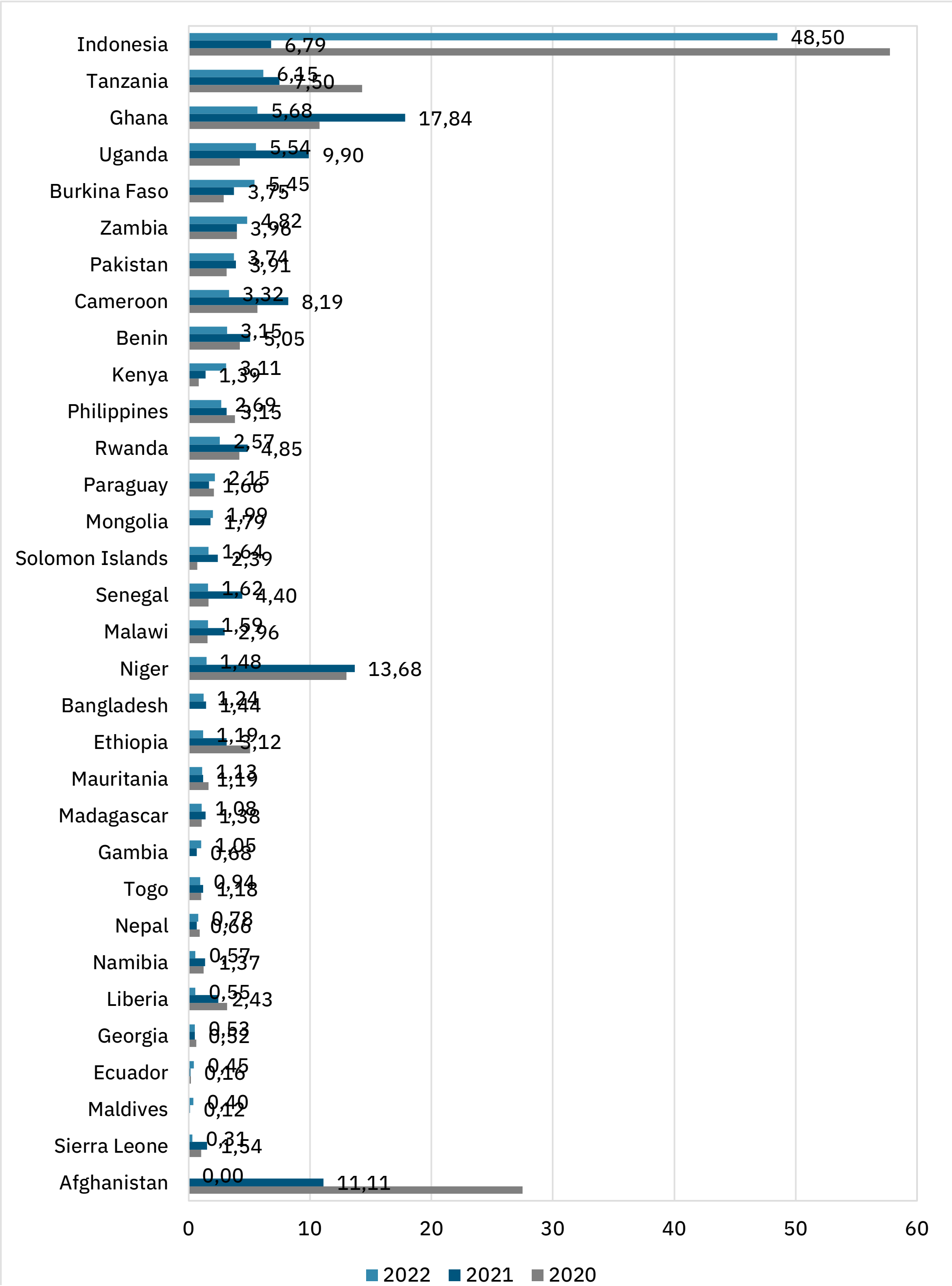


Figure 7 ODA support from ATI development partners to ATI partner countries (USD Millions, 2020-2022).

Source: ATI DRM Database.

Regions

In 2021, the South of Sahara region received the largest share of DRM support, accounting for 36.7% of ODA funds. This represents an increase from 29.4% in 2020. Projects with unspecified regional distributions comprised 25.7% of the total disbursements for that year. The remaining regions each represented proportions of below 7%, as illustrated in Figure 8.

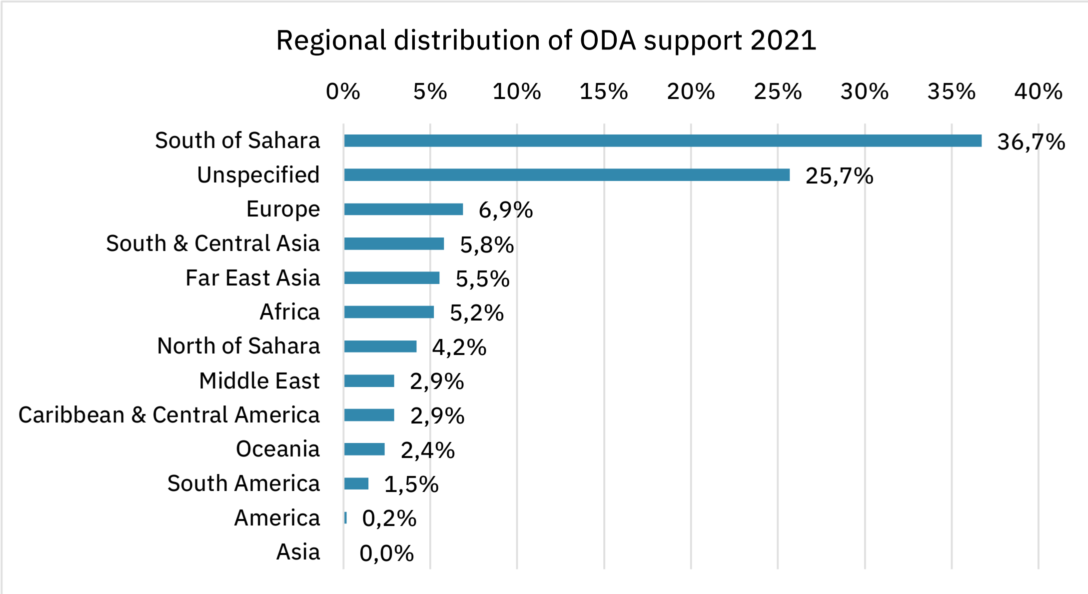


Figure 8

Source: ATI DRM Database.

The OECD DAC updated its selection of regions from the reporting year 2021 to 2022. Specifically, additional regions for Africa were included, which limits the comparability between 2021 and 2022. Figure 9 below shows that in 2022, unspecified contributions accounted for 23.7%, while Far East Asia represent the second highest share at 18.7%. This increase can mainly be attributed to a substantial contribution of USD 48.5 million towards Indonesia.

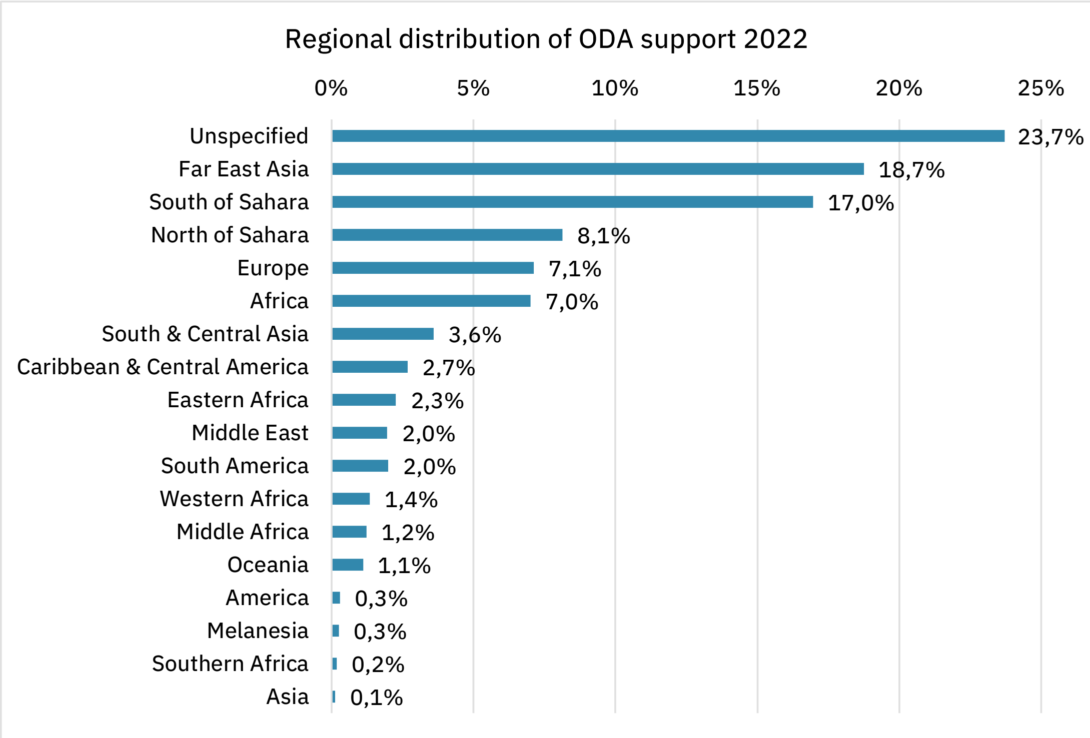


Figure 9

Source: ATI DRM Database.

Income groups

In both 2021 and 2022, over a third of ODA support was disbursed without specification of an income group. In 2021, least developed countries (LDCs) received roughly 32%, which represents a decrease from the 35% observed in 2020. Figure 10 shows a significant decrease in this proportion in 2022, dropping to 18.32%, the lowest level since 2015. Meanwhile, upper (UMICs) and lower middle-income countries (LMICs) both experienced increased levels of support, with the latter receiving over 10 percentage points more compared to the previous year.

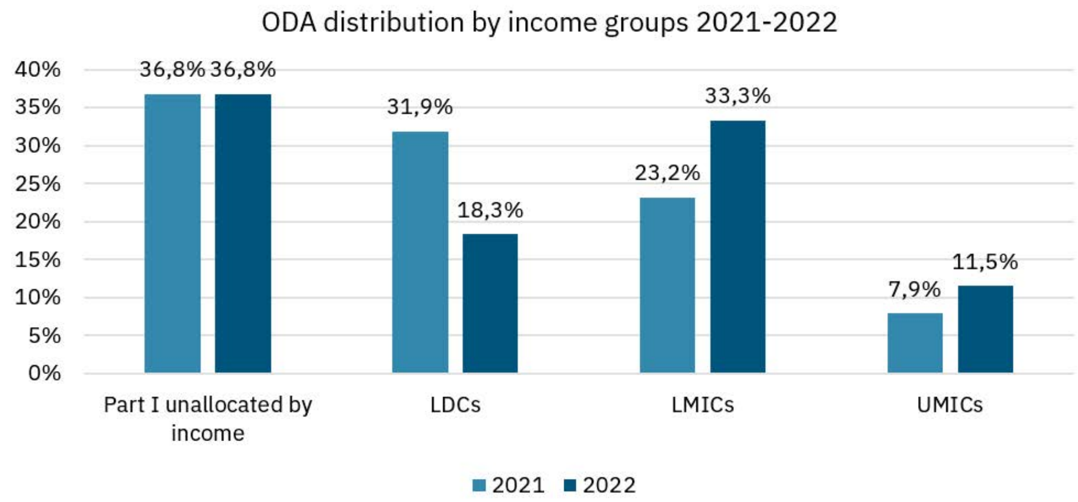


Figure 10

Source: ATI DRM Database.

Channels and type of aid

The majority of ODA support for DRM was delivered through "project-type interventions" in both 2021 and 2022, although this proportion decreased from 60% to 53%. Conversely, "sector budget support" played a more significant role in 2022 compared to 2021, representing a quarter of all ODA payments. "Contributions to specific-purpose programmes and funds managed by implementing partners" was the second most important channel in 2020, accounting for 19.3%. This proportion has significantly decreased in 2021 and 2022, where it accounted for 7% in both years.

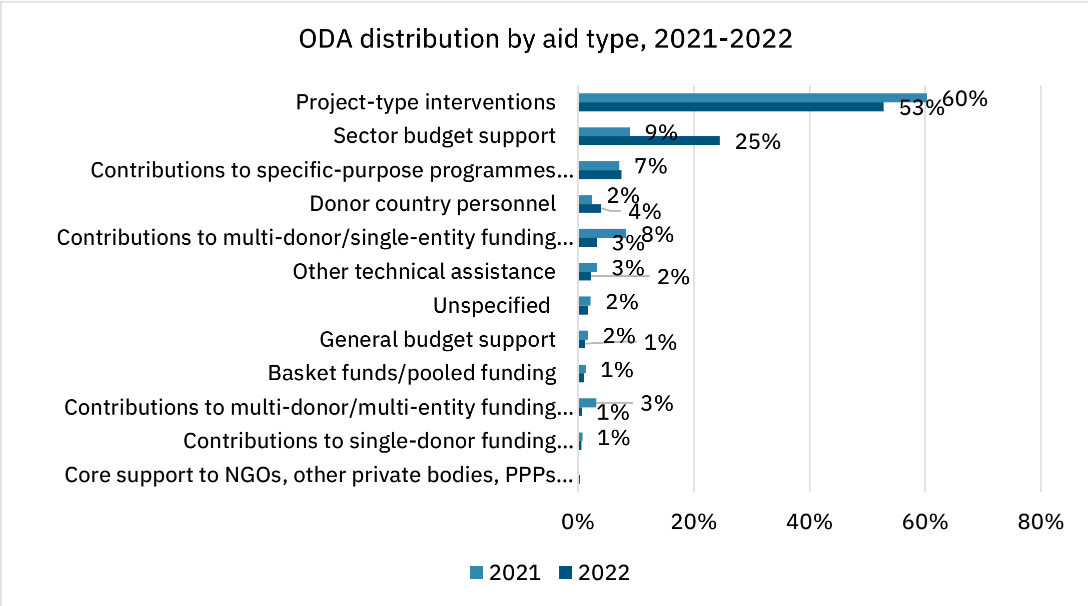


Figure 11

Source: ATI DRM Database.

Figure 12 illustrates the primary channels through which ATI development partners provided their support. The largest portion (25% and 21% respectively) of ODA for DRM was channelled through multilateral organisations, followed by central government (16% and 18% respectively). In 2022, 15% of funds were channelled through public corporations, marking a notable increase of 10 percentage points from 2021.

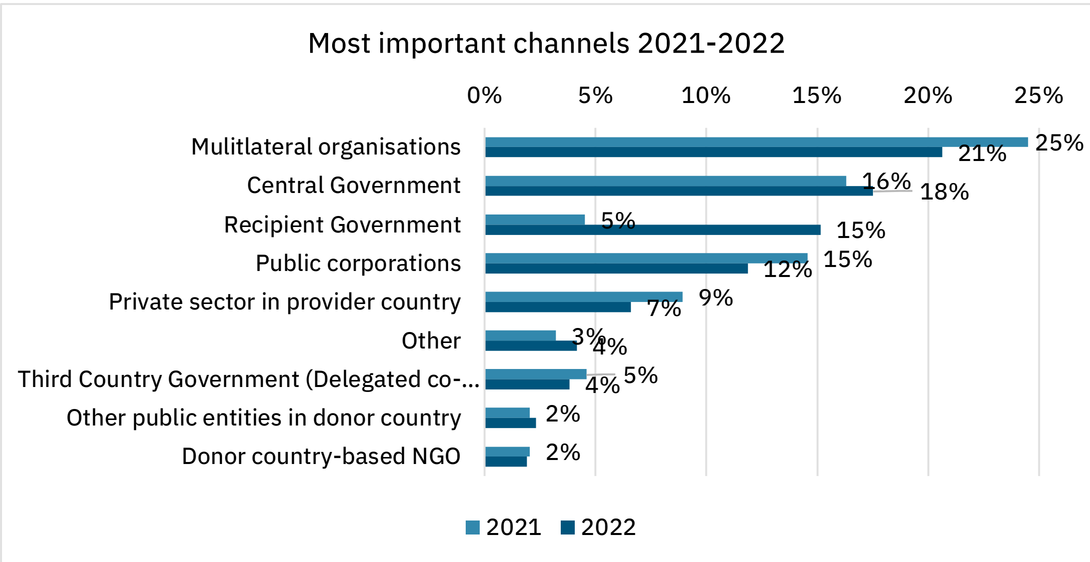


Figure 12

Source: ATI DRM Database. Note: Only channels with more than 1% in shares are shown for brevity reasons.

Commitment 3

Commitment 3 of the ATI Declaration 2025 states:

"ATI members commit to apply coherent and coordinated policies that foster DRM and combat tax-related illicit financial flows."

The ATI Monitoring Framework provides four indicators for measuring "coherent and coordinated policies" and two indicators for "tackling tax-related illicit financial flows".

For coherent and coordinated policies, there is one indicator targeting development partners. It measures their improvement in relation to the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) minimum standards regarding harmful tax practices, treaty shopping, country-by-country-reporting (CbCR), and mutual agreement procedures. As sources, it uses the annual OECD BEPS peer review reports, as well as the Corporate Tax Haven Index (CTHI) Indicators 1, 5, 10, and 11 provided by the Tax Justice Network. The most recent CTHI data was utilised in the 2020 Monitoring Report and is thus omitted from this analysis.

On the partner countries' side, there are three indicators, largely focusing on transparency and parliamentary scrutiny of tax expenditures. These indicators measure how many ATI partner countries publish core tax expenditure data annually based on the Global Tax Expenditures Database (GTED) and how many ATI partner countries present information on all existing tax expenditures as part of the Executive's Budget Proposal, based on the Open Budget Survey (OBS) from the International Budget Partnership (IBP). The third indicator is based on a monitoring survey and will be omitted from the analysis. Since the development of the ATI Monitoring Framework, the Global Tax Expenditures Transparency Index (GTETI) was jointly launched by the Council on Economic Policies (CEP) and the German Institute of Development and Sustainability (IDOS). [6] It will also be considered for the present analysis.

"Combatting tax-related IFFs" is measured by the engagement of ATI members in Automatic Exchange of Information (AEoI), Exchange of Information on Request (EoIR), and their performance regarding beneficial ownership registers and financial secrecy. For AEoI, the number of countries that are committed and signatories to the CRS Multilateral Competent Authority Agreement (CRS MCAA) and the number of activated relationships under MCAA are considered. For EoIR, the number of ATI members where the Amended Multilateral Convention on Mutual Administrative Assistance in Tax Matters is in force and their overall compliance rating based on the assessment in peer reviews, round 2, are considered. Beneficial ownership information is drawn from the Tax Justice Network (TJN)'s Financial Secrecy Index (FSI) indicators 3-6.

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[6] The GTETI is the first comparative assessment of tax expenditure reporting that covers countries worldwide. Building on the data collection and classification developed to construct the GTED, the GTETI provides a systematic framework to rank countries according to the quality of their tax expenditure reporting. Countries are not compared according to the amount of revenue forgone they report, or to the many ways they use tax expenditures. Rather, they are assessed on five dimensions that provide a comprehensive and detailed picture of the quality and scope of TE reporting: (1) Public Availability, (2) Institutional Framework, (3) Methodology and Scope, (4) Descriptive TE Data, and (5) TE Assessment. More information on the methodology can be found on the GETTI website

Coherent and coordinated policies – ATI development partners

Harmful tax practices

BEPS Action 5 aims to combat harmful tax practices through enhanced transparency being one of the four BEPS minimum standards undergoing annual peer review. The 2021 peer review on harmful tax practices highlighted recommendations for Switzerland, France, and the Netherlands, the same ATI development partners that received recommendations in 2020. In 2022, Switzerland was the only ATI development partner that received recommendations, indicating an improvement towards this indicator for the Netherlands and France.

Treaty shopping

BEPS Action 6 addresses treaty shopping and abuse through treaty provisions whose adoption forms part of a minimum standard that members of the BEPS Inclusive Framework have agreed to implement. It also incorporates specific guidelines and recommendations to tackle various forms of treaty abuse, outlining key tax policy factors that jurisdictions should consider before entering into any tax treaty. The 2022 OECD peer review report underscored significant strides, notably in countries adopting the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). In 2021, the MLI has entered into force in Germany, bringing the number of ATI development partners that are signatories to the MLI to 18. The United States remains the only [7] ATI development partner that has not signed the MLI.

Since 2020, there has been a slight increase in the number of tax agreement in many ATI development partner countries. Eighteen out of 19 [8] ATI development partners increased the number of agreements compliant with the minimum standard. The only development partner that did not show improvement in this regard is the United States, where none of the agreements are compliant. Overall, there are significant improvements in countries where the MLI is in force, as detailed in Table A. 1 in the annex.

Country-by-Country reporting

BEPS Action 13 annual reports contain peer reviews assessing how jurisdictions adhere to the procedures outlined in the Country-by-Country Multilateral Competent Authority Agreement (CbC MCAA). The CbC MCAA jurisdictions implement BEPS Action 13 by sharing reports annually. All ATI development partner countries have endorsed the CbC MCAA, except for the United States, which has yet to ratify it. As of now, there are 77 activated bilateral exchange relationships under the CbC MCAA between ATI development partner countries and ATI partner countries, representing a substantial 120% increase since 2020. At that time, there were only 35 activated relationships, with Indonesia and Pakistan being the only ATI partner countries involved. Currently, the following ATI partner countries have established activated relationships: Indonesia (18), Maldives (17), Pakistan (17), Kenya (15), and Liberia (10). This indicates a growth in the number of partner countries with activated relationships since the last monitoring exercise. Kenya and Maldives activated their relationships in 2021, and Liberia in 2022.

Mutual Agreement Procedures

Action 14 of the BEPS Minimum Standard aims to improve the resolution of cross-border tax disputes by incorporating a Mutual Agreement Procedure (MAP) provision into tax treaties. The Stage 2 peer review reports of 2021 provide recommendations for certain development partners involved in advancing peaceful solutions to disputes. The following ATI development partners

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

[8] See footnote 7.

received recommendations: Australia (6), Ireland (3), Netherlands (6), Slovakia (5), Slovenia (3), and Switzerland (7). This reflects an improvement compared to 2020, when all ATI development partners were subject to recommendations.

Coherent and coordinated policies – ATI partner countries

Tax expenditure transparency

Governments often utilise tax exemptions, waivers, deductions, or credits to achieve specific policy objectives, such as attracting investment to a particular sector or promoting the economic activities of certain groups. The tax revenues foregone through these preferential measures are referred to as ‘tax expenditures’. It is important that tax expenditures are applied in a measured and evidence-based way to balance revenue-raising goals with other public policy objectives. Ensuring adequate transparency regarding tax expenditures is key to promote scrutiny and accountability, helping to ensure their appropriate application.

The performance of the three indicators on tax expenditures transparency and parliamentary scrutiny is presented in Table A. 2 in the annex. Four ATI partner countries have started reporting on tax expenditures since the last monitoring exercise: Bangladesh, Georgia, Ghana, and Togo. Benin, already-reporting, improved its data provided in the reports by now reporting provision-level information. Benin holds the highest GTETI rank among all ATI partner countries, ranking 8th globally. Niger ranks 11th. It is noteworthy that all remaining ranks among the top 10 are held by high income countries. Tanzania has improved its reporting frequency from irregular to regular. In terms of parliamentary scrutiny, two countries have shown improvements since 2020: Georgia and Mongolia. Mongolia now presents all core elements for all tax expenditures, while Georgia presents information that goes beyond these core elements for all tax expenditures. The ATI has supported partner countries in improving their tax expenditures transparency through a range of activities detailed in Box 1 below.

The ATI, CEP and IDOS organised a series of regional workshops on tax expenditures in cooperation with a range of regional and institutional partners. Over the span from July 2022 to May 2024, six workshops were conducted across three regions (West Africa, East Africa, and Asia). The workshops invited officials from ministries of finance, revenue authorities, and parliaments. The primary objectives were to provide capacity building, facilitate knowledge transfer to ATI partner countries, and establish robust regional networks of tax expenditure experts. Evaluation surveys distributed among the participants indicated that many of the attendees found the contents of the workshop very useful for enhancing their countries’ capabilities in estimating, assessing, evaluating, and reporting tax expenditures. More information can be found on the ATI website.

Box 1: ATI’s regional workshop series on tax expenditures

Combatting tax-related illicit financial flows (IFFs)

Tackling illicit financial flows (IFFs) is critical for increasing the potential for DRM, as these outflows constrain the availability of funds for investment and undermine efforts to raise public revenue in partner countries. International efforts to address IFFs have evolved over the past decade, incorporating 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 ATI Monitoring Framework utilises data on the existence of beneficial ownership registers to assess efforts aimed at combating IFFs.

Automatic exchange of Information (AEoI)

Eighteen of the 19 ATI development partners are signatories to the Common Reporting Standard Multilateral Competent Authority Agreement (CRS MCAA) for the implementation of AEoI on financial accounts. All 18 ATI development partner signatories provide information on activated AEoI relationships under the CRS MCAA.

Eleven out of 32 partner countries are signatories to the CRS MCAA. This constitutes a substantial increase from the last monitoring exercise when there were only six.

Exchange of Information on Request (EoIR)

Forty-four [9] out of the 51 ATI member countries are part of the Global Forum on Transparency and Exchange of Information for Tax Purposes. The Amended Multilateral Convention on Mutual Administrative Assistance in Tax Matters is in force in 18 of the 19 ATI development partner countries. The United States is the only ATI development partner where the amended convention has been signed but is not in force. This situation is unchanged since the last monitoring exercise carried out in 2022. The amended convention is in force in 18 [10] out of 32 partner countries and it is signed but not yet in force in 3 [11] additional partner countries.

In EoIR rating round 2, four member countries are rated as "compliant" (only development partners), 17 are rated as "largely compliant", and two are rated "partially compliant". 21 countries have not yet undergone rating round 2 (marked as "not scheduled"). More information can be found in Table A. 3 in the annex.

Beneficial ownership

The overall Secrecy Score measures the extent of financial secrecy permitted by a country's laws, with a score of 0 indicating no secrecy and 100 indicating full secrecy. This score is determined through a series of indicators. Within the ATI Monitoring Framework, four indicators from this score are considered to assess countries' approaches to beneficial ownership transparency 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. For more detailed information on these indicators, refer to the Tax Justice Network website. Reviewing Table A. 4 in the annex, the performance of ATI development partners appears ambiguous: there are 13

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9 The following are not part of the Global Forum: Afghanistan, Bangladesh, Ethiopia, Gambia, Malawi, Nepal, Solomon Islands.

10 Benin, Burkina Faso, Cameroon, Ecuador, Georgia, Ghana, Indonesia, Kenya, Liberia, Maldives, Mauritania, Mongolia, Namibia, Pakistan, Paraguay, Rwanda, Senegal, Uganda.

11 Madagascar, Philippines, Togo.

instances in which development partners scored a lower figure in the selected indicators compared to 2020, and 13 instances where scores increased. Conversely, ATI partner countries generally performed better: seven cases indicated lower secrecy indicators compared to 2020, while only three showed higher indicators.

In terms of bearer shares, there were two cases among development partners (Slovak Republic and Belgium) where bearer shares were unavailable in 2020 but are now available, indicating a move towards greater financial secrecy. In contrast, ATI partner countries demonstrated improvement, with Kenya and Tanzania reporting no bearer shares available or circulating.

Overall, the trend of financial secrecy appears mixed among ATI development partners, while there seems to be a movement towards less secrecy in ATI partner countries, particularly among those for which data is available (15 out of 32).

Commitment 4

Commitment 4 of the ATI Declaration 2025 states:

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

ATI members agreed to define accountability via three aspects: a) transparency – government needs to provide publicly available information on tax issues, b) engagement – government needs to provide opportunities to engage different accountability stakeholders, particularly non-state actors [12], and c) capacity – accountability stakeholders need resources (finances, staff, and knowledge) to participate in the opportunities provided.

For the purpose of this brief, transparency is measured by whether ATI partner countries publish core tax data and explanations of the tax strategy in a straightforward manner. This information is drawn from IBP's Open Budget Survey on tax transparency, questions 9, 11, and 45, as well as the GTED for tax expenditures transparency.

Engagement measures how many governments engage with citizens on tax matters during the implementation of the national budget, drawing on OBS questions 127, 130, 131, 137, and 138. In addition, a question in the monitoring survey assesses engagement, but this is omitted from the analysis.

Capacities are measured by the amount of DRM support by ATI development partners reflecting the importance of accountability and inclusion of non-state actors as well as the amount that is channelled through NGOs. The latter is included in this brief, the former will be analysed in the next report.

The OBS is published biennially. The 2020 ATI Monitoring Report considered the 2021 survey as the baseline survey while this monitoring brief will consider the 2023 survey results which were released in June 2024.

Transparency

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 (question 9);
- 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) (question 11)

The OBS 2023 reports data on the performance of 29 [13] ATI partner countries against these indicators. It identifies the proportion of these countries which fully, partially and fail to publish such

12 For more information on state and non-state actors, refer to the ATI Accountability Stakeholder Mapping.

13 No data for Solomon Islands, Maldives, and Mauritania.

data in their Executive's budget proposals to their legislatures. As regards information on individual sources of tax revenue in budget processes, in 2023 75% (22 of 29) published information on individual sources of tax revenue accounting for all tax revenue, which represents an increase up from 64% (18 of 28) in 2020. 10% (3 of 29) published individual sources of tax revenue accounting for at least two-thirds of, but not all, tax revenues (decrease from 18% in 2020), 3% (1 of 29) presented the information for less than two thirds of tax revenues and 6% (2 of 29) did not present information on any sources of revenue in their budgets. The number of countries that don't publish any information on revenue sources decreased from 18% in 2021.

As regards information on revenue estimates by category for multi-year periods in budget processes, in 2023 62% (18 of 29) published multi-year estimates of revenue by category. These results are nearly the same as in 2021, when the same number of countries published multi-year estimates. The number of partner countries in the sample grew and there is one country more that does not publish the information.

Transparency on tax expenditures

The 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 2023 presents data on the performance of 29 ATI partner countries against this indicator and the data is presented in Table A. 2 in the annex. This data illustrates that 52% (15 of 29) of these countries failed to publish any of this information on tax expenditures (decrease from 57% in 2021); 41% (12 of 29) published some information, but with some elements of core information on tax preferences not included (decrease from 43%); 3% (1 of 29) published all elements of this core information on tax expenditures and another 3% published information that goes beyond the core information for all tax expenditures. In 2021, no ATI partner country presented core information for all tax expenditures. Hence, there has been a modest increase in tax expenditure transparency, but there is still substantial room for improvement since roughly half of all partner countries don't publish any information.

Engagement

Engagement with non-state actors on tax issues

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 (questions 127, 130, 131, 137, 138). Countries are scored based on whether they meet all (100), most (67), a limited part (37) and none of the requirements for each of these indicators. The scores of 29 ATI partner countries are displayed in Table A. 5. of the annex. The average score for each dimension increased since 2021. There are improvements in 19 cases, while 11 scores decreased between 2021 and 2023. Most of the improvements were achieved in the areas of budget formulation and budget implementation. The area with the least improvements remains the feedback on citizens' views, which is also the area where partner countries show the lowest overall scores. The results suggest a modest improvement towards more engagement with citizen and non-state actors in tax matters.

Capacity

Capacity of accountability stakeholders

Based on the ATI DRM Database, 6% of ODA were channelled via NGOs in 2021 and 5.47% in 2022. Both ratios are higher than in 2020, when 4.46% were channelled through NGOs. This suggests that international and domestic NGOs played a slightly stronger role in implementing ODA-funded activities focussed on DRM than in 2020.

Conclusion

This monitoring brief covering the years 2021 and 2022 served to provide ATI members with an interim picture of the progress against the four ATI commitments. By only using a subset of the indicators of the ATI Declaration 2025 Monitoring Framework, it does not capture all developments in all areas. Yet, it shows that that there have been encouraging trends in many areas and identified key areas in which ATI members need to concentrate their efforts.

The presented indicators on Commitment 1 show that many ATI partner countries still face challenges in terms of increasing their tax-to-GDP ratio. Though there have been increases in revenue-to-GDP from 2020 to 2021, most partner countries were not able to sustain their growth in 2022. In terms of withholding tax, most countries with available data show substantial improvements since 2020.

Commitment 2 focusses on the enhancement of ODA support for DRM by development partners. Unfortunately, the gross disbursements for DRM decreased both in 2021 and 2022 which might be attributed to geopolitical and macroeconomic challenges such as the war in Ukraine and recovering from the COVID-19 pandemic. Yet, some development partners substantially expanded their support portfolios, such as Germany and the European Union. The hope remains that ATI development partners will be able to reach the goal of 441.1 million USD by 2025. The dispersion among regions and income groups has changed until 2022, with LDCs receiving less support than in 2020 and 2021.

ATI members showed encouraging improvements in terms of applying coordinated and coherent policies and combatting tax-related IFFs, which is measured by a range of indicators pertaining to Commitment 3. ATI development partners increased their performance regarding harmful tax practices, treaty shopping, CbCR, and Mutual Agreement Procedures. ATI partner countries increased their tax expenditure transparency, with some countries publishing tax expenditure reports for the first time while others improved the quality of the presented information. More ATI partner countries engage in the exchanges of information and made improvements in terms of beneficial ownership and financial transparency.

Indicators focussing on Commitment 4 also show encouraging results: governments from ATI partner countries publish more and more detailed information that is needed for accountability stakeholders to meaningfully engage in tax and revenue matters. The indicators measuring the engagement with non-state actors also suggest an increase of involvement in tax and revenue matters. Yet, the overall levels of participation remain low in most countries and should be strengthened.

While many of these developments point into the right direction, a lot remains to be done. ATI development partners need to step up their ODA levels for DRM to meet the global target until 2025. ATI partner countries clearly require further assistance in a range of DRM-related areas to improve their revenue-raising capacities. This underscores the need for enhanced cooperation among ATI members to achieve the ATI Declaration 2025.

Annex

Table A. 1: Development partner tax treat minimum standard compliance (BEPS Action 6).

Source: [OECD BEPS Action 6 Peer Review Report](#).

COUNTRY	*Number of tax agreements*	*Number compliant with minimum standard (Action 6 BEPS)*	*% compliant*	*Implementation issues*
Australia	45	22	48.89%	No jurisdiction has raised any concerns about their agreements with Australia.
Belgium	95	39	41.05%	No jurisdiction has raised any concerns about their agreements with Belgium.
Canada	94	36	38.30%	No jurisdiction has raised any concerns about their agreements with Canada.
Denmark	72	30	41.67%	No jurisdiction has raised any concerns about their agreements with Denmark.
Finland	73	36	49.32%	No jurisdiction has raised any concerns about their agreements with Finland.
France	119	41	34.45%	No jurisdiction has raised any concerns about their agreements with France.
Germany	95	4	4.21%	Until 2021, the MLI had not come into force in Germany and several bilateral agreements had not been listed therein.
Ireland	73	40	54.79%	No jurisdiction has raised any concerns about their agreements with Ireland.
Italy	100	2	2.00%	Albania, North Macedonia, Oman and Panama have listed their agreements with Italy under the MLI, which amount to requests to implement the minimum standard.
South Korea	94	41	43.62%	No jurisdiction has raised any concerns about their agreements with Korea.
Luxembourg	83	46	55.42%	No jurisdiction has raised any concerns about their agreements with Luxembourg.
Netherlands	94	45	47.87%	No jurisdiction has raised any concerns about their agreements with the Netherlands.

Norway	85	21	24.71%	Several countries have listed their agreement with Norway under the MLI, which amount to request to implement the minimum standard
Slovakia	69	32	46.38%	No jurisdiction has raised any concerns about their agreements with the Slovak Republic.
Slovenia	59	34	57.63%	No jurisdiction has raised any concerns about their agreements with Slovenia.
Sweden	81	3	3.70%	Some countries have listed their agreement with Sweden under the MLI, which amount to request to implement the minimum standard
Switzerland	107	14	13.08%	Several countries have listed their agreement with Sweden under the MLI, which amount to request to implement the minimum standard
United Kingdom	131	53	40.46%	No jurisdiction has raised any concerns about their agreements with the United Kingdom.
United States	66	0	0.00%	No jurisdiction has raised any concerns about their agreements with the United States.

Table A. 2: Tax expenditure transparency and parliamentary scrutiny in ATI patner countries.

Source: OBS Survey (link), GTED (link), GTETI (link). Note: Improvements are marked in green; Solomon Islands excluded from table due to missing data.

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?*	*GTETI Rank*
Afghanistan	-	-	-	-	Yes, the core information is presented for all tax expenditures.	-
Bangladesh	2021	1	Somewhat disaggregated	Not applicable	Yes, information is presented, but it excludes some core elements or some tax expenditures.	-
Benin	2008	13	Provision level	Irregular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	8

Burkina Faso	2015	6	Overall estimates	Regular	No, information related to tax expenditures is not presented.	31
Cameroon	2017	3	Overall estimates	Regular	No, information related to tax expenditures is not presented.	25
Ecuador	2005	15	Provision level	Irregular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	13
Ethiopia	2017	5	Somewhat disaggregated	Regular	No, information related to tax expenditures is not presented.	85
Gambia	-	-	-	-	No, information related to tax expenditures is not presented.	+
Georgia	2018	4	Overall estimates	Not applicable	Yes, information beyond the core elements is presented for all tax expenditures.	36
Ghana	2017	8	Overall estimates	Not applicable	No, information related to tax expenditures is not presented.	-
Indonesia	2016	6	Provision level	Regular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	15
Kenya	2017	5	Somewhat disaggregated	Regular	No, information related to tax expenditures is not presented.	53
Liberia	2015	6	Very disaggregated	Regular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	90
Madagascar	2015	7	Overall estimates	Regular	No, information related to tax expenditures is not presented.	102
Malawi	-	-	-	-	No, information related to tax expenditures is not presented.	-
Maldives	2019	3	Somewhat disaggregated	Not applicable	-	65
Mauritania	2013	8	Overall estimates	Irregular	-	53
Mongolia	2013	9	Overall estimates	Regular	Yes, the core information is presented for all tax expenditures.	92
Namibia	-	-	-	-	No, information related to tax expenditures is not presented.	-

Nepal	-	-	-	-	Yes, information is presented, but it excludes some core elements or some tax expenditures.	-
Niger	2011	2	Overall estimates	Irregular	No, information related to tax expenditures is not presented.	11
Pakistan	2003	19	Provision level	Regular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	29
Paraguay	2013	2	Provision level	Irregular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	93
Philippines	2012	10	Somewhat disaggregated	Regular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	75
Rwanda	2018	4	Provision level	Regular	No, information related to tax expenditures is not presented.	47
Senegal	2008	13	Somewhat disaggregated	Regular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	62
Sierra Leone	2010	12	Somewhat disaggregated	Regular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	66
Tanzania	2000	23	Overall estimates	Regular	Yes, information is presented, but it excludes some core elements or some tax expenditures.	101
Togo	2019	3	Overall estimates	-	No, information related to tax expenditures is not presented.	58
Uganda	2017	6	Provision level	Regular	No, information related to tax expenditures is not presented.	44
Zambia	-	-	-	-	No, information related to tax expenditures is not presented.	-

Table A. 3: 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).

COUNTRY	Global Forum membership, Current status	EOIR rating round 2, Current status	Mutual Administrative Assistance Convention, Current status
Afghanistan	no	not applicable	not applicable
Australia	yes	largely compliant	in force
Bangladesh	no	not applicable	not applicable
Belgium	yes	largely compliant	in force
Benin	yes	not scheduled	in force
Burkina Faso	yes	not scheduled	in force
Cameroon	yes	not scheduled	in force
Canada	yes	largely compliant	in force
Denmark	yes	largely compliant	in force
Ecuador	yes	not scheduled	in force
Ethiopia	no	not applicable	not applicable
Finland	yes	largely compliant	in force
France	yes	compliant	in force
Gambia	no	not applicable	not applicable
Georgia	yes	not scheduled	in force
Germany	yes	largely compliant	in force
Ghana	yes	partially compliant	in force
Indonesia	yes	largely compliant	in force
Ireland	yes	compliant	in force
Italy	yes	compliant	in force
Kenya	yes	not scheduled	in force
Korea	yes	largely compliant	in force
Liberia	yes	partially compliant	in force
Luxembourg	yes	largely compliant	in force
Madagascar	yes	not scheduled	signed
Malawi	no	not applicable	not applicable
Maldives	yes	not scheduled	in force
Mauritania	yes	not scheduled	in force

Mongolia	yes	not scheduled	in force
Namibia	yes	not scheduled	in force
Nepal	no	not applicable	not applicable
Netherlands	yes	largely compliant	in force
Niger	yes	not scheduled	no
Norway	yes	compliant	in force
Pakistan	yes	largely compliant	in force
Paraguay	yes	not scheduled	in force
Philippines	yes	largely compliant	signed
Rwanda	yes	not scheduled	in force
Senegal	yes	not scheduled	in force
Sierra Leone	yes	not scheduled	no
Slovak Republic	yes	largely compliant	in force
Slovenia	yes	largely compliant	in force
Solomon Islands	no	not applicable	not applicable
Sweden	yes	not scheduled	in force
Switzerland	yes	largely compliant	in force
Tanzania	yes	not scheduled	no
Togo	yes	not scheduled	signed
Uganda	yes	not scheduled	in force
United Kingdom	yes	largely compliant	in force
United States	yes	largely compliant	signed
Zambia	yes	not scheduled	no

Table A. 4: Beneficial ownership registers and bearer shares by ATI member country.

Source: Tax Justice Network (link). Note: Improvements are marked green, weakening of financial transparency marked orange.

COUNTRY	Indicator 3	Indicator 4	Indicator 5	Indicator 6	Are bearer shares available?
Australia	100	100	100	100	No, bearer shares are not available/not circulating.
Belgium	75	100	100	100	Yes, unregistered bearer shares are available/ circulating or registered by a private custodian.
Canada	100	100	100	100	No, bearer shares are not available/not circulating.
Denmark	50	50	100	100	No, bearer shares are always immobilised/registered by a public authority.
Finland	75	100	95	100	Yes, unregistered bearer shares are available/ circulating or registered by a private custodian.
France	50	100	70	50	No, bearer shares are always immobilised/registered by a public authority.
Germany	75	100	95	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	90	50	100	100	No, bearer shares are not available/not circulating.
Korea	100	100	100	100	Yes, unregistered bearer shares are available/ circulating or registered by a private custodian.
Luxembourg	75	100	70	100	Yes, unregistered bearer shares are available/ circulating or registered by a private custodian.
Netherlands	75	95	100	100	Yes, unregistered bearer shares are available/ circulating or registered by a private custodian.
Norway	65	100	100	80	No, bearer shares are not available/not circulating.
Slovak Republic	75	40	0	100	Yes, unregistered bearer shares are available/ circulating or registered by a private custodian.
Slovenia	40	40	13	50	No, bearer shares are always immobilised/registered by a public authority.
Sweden	40	40	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.
United Kingdom	40	100	100	50	No, bearer shares are not available/not circulating.
United States	75	100	100	100	No, bearer shares are not available/not circulating.

Table A. 5: Partner country scores for the Open Budget Survey, in relation to citizen engagement.

Source: IBP Open Budget Survey 2023, questions 127, 130, 131, 137 and 138. Note: Data was missing for Maldives, Mauritania, and Solomon Islands; improvements since 2021 shown in green, weakening of engagement in red.

COUNTRY	*Budget formulation*	*Budget implementation*	*Budget legislative deliberations*	*Prior information*	*Feedback on citizen view*
Afghanistan	0	0	0	0	0
Bangladesh	33	0	33	33	0
Benin	100	0	33	100	33
Burkina Faso	100	33	0	0	0
Cameroon	100	33	67	0	0
Ecuador	0	0	0	33	0
Ethiopia	0	0	0	33	0
Gambia	67	33	33	100	0
Georgia	67	0	0	100	33
Ghana	33	0	33	0	0
Indonesia	67	33	33	0	0
Kenya	67	0	33	100	67
Liberia	67	0	33	0	0
Madagascar	33	0	0	0	0
Malawi	33	0	33	0	0
Mongolia	Mongolia	33	33	33	0
Namibia	67	67	0	0	0
Nepal	33	33	33	33	0
Niger	0	0	0	0	0
Pakistan	33	33	0	0	0
Paraguay	0	33	0	0	0

Philippines	33	67	33	0	0
Rwanda	33	33	0	0	0
Senegal	0	0	0	0	0
Sierra Leone	67	33	33	0	0
Tanzania	33	0	0	33	0
Togo	0	33	0	0	0
Uganda	33	33	0	0	0
Zambia	33	67	33	67	100
Averages	**39**	**21**	**17**	**23**	**8**

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