Addis Tax Initiative

Country ownership in technical assistance for Domestic Revenue Mobilisation (DRM)

DISCUSSION PAPER

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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.

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List of abbreviations

AAA	Accra Action Agenda
ADB	Asian Development Bank
ATI	Addis Tax Initiative
CSOs	Civil Society Organisations
CTRP	Comprehensive Tax Reform Programme
DED	Deutscher Entwicklungsdienst
DOF	Department of Finance
DPs	Development Partners
DRM	Domestic Revenue Mobilisation
FCDO	Foreign, Commonwealth and Development Office
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoN	Government of Nepal
GRA	Ghana Revenue Authority
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HMRC	Her Majesty's Revenue and Customs
HR	Human Resources
IMF	International Monetary Fund
InWEnt	Internationale Weiterbildung und Entwicklung gGmbH
IRD	Inland Revenue Department
MDAs	Ministries, Departments and Agencies
MoF	Ministry of Finance's
MTRS	Medium-Term Revenue Strategy
PCT	Platform for Collaboration on Tax
PFM	Public Financial Management
RAS	Revenue Administration Support
RCDC	Regional Capacity Development Centre
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
USAID	United States Agency for International Development

Part A

Good practices of country ownership in technical assistance for DRM

Introduction

The 2005 Paris Declaration on Aid Effectiveness framed country ownership as a guiding principle for international development cooperation. In this context, country ownership has three core dimensions: partner countries are able to exercise effective leadership over their development policies and strategies, including by orchestrating inclusive consultative processes; partner countries are able to take the lead in coordinating aid and other development cooperation; and development partners (DPs) respect partner country leadership and help strengthen their capacity to exercise it. The concept, thus, relies on the recognition that the long-term effectiveness of technical assistance (TA) depends on partner countries being proactive and empowered in determining the scope and terms of their cooperation with development partners.

In line with the Addis Tax Initiative (ATI) Declaration 2025, ownership in this discussion paper is defined as the degree of control and engagement partner countries have in the planning, implementation and monitoring of domestic revenue mobilisation (DRM) programmes or projects. According to the ATI Declaration 2025, proper country ownership comprises the following:

1. “Each country has primary responsibility for its own economic and social development. Development partnerships can only be successful if the approaches implemented are based on country-specific circumstances and if needs respond to common interests” (§16.i).

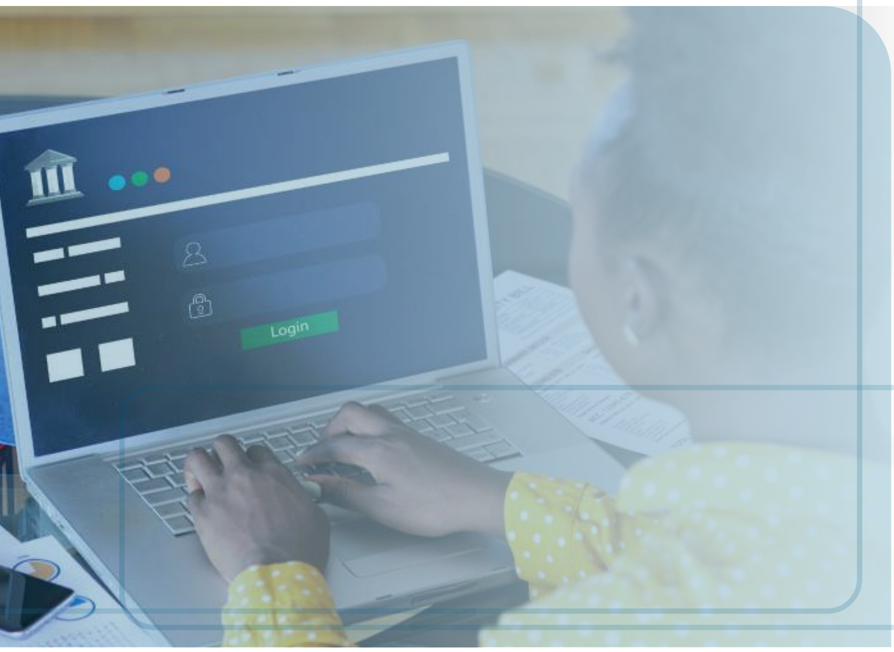
2. “Alignment of technical assistance. DPs must align their DRM support with the tax and revenue priorities, strategies, and policies established by partner countries” (§16.ii).

3. Partner countries must coordinate DRM collaboration at the country level. ATI members commit to “meet well-defined demands from partner countries that promote revenue generation through equitable, efficient, and effective tax systems and build trust. Importantly, ownership in this context is not reserved solely for the partner government, but also extends to non-state stakeholders representing the interests of society as a whole” (§12.i).

Thus, to foster genuine country ownership, the ATI Declaration encourages country-driven development efforts that reflect the views of both state and non-state actors, and that are aided by coordinated support from DPs.

Practice shows that many partner countries take the lead in defining priorities, designing reform strategies/policies, and implementing DRM projects in close collaboration with development partners. Non-state stakeholders are also regularly included in DRM projects, yet often only to a limited extent, e.g. to legitimise reforms not to design them. At the same time, DPs face the challenge of supporting country ownership while fulfilling their duty to manage projects effectively, advise partner countries responsibly, and be accountable to their own citizens. To document good practices in this complex environment, this discussion paper compiles three case studies in which partner countries and DPs have successfully operationalised country ownership in the design and implementation of DRM projects. The three case studies offer good practices to inform and inspire other partner countries and development partners to strengthen and normalize country ownership as a standard for DRM cooperation.

The compilation includes projects in Ghana, Nepal, and the Philippines and covers both administrative tax and tax policy reforms. These case studies were selected because the partner countries demonstrated strong ownership of domestic tax reforms and further due to the design and implementation of TA projects supporting these reforms. They also offer good practices of country ownership in differing political and institutional settings. Other factors crucial for the case selection were diversity of reform focus (covering both policy or administrative reforms), access to information and informants in-country, as well as a medium- to long-term orientation of the projects. Methodologically, information was collected through 13 expert interviews, grey literature research as well as the analyses of government reports and project documentation. For each case study at least one representative of the partner country and a development partner were interviewed.



Case 1 – Ghana: Capacity development for the Ghana Revenue Authority

The Ghana Revenue Authority (GRA) in its current structure was established in 2009. Since its inception, the GRA has gone through various forms of capacity development[1] and organisational changes with the goal of contributing effectively and efficiently to DRM and the overall objective of modernising and enhancing revenue administration in Ghana. In the more than ten-year history of the agency, the GRA has demonstrated strong ownership in technical assistance for DRM. The management of the GRA is firmly committed to driving change and reform within the agency, and there is a consensus to increase the country's tax-to-GDP ratio to finance social and economic development. The GRA demonstrates a clear view about its goals as well as the necessary measures to achieve these, and thus can articulate where technical development assistance is required and where DPs can make their contribution.

To do this strategically, in 2012 the GRA began developing and rolling out three- to four-year strategic plans[2] to highlight its vision, set its medium-term strategic direction and objectives, and break down the objectives into different projects. The strategic plan, therefore, serves as an entry point for DPs and a framework for negotiations with development partners on cooperation and possible TA. The strategic plans are thus an important tool for ensuring sound government ownership and coordinating a coherent delivery of technical assistance for DRM. To institutionalize this, the GRA has and continues to adapt its organisational structure accordingly and initially established a Modernisation Project Office responsible for coordinating change processes and cooperating with DPs.

In practice, long-term technical assistance to the GRA was initially provided mainly by the German Development Cooperation – Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), with financial support from the Swiss government. GIZ is one of the few organisations that has supported GRA with long-term capacity building and had a permanent presence in the country since its inception. Other important stakeholders included the World Bank and the International Monetary Fund (IMF). From 2015 onwards, the number of donor countries and development agencies providing TA increased, thus requiring better coordination of the assistance provided. GRA struggled to maintain robust ownership during this period as DPs used different modes of delivery and different administrative procedures, leading to overlaps in TA and an overburdening of GRA's administrative capacities.

To address these overlaps, donors took initiative by organising themselves into a donor coordination

1 Capacity development took place at the individual level, the organizational level, in network development and of the legislative framework GRA operates in.

2 First strategic plan 2012–2015, *second strategic plan 2015–2017, third strategic plan 2020–2022*

group with the goal of harmonising their support and identifying possible synergies. At the same time, the GRA underwent internal restructuring and made organisational changes to re-establish solid ownership and use international support effectively and efficiently. In 2021, the Modernisation Project Office was replaced by the Transformation Program Office, which includes a Donor Management Unit responsible for managing, harmonising, and coordinating overall TA. With the new structure, the GRA now also onboards new DPs to discuss the current strategic plan and potential areas of collaboration. In the medium term, the GRA aims to establish coherent processes that apply to all change projects – both internal and internationally-supported. However, the established structures and processes are not yet fully functional. Therefore, there is a need for further organisational development and consolidation.

GRA's collaboration with GIZ is a good example of how government-owned TA works in practice. The agreement on exact areas of cooperation and the design of the assistance programme are a joint process. In an appraisal mission GIZ's technical experts discussed possible areas of cooperation and capacity building measures with both GRA management and selected technical staff carrying the operational work in the potential areas of cooperation. Based on the discussion and GRA's strategic plan, GIZ developed a proposal for the cooperation that included both potential assistance activities and intended outputs, all linked to GRA's expressed needs. This concept was then submitted to the GRA for review and approval. Based on GRA's input, GIZ finalised the concept and submitted it to the German government for comments and approval. Currently, GIZ's support to GRA focuses on human resources and organisational development – activities that are coherent with the current third strategic plan. In addition, GIZ supports gender mainstreaming processes that are considered an important aspect of GRA's organisational development and are part of GRA management performance indicators, although they have yet to be incorporated into the strategic plan.

Regardless of strong ownership by the GRA and improved processes within the GRA, some challenges remain in its collaboration with GIZ. Both GRA and GIZ admitted that despite their commitment to strong government ownership, there are sometimes diverging priorities. While GRA strives for a high degree of ownership in reform processes, GIZ wants to ensure its active role in project implementation. This includes different views on which mode of capacity development measures are required and at which level.[3] In addition, issues may arise such as the identification of who is in a position to assess approaches and activities best suited to achieve the agreed objectives. With respect to the DPs, this also means deciding what can and should be supported and whether enquiries for TA are based on a coherent approach that fits into a mutually agreed project. Requests must be developed systematically, preferably jointly, and alternatives must be considered. Ideally, there should be a consensus on activities and outputs from the outset. In practice, GRA and GIZ address this issue by holding regular meetings during the project implementation phase to discuss and find common ground. This is a negotiation process that finally leads to a compromise that works for both sides. Ideally, this compromise then works in practice and leads to desired results.

Differently from the GIZ's mode of delivery with a permanent presence in the country, the IMF works predominantly missioned based. The use of long-term resident advisors is an exception. Although GRA's strategic plan is the guiding document of DRM-related technical assistance, the TA offered by the IMF also strongly builds on the outcomes of Ghana's 2017 Tax Administration Diagnostic Assessment Tool (TADAT) assessment and the Ministry of Finance's (MoF) new Public Financial Management

3 Generally, capacity development can take place at three different levels: the individual, the organisational and the society level. Further, there are different modes of delivery to develop capacities: e.g. long-term advice, intermittent short-term advice, free-standing short-term advice, training (hard- and soft-skills), development of training courses/modules/programmes, coaching, peer-learning formats, financing, procurements.

(PFM) Strategy, which signals strong government ownership for public finance reforms and a growing focus on DRM. The strategy spells out challenges, reform needs, strategic objectives and desired outcomes for the period from 2022 to 2026. The TADAT assessment again helped to create a joint understanding between the MoF, the GRA and the IMF on existing capacity gaps that need to be addressed. Closing the gaps is a medium-term endeavour that includes both technical assistance and creating ownership for change. In its operational work, the IMF uses its Headquarter-led missions to conduct capacity appraisals and provide reports with recommendations based on the missions' findings. These recommendations are then jointly discussed between GRA and the IMF. If an agreement is reached, TA projects are developed that normally last from three to six months. In the exceptional case of a longer project, the IMF also relies on long-term advisors with a permanent presence on the ground. In addition to projects, support is also provided by the IMF's Regional Capacity Development Centre (RCDC)- AFRITAC West 2.[4]

Substantively, the IMF's support includes technical assistance on reengineering, providing advice on ITAS implementation, developing data analysis capacity, capacitating the TPO to help the rest of the agency to successfully implement transformation projects, building enterprise risk management capacity, improving audits in specialized sectors like telecoms, and improving customs border management and clearance procedures. Concerning the support on data analysis GRA faced the challenge that it also receives support by the British Government's HMRC in this area that had to be coordinated. Thanks to the established donor management unit, the GRA was able to coordinate the TA provided by the IMF and the FCDO. Harmonisation was achieved by assigning the IMF to support the establishment of a data analysis office and data analysis frameworks while the FCDO supported the capacity building of the office's staff. On the risk management, it was agreed between GRA, IMF and FCDO that IMF shall develop the enterprise risk management with FCDO focusing on development of a compliance risk management framework. These two frameworks shall be aligned for effective risk management in GRA. Simultaneously, the IMF supported and still is supporting GRA's efforts to increase ownership of its reform processes. The GRA itself developed and is developing instruments that allow her to enhance its ownership of reform processes and related TA. These include a project management framework, a change management and communication strategy.

Yet ownership is not a unilateral process. GRA does not operate in isolation. Rather, it is supervised by its Board and is dependent on the support and engagement of the MoF, other Government of Ghana agencies, and the country's political leadership. In practice, the commitment to DRM of these stakeholders is tenuous. On the one hand, there is a strong verbal commitment to DRM reforms at the highest levels of government as evidenced through the "Ghana beyond Aid" medium-term development strategy, the new PFM Strategy and GRA's Strategic Plans. On the other hand, the reform projects derived from these strategies often lack the financial resources needed to implement them. TA on budgeting would help GRA officials in many ways. It would capacitate them to approach the budgeting process more strategically. Thus, it would enable them to realistically calculate costs throughout the project cycle and negotiate for short- and medium-term funding. Ultimately, this would allow them to claim practical ownership for DRM at the highest level of government. The other way around, the GRA is not being sufficiently held accountable by the government for clearly defined performance outcomes and indicators. This may explain the partial lack of ownership which sometimes results in some reforms stalling. In addition, adopting and embedding the developed reform management methodologies will enhance

4 https://www.imf.org/en/Capacity-Development/how-we-work

effectiveness in managing transformation projects. Good governance of reforms, the ability to estimate resources needed to drive reforms, procedures for monitoring performance and evaluating reform outcomes are integral elements of the frameworks for managing reforms that GRA has already developed.

Meanwhile, the extent of government support for the role of non-state actors in shaping DRM reform agendas has varied over time. For example, the first and second strategic plans were developed in a more collaborative manner than the third, giving non-state accountability stakeholders more influence and thus more ownership of GRA's change processes. In addition, the GRA has consistently used taxpayer surveys to better understand their needs. Efforts are also made to involve religious leaders, who as respected public figures have the potential to raise awareness about taxes and bring taxation into the public discussion. However, there are still shortcomings with respect to the extent and form of participation of non-state actors. When it comes to tax reforms, GRA tends to tell non-stakeholders what it does, but does not engage them into discussions about the reform content, as for instance on taxpayer services. Here, GRA is not sufficiently accountable to non-state actors and hence the Ghana's taxpayers. Although Ghana is a good practice example for government ownership, there is still room for improvement when it comes to achieving full country ownership, that includes the active involvement of non-state actors.

Case 2 – Nepal: Collaboration between the Inland Revenue Department and GIZ

Cooperation between DPs and the Government of Nepal (GoN) dates back to the 1990s. Among others, the longstanding technical cooperation between Germany and GoN started in 1997 and continues to this day. Between 1997 and 2013, GIZ[5] implemented various DRM projects with the goal of supporting GoN in establishing the Inland Revenue Department (IRD), the national tax agency of Nepal, and enabling the nascent IRD to set up systems and processes for executing tax collection efficiently and transparently. Since 2013, IRD and GIZ have collaborated to implement the Revenue Administration Support (RAS) project to modernise the tax collection system through digitisation, as well as to augment the capacities of tax officers nationally. RAS is in its final phase and will be concluded in 2023. The history of TA for DRM in Nepal also reflects the evolving role of DPs in DRM reforms and its implications for increasing government ownership and the use of participative governance modes that also led to enhanced country ownership. Initially, DPs played a key role in promoting transformational reforms to the tax system and maintaining the reform pace. Today, the GoN is equipped with the capacity to develop and drive its own reform programmes. Consequently, DPs now take on a different role, focusing their collaboration with the GoN on organisational and technical capacity development rather than working on readiness for transformational change.[6]

As mentioned above, government ownership has increased significantly over time. In particular, the IRD has developed and introduced its own Reform Plans[7] and Strategic Plans[8], two strategic documents that form the basis for working with DPs to build an effective tax administration. Both tools enable IRD to coordinate, harmonise, and align assistance with internal change processes. The RAS project provides a good example of this. The objectives, activities and outputs of the RAS project are aligned with IRD's second strategic plan. RAS contributes to all four key areas of the strategic plan and some of their underlying actions. In the third phase of the RAS project, GIZ is supporting IRD's efforts to enhance taxpayer compliance by providing TA to improve those parts of IRD's IT system that have a positive impact on voluntary compliance. In addition, the collaboration aims to improve IRD's audit capacity, provide further training to tax officials, create a paradigm shift on tax issues related to digitisation and globalisation, and reduce

5 And its predecessor organisation GTZ, who was responsible for the provision of technical assistance and capacity development. In 2011, GIZ was created from a merger of three predecessor organizations who carried out development cooperation on behalf of the German Government until 2010 – the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the Deutscher Entwicklungsdienst (DED) and the Internationale Weiterbildung und Entwicklung gGmbH (InWEnt).

6 Bolnick, B.; Singh, P. (2018): Domestic Resource Mobilisation Case Study – Nepal, USAID Leadership in Public Financial Management II.

7 E.g. Reform Plan 2018-2021: *https://ird.gov.np/public/pdf/1960242023.pdf*

8 E.g. Strategic Plan 2018-2023: *https://ird.gov.np/public/pdf/303710844.pdf*

compliance costs by improving taxpayer services. To give IRD more control over the project, individual activities are also jointly planned. For example, terms of reference for consultants are developed jointly, and the selection of consultants is carried out jointly by GIZ and IRD.

Through its strong ownership of DRM cooperation, IRD is empowered to direct TA from GIZ to the most critical areas to enhance the value and impact of tax-related development cooperation. This does not mean that IRD has *carte blanche* access to any TA it requests. GIZ still assesses the requests against the project's mandate and determine whether the requested TA contributes to the achievement of the agreed-upon project outputs and outcomes. In this way, GIZ strives to fulfil its role as manager of the project that actively implements TA and promotes country ownership at the same time.

Similarly, there have been improvements with respect to broader country ownership as the GoN increased the involvement of non-state actors into DRM reforms. In the course of this partnership, both GoN and GIZ have encouraged ownership by non-state actors. For instance, for planning of the current RAS phase, GIZ experts consulted various accountability stakeholders, such as taxpayer organisations and the private sector during the project appraisal mission. The GoN's Tax Review Commission, a short-term advisory body on tax reforms, also interacted with civil society organisations (CSOs), think tanks, and the private sector to incorporate their perspectives into its work. In addition, IRD collaboration with the private sector has led to the development of taxpayer education and awareness activities for small and medium-sized enterprises, which are actively supported by GIZ.

Case 3 – Philippines: Comprehensive Tax Policy Reform

In the Philippines, DPs have rallied for years to urge the government to push for tax policy and tax administration reforms. This was often met with resistance from taxpayers and politicians alike. It was not until 2016 that the call for tax reform gained traction. The newly elected Duterte-government presented its 10-point Socioeconomic Agenda[9], which recognised the importance of a comprehensive tax reform programme for accelerating economic growth, creating jobs, promoting investment and eliminating extreme poverty.

This priority has evolved into the Comprehensive Tax Reform Programme (CTRP).[10] The programme is divided into five packages and further sub-packages to make it more manageable and more likely to be passed by the Congress of the Philippines ("Congress"). The CTRP aims to boost tax collection and create a simpler, fairer, and more progressive tax system. This would be achieved by reforming, for example, the personal income tax, the corporate income tax, tax incentives, and certain excise taxes (fuel, tobacco, e-cigarettes, alcohol and sugar sweetened beverage taxes) and indexing certain taxes to inflation. Due to the enormous scope of the CTRP, implementing the reform packages was a multi-year undertaking for the Philippine government. By early 2022, the major reform packages had passed Congress and the last remaining measures are under legislative priority.

The tax reform became one of the Duterte government's top priorities. The president actively monitored the programme's progress, convinced legislators and stakeholders, and took part in strategic communication campaigns to promote the initiative. For congressional buy-in, the government was able to draw on a deep reserve of political capital, including high approval ratings (90%), a super majority in the house of representatives and a majority in the senate. From the outset, however, the focus was not only on getting the reform packages passed by the two chambers of the Congress, but also on institutionalising the legislative changes and making them more permanent. The government had to assemble the needed expertise, data, and analytical underpinnings to make the reform a success. Therefore, the Philippine government expressed the need for and welcomed international TA for DRM. With such critical support and the various strategies adopted, the Department of Finance (DOF), as lead, was empowered to make the CTRP a success.

Overall, the CTRP was supported mainly by the Asian Development Bank (ADB), the IMF, the United States Agency for International Development (USAID), and the World Bank. Ownership was vital for the DOF to ensure TA was directed to priority areas and delivered in a coordinated manner consistent with the CTRP. Regular consultations allowed the DOF to seek input and understand donor perspectives, which it regularly incorporated into its plans. DPs welcomed this type of collaboration and readily provided support in response to DOF's demands. The assistance provided by donor countries and organisations included technical advice (e.g. analytical support), human capacity building, support in the reform process (e.g. cooperation with

9 *https://doh.gov.ph/node/6750*
10 *https://taxreform.dof.gov.ph*

the legislature, participative governance), facilitating access to relevant practices from other countries (e.g. Mexico's experiences in introducing a sugar sweetened beverage tax, Korea's implementation of an e-invoicing system), in-kind contributions, financing and advice on the implementation of approved tax reform packages.

The comprehensiveness of the reform necessitated broad-based stakeholder engagement. This included engagement of the legislature, other parts of the executive branch, and non-state stakeholders, including the private sector, academia and CSOs. The objective was to dispel fears of the reform, ensure a proper understanding of its objectives, and communicate its benefits. For the Congress, the government liaised and coordinated positions with key legislators that could push reforms forward. With support from USAID and ADB, the DOF was able to orchestrate coordinated discussions, roadshows and other forms of consultation, which it used to explain the reforms and address the concerns of industry players, sectors directly affected and CSOs. To garner broader public support for the reform, the DOF used a variety of communication approaches, including comics, tax reform primers and social media. The DOF's active and strategical involvement of DPs into these processes brought in valuable technical input on the one hand, on the other hand the government's engagement of DPs helped legitimise its reform with analytical input and additional credible voices.

As a primary target of its strategic communications campaign, the DOF specifically reached out to businesses opposed to the tax reform or particular aspects thereof, explaining the rationale for the intended reforms and their expected impacts. Where there were disagreements or differing viewpoints among parties, the government sought to negotiate with stakeholders to find a mutually beneficial compromise. For instance, one compromise was to agree on a lesser reduction of tax incentives in exchange for increased transparency of tax incentives and stronger government oversight.

Importantly, the tax reform was overwhelmingly supported by the academia, whose input and support were seen as vital to the reform's success. DOF enlisted experts from academia to assess and endorse the reform measures, recommend areas for improvement, and provide sound and reliable guidance in discussions with legislators and other stakeholders on economics and taxation principles.

Intra-governmental cooperation around the tax reform has been less robust. DOF only engaged with other public agencies on an ad-hoc basis and not in a strategic manner. Not all public agencies fully understood the tax reforms and their role in its implementation. This poses a risk to whole-of-government ownership of reforms and its implementation as tax reforms can be impeded by single public agency. This is for instance the case with the introduction of e-invoicing that met resistance from other public agencies.

Under the Duterte government, the reform could not be fully completed. However, the new government has already declared its support for the ongoing tax reform and its willingness to continue its implementation. It thus signalled its commitment and ownership of tax reform.

Conclusion

It is widely acknowledged that development partnerships are most effective if they are led by partner countries, with development partners tailoring their support to the country needs and priorities.[11] This is clearly essential for DRM, where reforms are politically challenging and need strong national leadership. The above-presented case studies show that there are different strategies aiming to build solid country ownership in DRM reform processes and the associated TA. To exercise strong country ownership, partner countries need a certain capacity at the institutional, organisational, and individual levels. But even if this is the case, the case studies demonstrate that partner countries must assert their ownership of reform plans and any related technical assistance. At best, this happens through credible buy-in and involvement of the highest level of government.

The three country cases also underline that a crucial building block for strengthening government ownership is the capacity to develop solid strategic documents (reform plans, policy proposals, PFM/DRM strategies, etc.) and use them to inform and negotiate the parameters of assistance from DPs. Here, for example, the Medium-Term Revenue Strategy (MTRS) initiative, developed by the Platform for Collaboration on Tax (PCT)[12] and implemented in a number of countries, can serve partner countries as a possible tool for promoting and formulating country-owned, citizen-driven DRM planning.

To better manage assistance offers and activities of a large number of DPs, partner organisations may be well served by designating an organisational unit that is solely responsible for donor coordination and collaboration as it is the case in Ghana. Doing so can help to enhance alignment of TA to national strategies and reforms and, in turn, increased country ownership. DPs can support these efforts by scaling-up coordination among themselves.

The case studies also indicate that if partner countries have a deeper understanding of the mandate, processes, and perspectives of DPs, it is easier to find common ground when planning TA interventions. In this context, DPs and partner countries can then discuss the possible tension between ownership and active engagement of DPs in the provision of technical support, as there can be a trade-off between one and the other in some scenarios. Hence, the case studies reveal the importance of clarifying roles and responsibilities in the planning, implementation and monitoring of TA for DRM, ideally at the beginning of the collaboration. This clarity helped case countries to take ownership while also respecting the constraints and incentives under which DPs operate. In the day-to-day business the study reveals that regular meetings, constant communication and joint planning of activities throughout the implementation phase is another key ingredient to foster partner organisations' ownership of TA.

Simultaneously, the Philippines case study underlines how crucial intra-governmental collaboration is to ensure whole-of-government buy-in and hence holistic country ownership. The implementation of tax reforms often depends on public agencies beyond the ministries of finance and the tax administrations. The public agencies concerned must therefore

11 Busan High Level Forum (2011), Busan Partnership for Effective Development Co-operation, Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, 29 November to 1 December 2011 *(https://www.oecd.org/dac/effectiveness/49650173.pdf)*

12 *https://www.tax-platform.org/publications/mtrs*

be involved in the planning of tax reforms and possibly in related technical assistance. In this way, an understanding of the rationale of the planned tax reforms and the role of the agencies in their implementation can be developed.

Finally, the concept of country ownership goes beyond the pure country ownership and refers to a broad-based ownership of the society as a whole, including state and non-state stakeholders such as parliamentarians, CSOs, academia and the private sector. Participative approaches are used in all three case countries, yet sometimes only to a limited extent. Ideally participative approaches comprise the design of tax reforms and TA, the process of approving governments' measures, and subsequently holding them accountable. In the selected cases, DPs promoted this by encouraging governments to embrace the participation and input of non-state actors in reform processes and thereby secure greater ownership for society as a whole. Further, development partners can discuss relevant tax-related issues with non-state actors in planning phase of TA projects – for instance during appraisal missions.

Part B

ATI Framework for Improved Country Ownership in DRM Cooperation

Background

Country ownership has been a core principle of development cooperation since the Paris Declaration on Aid Effectiveness in 2005 ("Paris Declaration"). The rationale for emphasising country ownership is the belief that the long-term effectiveness of TA depends on how active partner countries are when agreeing on and implementing strategies and projects with DPs. The Paris Declaration was the result of the growing concerns with the effectiveness of aid, TA and institutional reforms in the early 2000s. At that time, TA was still predominantly supply-driven and generally followed best-practice approaches with often disappointing results. This set off a discussion on shifting from best-practice TA approaches to more pragmatic, "best-fit" approaches that are more compatible with countries' institutional frameworks.[1] Often, they emerge as hybrid solutions, blending international good practices with local knowledge. Hence, to make technical cooperation and capacity building more successful, solutions need to be informed by an understanding of the individual and country-specific dynamics that have shaped the problems being addressed. Yet, achieving this kind of understanding critically depends on the insights of stakeholders familiar with the institutional framework in which the TA project is embedded. Therefore, to increase the effectiveness of technical assistance and enable the development of best-fit solutions, it is vital to promote strong country ownership and the involvement of a broad range of stakeholders.

The principles of country ownership and alignment apply equally to TA in the field of tax and development. The context-specific nature of tax systems and the challenges they face make it difficult for countries to identify measures and relevant practices that fit their institutional framework. Thus, partner countries must actively shape and manage the tax capacity building activities provided through development cooperation. They must leverage their local expertise to develop and implement domestic revenue mobilisation (DRM) projects, in cooperation with DPs. For this purpose, the ATI presents a framework for improved country ownership in DRM cooperation (the "ownership framework"). This ownership framework[2] is intended to inspire DPs as well as partner countries to identify relevant measures to strengthen country ownership of DRM-related TA. As indicated above, strengthened ownership increases the likelihood that tax capacity building efforts address the needs and circumstances of government and non-governmental stakeholders in partner countries. Further, the ownership framework can assist DPs in their endeavours for stronger alignment of their technical support with partner countries' national and local DRM and development priorities.

Generally, ownership is understood as the degree of control and engagement of partner countries in planning, implementing, and monitoring DRM projects. Concerning tax capacity building, the ATI has underlined the importance of ownership in its ATI Declaration 2025.[3] ATI's understanding of country ownership is based on the belief that partner countries

1 See for instance: Andrews, M. (2013). The Limits of Institutional Reform in Development. The Rules for Realistic Solutions. Cambridge: Cambridge University Press; Evans, P. (2004). Development as institutional change: The pitfalls of monocropping and the potentials of deliberation. Studies in Comparative International Development, 38(4), 30–52; Rodrik, D. (2008). Second-Best Institutions. The American Economic Review, 98(2), 100–104.

2 The ownership framework is based on information gathered through scientific and grey literature research as well as 13 expert interviews.

3 *https://www.addistaxinitiative.net/sites/default/files/resources/ATI%20Declaration%202025.pdf*

are primarily responsible for their own social and economic development. In addition, tax capacity building efforts must be tailored to the specific circumstances of the partner country. To achieve this, partner countries need to manage and coordinate DRM collaboration at the country level to stimulate the trust and broad-based support necessary for building equitable, effective, and efficient tax systems. DPs, in turn, need to make concerted efforts to align their TA with the recipient countries' DRM strategies and priorities.

However, ownership is not limited to partner countries' governments. Following the 2008 Accra Agenda for Action (AAA), ownership in this framework is understood in a wider sense, putting more emphasis on the involvement and empowerment of non-state actors.[4] This means that development cooperation is ideally owned by the society as a whole and not only the ruling government. In practice, it implies that the distribution of power and roles is country-specific and needs to be negotiated locally. Summarising, ownership of tax capacity building and broader development cooperation efforts should also be about the process of providing assistance and not only its substance.

4 Non-state stakeholders play a key role in holding the executive branch of government accountable. Non-state accountability stakeholders include civil society organisations, social movements, labour unions, private sector institutions, media organisations, the academia and think tanks. Ideally, these stakeholders have an important role in DRM reforms and DRM-related TA. See for instance: *https://www.addistaxinitiative.net/sites/default/files/resources/ATI%20Accountability%20Stakeholder%20Mapping%20.pdf*

Ownership:

Current challenges and possible answers

Unfortunately, ownership is a broad, malleable concept that is widely embraced, but also subject to differing interpretations. These differences exist between partner countries and DPs on the one hand and between individual DPs on the other. Differences exist, for example, on whether ownership should be understood more in terms of government ownership or in the broader sense, giving non-state actors a more important role in developing, implementing, and monitoring TA for DRM. It also remains unclear how ownership can be practically promoted in the day-to-day business of providing TA. Despite notable improvements in TA processes since the Paris Declaration,[5] the quest for country ownership is an ongoing one.

For DPs, the ownership debate poses the challenge of balancing their commitment to responsibly provide and manage TA, while promoting greater independence and participation of partner countries in planning and implementing tax capacity building activities. Thus, partner countries' ownership of TA for DRM is not only a matter of will and responsibility but also of DPs' readiness to share control with partner countries over the substance and the process of providing TA. This willingness is partly dependent on the constraints under which DPs operate, but also on the capacities of partner countries to take ownership of development cooperation. DPs' accountability requirements and internal procedures may restrict their ability to prioritise or fulfil locally defined needs in all cases. Also, DPs' ability to supply the TA requested by partner organisations is limited by the scope of their own expertise and resources. In this respect, DPs have a responsibility to decline TA requests if they feel it does not fit their mandate or capacity. At the same time, DPs' willingness to share control and strengthen ownership is also substantially dependent on partner countries' credible commitment towards long-term development-oriented DRM reforms. Partner countries can demonstrate such a development orientation, for instance, by developing realistic DRM strategies that are consistent with their national development strategies and priorities.

To achieve country-led and owned reform agendas, DPs should encourage and assist partners to develop these strategies, and ideally provide TA that is aligned with countries' overall development ambitions. In cases where the conditions for stronger ownership are met, DPs should involve partner countries as early as possible in TA design and ensure constant communication. In this respect, DPs need to be prepared for situations where partner countries reject the TA offered if they consider it unsuitable. This is part of the process of moving to stronger ownership.

Unfortunately, some partner countries lack sufficient capacity to assess and articulate their own TA requirements and develop concrete strategies to address these needs. These include, e.g., strategic plans, reform plans, medium-term revenue strategies, Public Financial Management strategies and human resource strategies. Moreover, the capabilities for planning TA as well as its management, monitoring, reporting, evaluation, and accountability for the intended outcomes are often insufficient. For the ownership of the day-to-day business, partners often need more thorough skills for the development of accurate terms of reference for TA needs and the selection of TA providers. Complementary capacities are needed to prioritise and sequence capacity building needs as well as determine what roles donors and development agencies should play in implementing relevant

5 Hasselskog, M. & Schierenbeck, I. (2017). The Ownership Paradox: Continuity and Change. Forum for Development Studies, 44(3), pp. 323–333.

strategies. DPs can assist partner countries in building the required capacities by providing TA in these areas. At the highest level of government, there is usually a strong verbal commitment to DRM-related reforms. However, due to scarce resources, the commitment to funding and thus truly owning these reforms tends to be weaker. This can impede the implementation of DRM reforms and can also make TA less effective. Partner institutions and DPs alike should therefore increase efforts to hold partner countries' governments accountable for their commitments to DRM reforms. DPs for instance can assist partner institutions to develop capacities to strategically approach the budget process and secure more funding through the national budget.

Further, DPs can reduce the administrative burden for partner countries to exercise ownership by coordinating among themselves to consolidate or streamline their assistance. One opportunity to do so is by pooling funds or co-funding development projects. This could be combined with greater DP transparency regarding their administrative processes and modes of delivering TA, including the levels of capacity development.[6] At the same time, DPs can support partner governments' ownership by actively responding to their demands for greater alignment of TA to local strategies and priorities. Also, donors can contribute by using local management, monitoring, and reporting systems rather than requiring partners to use DPs' parallel systems. An additional way to promote country ownership is through expanded use of local expertise. Local experts have a better understanding of the local institutions and can therefore help to develop and implement context-specific and best-fit solutions. Such local experts and partners should be involved not only in the planning, but also the implementation stage of TA.

Promoting broader ownership also means involving other government bodies in the process of providing tax capacity development. This requires, first, a trusting and institutionalised collaboration between tax administrations and the ministries of finance. Their collaboration is critical in jointly formulating capacity needs and enhancing DRM. A coordinated approach strengthens their negotiating position, may secure joint buy-in for DRM reforms, and can improve the planning as well as implementation of the reforms including the related TA. Tax administrations and ministries of finance need to speak with one voice. Furthermore, tax administrations and ministries of finance also need to improve collaboration with affected government bodies in other sectors by involving them into reform processes, taking into account their expertise and honouring their concerns. This is for instance critical when it comes to digitisation processes, use of other government bodies' data banks, data protection rights, the reduction of tax expenditures, and the revision of the rights to grant tax exemptions etc. Intra-governmental collaboration is the basis to achieve whole government buy-in, establish broader government ownership and avoid competence wrangling between different government bodies that may result in a delay or failure of DRM reforms and related TA.

Country ownership also requires the involvement of non-state actors in TA design and implementation. Donors and respectively development agencies often consult non-state actors when planning TA projects in the realm of DRM. Nevertheless, the main cooperation

6 TA can contribute to build capacities at the individual, organisational and society level (networks and institutions). Service modalities to deliver TA include for instance short-term advice, intermittent short-term advice, long-term advice, training (hard and soft skills), development of training courses/modules/programmes, coaching, peer-learning formats, financing, procurements, etc.

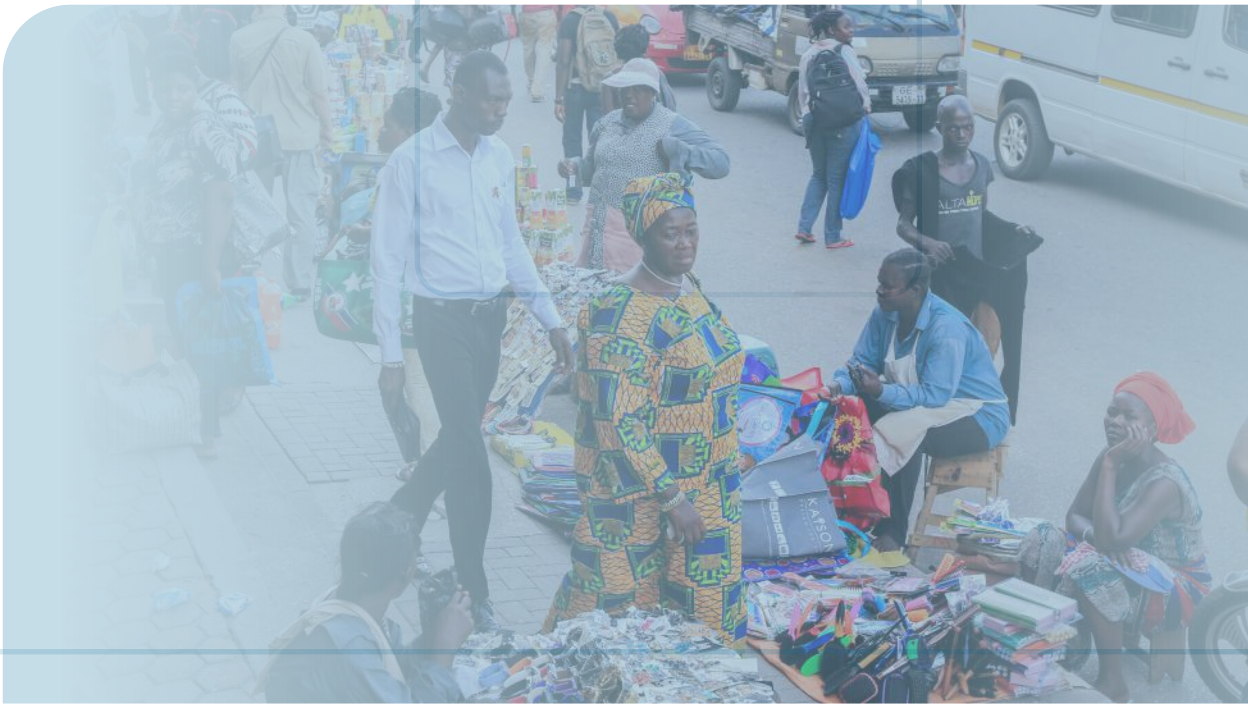
partner normally is the partner country's government, with non-state stakeholders often granted only a minor or passive role in DRM projects. Partner countries' governments often do not engage non-state stakeholders sufficiently in the planning, implementation and review of tax policy and administrative reforms. In some cases, they do not even inform non-state stakeholders of policy changes and reform plans until they are finalised. This, in turn, provides non-state stakeholders with little influence and hence ownership of national DRM processes, not to mention the ownership of the related TA that might be provided by DPs. Consequently, this could be an area where DPs could provide assistance in a twofold manner. First, they could offer TA directly to non-state stakeholders, e.g., to build their technical capacities to assert greater influence over DRM-related reform processes and hold governments accountable. Second, DPs could provide TA to government bodies responsible for DRM to improve their capacity to embrace participatory governance modes and, consequently, actively involve non-state actors in the country's DRM processes. Involving non-state actors not only allows a broader range of views to be reflected in DRM policies and plans but also strengthens the social contract between citizens and the state, which can help mobilise revenue by increasing trust in the state, stimulating public dialogue on DRM and building overall tax morale within a society. A specific measure that could help to achieve this goal is to build tax dialogue capacities in partner governments to effectively engage with taxpayers and citizens regarding tax reforms. In parallel, TA on tax dialogue and political processes could be offered to non-state actors, for example to enable civil society organisations to effectively hold the government accountable, influence the tax policy agenda and give voice to ordinary citizens' concerns.

Despite the various suggestions made in this discussion paper, ownership is not only about strategic approaches to tax reform and TA, but also about the strength of the partner country's political mandate. For instance, if a partner country's government has high approval ratings, majorities in the legislative branch of government and thus legitimacy, they will be in a better position to own and implement reforms and the associated TA.

Additionally, certain modes of delivery can be utilised to strengthen ownership. For instance, ownership of TA provided under a loan or grant agreement can be strengthened by adopting a performance-based approach to disbursement of funds.[7] Performance-based disbursement can give partner countries more autonomy to decide how to achieve results and the areas in which they need TA. Simultaneously, this can give donors and development agencies more confidence in the likelihood of achieving the intended objectives and outcomes of the TA provided.

7 Andrews, M. (2013). The Limits of Institutional Reform in Development. The Rules for Realistic Solutions. Cambridge: Cambridge University Press.

Finally, country ownership can be promoted at the international level by advancing the dialogue on country ownership in DRM cooperation and ways to strengthen it. This could be done, for instance, by organising joint conferences and other forums for partner countries and DPs to agree on measures to increase partner countries' control of and engagement in TA for DRM. Practically, this could include the development of procedures to increase ownership in the planning and implementation stage as well as in monitoring, reporting, and evaluation of TA. Moreover, dialogue could be used to prepare guidelines on how to increase multi-stakeholder ownership with non-state actors to achieve more comprehensive country ownership. These guidelines could encourage the inclusion of views of marginalised groups (e.g. women, children & youth, poor, etc.), media, academia, influential individuals in the society (e.g. spiritual leaders), as well as small- and medium-sized enterprises.



Principles and recommendations for strong country ownership

Principles:

- Partner countries are primarily responsible for their own social and economic development. They need to manage and coordinate DRM cooperation at the country level to stimulate the trust and broad-based support necessary for building equitable, effective, and efficient tax systems.
- DPs have a responsibility to align their TA with the recipient countries' DRM strategies, policies, and priorities. This includes sharing control with partner countries over the substance of TA and the process of providing it.
- Ownership is not limited to governmental actors but includes both state and non-state actors.

Recommendations for partner countries to enhance country ownership:

- Partner countries should actively claim ownership.
- Partner countries need to develop a certain level of capacity sophistication to exercise ownership. For instance, partner countries must to have the capacity to develop consistent DRM strategies/plans and a thorough understanding of DPs processes, perspectives, and mandates.
- Partner countries need to demonstrate a long-term development-oriented stance on DRM-related reforms. This includes the provision of sufficient domestic funds for DRM reforms through the budget.
- Partner countries should openly embrace participative governance modes to reflect a broader set of perspectives in tax policy making and administrative reforms as well as to strengthen the social contract between citizens and the state.

Recommendations for development partners to enhance country ownership:

- DPs need to prioritise partner countries' demands over their own interests.
- DPs should ensure that a broad range of views is reflected when planning TA, including views of non-state stakeholders. In the implementation stage, DPs need to involve partner countries more directly, to a greater extent and as early as possible.
- Ownership should be secured not only at the political and management level, but also at the operational level of partner organisations, i.e. ministries of finance and tax administrations.
- DPs should assist partner countries to develop capacities to exercise ownership. DPs should assist partner countries in developing coherent DRM strategies/plans.

Conclusion

There is still plenty of space to strengthen country ownership in TA for DRM. For that purpose, the roles and responsibilities of donors, development agencies, and partner countries in the planning, implementation, and evaluation of tax- and DRM-related assistance need to be transformed. Achieving this transformation will require both partner countries and DPs to adapt in various ways. The necessary adaptations in partner countries could be supported by DPs, particularly by building those capacities required to exercise ownership and leverage the skills and knowledge of local experts. This includes the capacities of non-state actors to engage in DRM processes and thereby increase ownership of DRM reforms and associated TA by societies at large. This can be achieved by building DRM capacities among non-state actors, but also by encouraging partner countries' governments to engage in participative modes of governance.

To advance the ownership agenda, the ATI will initiate dialogue between DPs and partner countries to forge a common understanding of country ownership and identify principles and practices for improving it. Success in this endeavour will hinge on meaningful collaboration between partner countries and DPs as well as among DPs. Together, they must share this responsibility as a central tenet of the DRM agenda.

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