2018 ATI Monitoring Report

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Foreword

This is a crucial time for countries to build fair, efficient and transparent tax systems to foster sustainable development and respond to the COVID-19 pandemic.

Since the launch of the Addis Tax Initiative (ATI) in the course of the Third International Conference on Financing for Development in 2015, domestic revenue mobilisation (DRM) has gained importance in the global development agenda. ATI members recognise that domestic revenues from taxes and non-tax sources are the most reliable and sustainable way of financing the Sustainable Development Goals and are therefore central to our common pursuit of sustainable development. Substantial efforts were made to support revenue collection in partner countries, tax issues have become a more frequent topic of discussion in international forums, and government officials have been strengthening rules and procedures in support of improved tax cooperation.

As highlighted in the 2018 ATI Monitoring Report, ATI development partners have increased official development assistance in support of DRM by 69% since 2015, which accounts for a total USD 372.5 million spent in 2018. While improving transparency and prioritising equity in the tax policy processes remains a challenge, many ATI partner countries have managed to slightly increase their average tax-to-GDP ratio from 15.2% in 2015 to 15.6% in 2018. In addition, ATI members continue to make progress with regards to policy coherence across a range of areas.

At the same time, this report goes beyond the numbers and seeks to share lessons learned based on successful DRM reforms. It is our sincere hope that the report will foster peer learning between ATI members and beyond, and that the next years will reflect the significant progress made to improve DRM and revenue management across countries. Greater cooperation is needed to ensure that all countries have the capacity to craft fair and transparent revenue policies and effectively manage their revenue collection systems.

Unfortunately, the COVID-19 pandemic has added an unprecedented level of complexity to the issue of DRM and is endangering progress made over the last years. In most countries, while economic growth is declining and the tax base is shrinking, spending pressure is increasing rapidly. The pandemic has elevated the need for domestic revenues as a reliable source to strengthen resilience of countries, making it more crucial than ever to build on the progress depicted herein and further support partner countries in addressing strengthening DRM equitably and effectively as part of the global response to COVID-19. Let us use this chance.

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Glossary

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

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

ATI membership[1]

ATI partner countries

Afghanistan, Benin, Burkina Faso, Cameroon, Ethiopia, Georgia, Ghana, Indonesia, Kenya, Liberia, Madagascar, Malawi, Mongolia, Namibia, Nepal, Pakistan, Paraguay, Philippines, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, The Gambia, Uganda

ATI development partners

Australia, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Ireland, Italy, South Korea, Luxembourg, Netherlands, Norway, Slovakia, Slovenia, Sweden, Switzerland, United Kingdom, United States

ATI supporting organisations

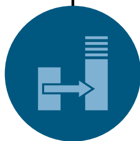
African Tax Administration Forum (ATAF), Asian Development Bank (ADB), Bill and Melinda Gates Foundation (BMGF), Center of Excellence in Finance (CEF), Centre de Rencontres et d'Études des Dirigeants des Administrations Fiscales (CREDAF), Commonwealth Association of Tax Administrators (CATA), Global Financial Integrity (GFI), Global Forum on Transparency and Exchange of Information for Tax Purposes, Inter-American Center of Tax Administrations (CIAT), International Budget Partnership (IBP), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), Oxfam International, Save the Children, United Nations Department of Economic and Social Affairs (UN DESA), West African Tax Administration Forum (WATAF), World Bank

[1] Status October 2020.

Addis Tax Initiative

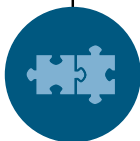
Executive Summary

The Addis Tax Initiative (ATI) was launched at the Third International Conference on Financing for Development (FfD) in Addis Ababa, Ethiopia, in July 2015. At the launch, more than 30 countries and international organisations committed to working together to expand domestic revenue mobilisation (DRM) in partner countries, strengthen the capacities and governance of revenue institutions, make tax systems fairer, more transparent and more efficient, and deepen the political will to ensure all policies contribute to DRM efforts. Over the last five years, the ATI has grown substantially, currently bringing together 45 countries and 17 supporting organisations committed to deepen their efforts to fulfil the three ATI commitments set out in the *ATI Declaration from 2015*:



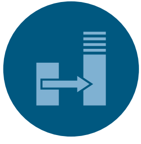
ATI Commitment 1
The ATI development partners commit to collectively double technical cooperation in the area of domestic revenue mobilisation (DRM) by 2020.

ATI Commitment 2
ATI partner countries commit to step up DRM a key means of implementation for attaining the Sustainable Development Goals (SDGs) and inclusive development.



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

The 2018 ATI Monitoring Report has examined the performance of the ATI member countries, consisting of 25 partner countries and 20 development partners, in meeting these commitments in 2018 and since 2015. It also assesses the contributions of the ATI supporting organisations towards enhancing DRM in partner countries. Overall, the results show that there has been notable progress in the area of DRM in partner countries, that ODA for DRM from development partners is growing and that policy coherence for DRM is gaining increased political attention. They also show that these efforts need to be deepened if the full potential and commitments of the ATI are to be met. An overview of the findings in this report can be found in the following.



ATI Commitment 1

ATI development partners provided USD 372.5 million in Official Development Assistance (ODA) for DRM in 2018, with USD 65.3 million (17.5%) provided in the form of loans. ATI development partners have therefore increased their ODA for DRM by 69% since 2015 (the ATI baseline). Of the 20 ATI development partners, 6 have already achieved a doubling of their ODA for DRM during 2015-18, and another 5 have achieved an increase of 50%-100%. The largest recipient countries of grant ODA for DRM from ATI development partners in 2018 were Afghanistan, Tanzania and Ghana, all of which are ATI members. Sub-Saharan African countries (40.1% of total ODA grants) and Least Developed Countries (41.3% of total ODA grants) collectively received the largest proportion amongst regions and country income groups, respectively.

The most intensively used modality for delivering this ODA for DRM from ATI development partners in 2018 was project type interventions (44% of total ODA grants), followed by contributions to specific purpose programmes and funds (17%). The most significant delivery partners for these ODA programmes were donor government institutions (22% of the total), with non-governmental organisations (NGOs) in partner countries only managing 1.7% of this ODA directly. While 23.6% of grant ODA for DRM from ATI development partners addressed gender equality as a significant objective, only 4.1% considered it to be a principal objective and 45.7% did not target gender equality.

ATI Commitment 2

ATI partner countries increased their average tax-to-GDP ratio to 15.6% in 2018, in up from 15.5% in 2017 and 15% in 2016. Amongst the 25 ATI partner countries, 13 have increased their tax-to-GDP ratios since 2015, including 7 by 1-2 percentage points and 3 by more than 2 percentage points. Taxes on goods and services made the biggest (and a growing) contribution to tax revenues for ATI partner countries in 2018, with taxes on international trade and transactions declining in importance.

Amongst ATI partner countries, 20 have formally applied the Tax Administration Diagnostic Assessment Tool (TADAT) and 16 have undertaken Public Expenditure and Financial Accountability (PEFA) assessments in order to track progress and identify gaps in developing their tax administrations. ATI partner countries have been making progress in improving the transparency of their strategies and plans as well as annual reports, although progress in transparency related to tax expenditures and service delivery has been limited. ATI partner countries continue to face major challenges in improving the progressiveness of their tax structures and the impact of their tax collection on inequality.

ATI Commitment 3

ATI members continue to make progress in regard to policy coherence for development across a range of DRM-related areas. In relation to illicit financial flows (IFFs), international agreements and processes are beginning to feed into the policy and legal reforms of development partners. However, significant progress still needs to be made. In relation to Double Taxation Agreements, there are signs that partner countries are developing more strategic approaches to their negotiations and global agreements to stamp out tax treaty abuses are considered to be effective.

It remains evident that the use of tax incentives to stimulate investment continues to be a deeply challenging agenda for partner countries to address effectively. Expanding peer learning on these issues could therefore add significant value. Debates on the merits of tax exemptions for ODA flows continue to grow, and development partners are gradually becoming more open to exploring this issue. More attention is also being paid to linking DRM to green growth opportunities, especially through the use of taxes on fossil fuels.

ATI Commitment 1

Introduction

This section presents progress against Commitment 1 of the Addis Tax Initiative (ATI). The data and analysis are based on reporting of Official Development Assistance (ODA) disbursements and commitments to the OECD Development Assistance Committee (DAC) under the CRS (Creditor Reporting System) purpose code 15114 (Domestic Revenue Mobilisation – DRM). Ten development partners – namely the European Union (EU), France, Italy, South Korea, Luxembourg, the Netherlands, Slovenia, Switzerland, the United Kingdom (UK) and the United States (US) – have adjusted their original reporting to the OECD DAC. The amended dataset underlying this analysis can be found *online*. All changes and additions are highlighted in a transparent manner in this chapter.

The aim of Commitment 1 of the Addis Tax Initiative (ATI) is to help realise the commitment made by development partners in the 2015 Addis Ababa Action Agenda (AAAA) to increase support for partner countries in the area of domestic revenue mobilisation (DRM) (see Box 1). DRM is the most reliable and sustainable source to finance national development. ATI development partners have committed to collectively doubling their Official Development Assistance (ODA) to partner countries to support their DRM efforts by 2020.[2]

The AAAA establishes a strong foundation to support the implementation of the 2030 Agenda for Sustainable Development. It provides a new global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities.

"We recognize that significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing sustainable development and achieving the sustainable development goals. We commit to enhancing revenue administration through modernized, progressive tax systems, improved tax policy and more efficient tax collection. (...) In this regard, we will strengthen international cooperation to support efforts to build capacity in developing countries, including through enhanced official development assistance (ODA)." (UN 2015, paragraph 22)

Box 1: The AAAA and DRM

The baseline year for this commitment is 2015, which is when ATI was formed and the commitment first made. The baseline level of ODA for DRM (based on reporting by ATI development partners for 2015) is **USD 220.56 million of gross disbursements and USD 187.54 million of commitments.** Consequently, the ATI development partners will collectively need to increase their ODA for DRM to **USD 441.12 million of gross disbursements and USD 375.08 million of commitments** by 2020 in order to fulfil their commitment to double ODA spending in the area of DRM.

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

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Summary

For ATI development partners, gross ODA disbursements for DRM totalled USD 372.5 million and **gross ODA commitments for DRM totalled USD 534.6 million in 2018.** This level represents an **increase of 69% and 185%, respectively, compared to the ATI baseline of 2015.**

Compared to 2017, gross ODA disbursements and commitments for DRM provided by ATI development partners in 2018 increased by 44% and 108%, respectively. However, 17% of these disbursements and 30% of these commitments were provided in the form of loans. **Excluding loans, ODA disbursements and commitments for DRM from ATI development partners in 2018 increased by 19% and 46%, respectively, in comparison to 2017.** The levels of grant ODA disbursements and commitments for DRM reached in 2018 represent an increase of 39% and a doubling, respectively, compared to their levels in 2015.

Amongst partner countries, **those which are members of the ATI have experienced more significant increases in grant ODA for DRM from ATI development partners during 2015-18 (52% increase) than partner countries which are not members of the ATI (27% increase).**

The concentration of grant ODA disbursement for DRM from ATI development partners in 2018 was similar to that in previous years. The ten largest recipients of grant ODA disbursements for DRM from ATI development partners in 2018 – Afghanistan, Benin, Burkina Faso, Ghana, Haiti, Jordan, Liberia, Mozambique, Somalia and Tanzania – received 34% of the total, the same as for the top ten recipients in 2017. 5 of these countries (Haiti, Liberia, Mozambique, Somalia, Tanzania) were new to the top 10 list.

As was the case during 2015-17, **sub-Saharan Africa remains by far the largest regional recipient (40.6% of the total, excluding loans),** with other major recipient regions including South and Central Asia (12.5%), North and Central America (5.7%), Europe (5.3%) and Far East Asia (4.1%).

ATI development partners are broadly on track to meet their collective commitment to doubling ODA for DRM by 2020, albeit with the help of significant volumes of ODA loans in 2018. However, ensuring that they scale up their annual levels of ODA for DRM by the additional 16% needed to meet this commitment by 2020 will require sustained political will and continued efforts to promote DRM as a core priority for development assistance. This is especially the case if the 2020 commitment is to be met without the provision of ODA loans.

The responses of ATI development partners to this year's monitoring survey suggest that the political will required to deliver on the 2020 commitment remains in place. However, the spread of the COVID-19 virus across the world in recent months, and the new demands this is placing on development cooperation to meet the financing gaps faced by many partner countries in addressing these challenges, will severely test this commitment.

The spread of COVID-19 to partner countries has created significant resource needs in relation to health and social support for those whose livelihoods have been disrupted. These challenges have been difficult for many developing countries to manage without external assistance, especially as their domestic revenues have been disrupted. The United Nations estimates that ATI partner countries face a $2.1 billion resource gap due to Covid-19 (UNOCHA 2020) and many development partners have been reallocating their ODA in order to respond.

Box 2: The development and financing challenges posed by the COVID-19 pandemic

4 ATI development partners have indicated that the aid they are reallocating to provide to respond to the pandemic is likely to constrain their support for DRM and their ability to meet the 2020 targets, and others are likely to be feeling similar pressures. It is therefore vital that ATI development partners remain ready to respond to the DRM priorities of partner countries that emerge as a part of the response to COVID-19, so as to support them to tackle the virus and recover from its impacts.

Methodology of the 2018 ATI Monitoring of Commitment 1

The monitoring of ATI Commitment 1 is primarily based on data on ODA collected and published by the OECD's Development Assistance Committee (DAC) under the Creditor Reporting System (CRS). This is the most comprehensive and credible source of data on donor capacity building for DRM.

The monitoring of ATI Commitment 1 focuses on disbursements and commitments of ODA. ODA commitments usually vary considerably from year to year but provide a good proxy for ODA pledges made and reflect development partners' funding intentions. ODA disbursements, on the other hand, record the actual international transfer of ODA in the respective year and therefore provide a more concrete measure of the ODA efforts made by development partners. Data on disbursements of ODA for DRM quoted in this report is largely reported on a "gross" basis, i.e. without taking into account any reflows – e.g. loan repayments or grant recoveries – resulting from these disbursements[3], and includes both grants and loans. In a number of places in this report ODA disbursements data is disaggregated for ODA grants and loans, in recognition that these are distinct types of finance.

As part of the monitoring process, ATI development partners were given the opportunity to review and adjust the information they reported to the OECD DAC on ODA in support of DRM. This review and adjustment process is required in order to ensure that development partners report their most up-to-date information and have correctly applied the guidance and regulations for reporting ODA for DRM, which were introduced in 2015, and on which some development partners continue to encounter technical difficulties[4]. 17[5] of the twenty ATI development partners formally verified their ODA for DRM data during this process, with 10 of them making adjustments to the data they had initially reported to the OECD DAC.

In addition to reviewing their CRS data, the ATI development partners were sent a survey with three questions on their support for DRM, which 12[6] of the 20 ATI development partners completed. The first question requested information on their 2018 portfolio and the outlook for such support. The second question concerned changes in their DRM support strategies, while the third invited them to assess the likelihood of fulfilling ATI Commitment 1 by 2020 and to comment on their efforts to reach this goal.

More detailed information about the ATI monitoring exercise can be found *here*.

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[3] Where ODA flows are reported net of reflows from loan repayments or recoveries from grants, this is referred to as "net" ODA.

[4] OECD DAC members are supposed to report their ODA for DRM under purpose code 15114 in the OECD DAC CRS. However, most OECD DAC members still report some elements of their DRM under other CRS codes. Therefore, the ATI monitoring process attempts to clarify and correct for these discrepancies through the verification phase of its data gathering.

[5] Belgium, Luxembourg and the Netherlands did not formally verify their ODA for DRM data. For these countries, the ODA for DRM data they reported to the OECD DAC was used for the analysis.

[6] Including Denmark, European Commission, France, Germany, Ireland, Italy, Slovakia, Slovenia, South Korea, Sweden, the UK and the US.

Addis Tax Initiative

Reporting for the 2018 ATI Monitoring of Commitment 1

The ATI dataset on DRM support (as of August 2020) contained 868 entries for ODA reported under CRS purpose code 15114 (see Box 3) by the ATI development partners (compared to 474 in 2015), amounting to USD 372.5 million in gross disbursements and USD 534.6 million in commitments. During the data validation process, 10 development partners reported adjustments to their datasets for 2018. Those development partners were requested to also update their reporting to the OECD DAC.

The guidelines for the OECD DAC's creditor reporting system (CRS) define purpose code 15114 as "support to domestic revenue mobilisation/tax policy, analysis and administration as well as non-tax public revenue, which includes work with ministries of finance, line ministries, revenue authorities or other local, regional or national public bodies".

There are also a number of voluntary sub-codes for development partners to applying in reporting ODA for DRM, which include: 15116 (tax collection); 15155 (tax policy and administrative support); and 15156 (other non-tax revenue administration). However, development partners don't consistently report against these voluntary purpose codes, and they are therefore not used in reporting flows of ODA for DRM in this report.

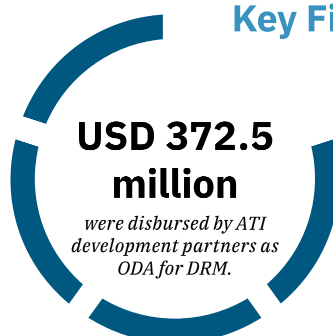
Box 3: Definition of ODA purpose code 15114

Amongst the ATI development partners, the ones reporting the largest number of additional DRM projects for 2018 that had not previously been reported to the OECD DAC were the European Union (EU) institutions (added 69), South Korea (63), the UK (13), the Netherlands (6) and Switzerland (4). Only 2 ATI development partners removed DRM projects originally reported to the OECD DAC in verifying their project data with the ATI, including the UK (removed 7) and South Korea (2).

ATI development partners were given the opportunity to use 2014 as their baseline, on the basis that additional commitments were made by some countries in the run-up of the launch of the ATI in 2015. The countries that made use of this opportunity were Belgium and the UK.

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

Key Findings



Overview

In 2018, levels of gross ODA disbursed by ATI development partners for DRM reached USD 372.5 million. This represented an increase of USD 113.9 million (or 44%) compared to 2017 and an increase of USD 152 million (or 69%) compared to the 2015 baseline, although this level is marginally below the peak achieved in 2016 (when the total reflected some substantial loan-financed projects).

This means that ATI development partners are broadly on track to achieve their 2020 target to double ODA for DRM. However, further efforts are still needed to meet the target. ATI development partners will need to increase their annual levels of gross ODA disbursements for DRM by an additional USD 68.7 million (or 18%) over 2018 levels (see Figure 1).

Of the total volume of gross ODA disbursed by ATI development partners in support of DRM in 2018, USD 65.3 million (or 17%) was provided in the form of loans, in contrast to 2017 when no ODA loans in support of DRM were reported. The USD 309 million in grant ODA for DRM in 2018 represented an increase of USD 48.6 million (or 19%) compared to 2017. Disbursement of ODA grants for DRM have increased year on year since 2015 and are now 40% above their 2015 levels (see Figure 1).

In 2018, ODA commitments by ATI development partners to support DRM reached USD 534.6 million, representing an increase of 108% compared to 2017 and of 185% since the baseline year of 2015. Gross ODA disbursement for DRM were therefore only 70% of committed levels in 2018, in contrast to 2015-17 when they were above 94% of committed levels. In addition, loans contributed USD 158 million of gross commitment for DRM by ATI development partners in 2018, so that grant commitments increased by a more modest 46% compared to 2017 (see Figure 2).

ATI development partners on track to deliver on 2020 doubling target, but only with the help of significant volumes of ODA loans in 2018

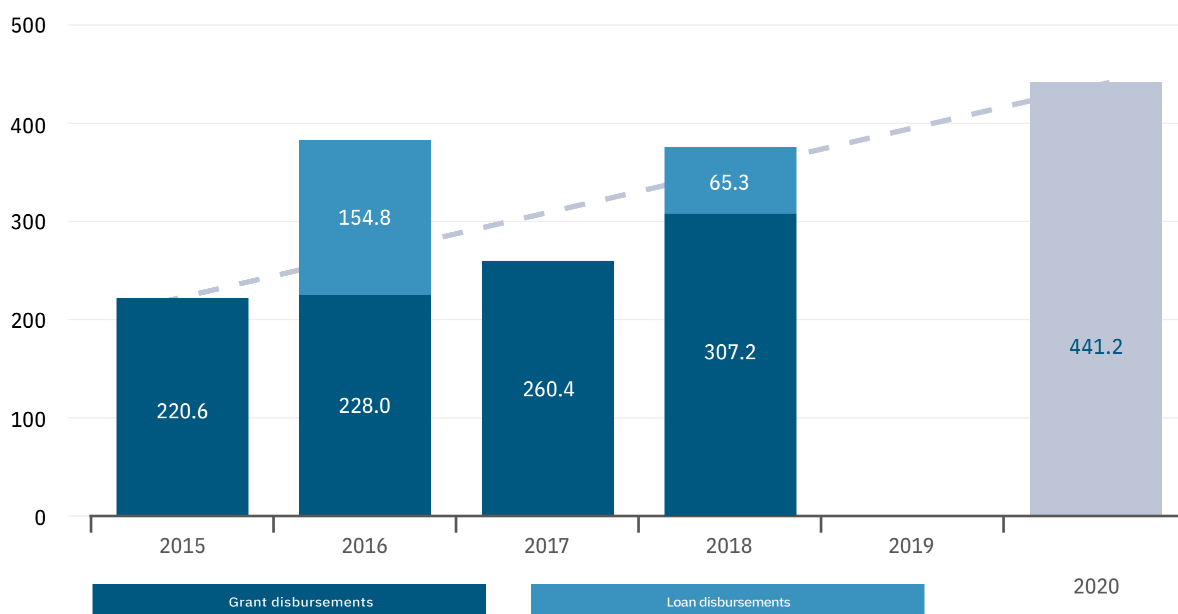


Figure 1: Gross ODA disbursements for DRM, 2015-2018, and in comparison to the 2020 target (USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

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

ODA for DRM commitments by ATI development partners in 2018 was more than doubled in comparison to 2015 – however, only 70% of these commitments were delivered in 2018

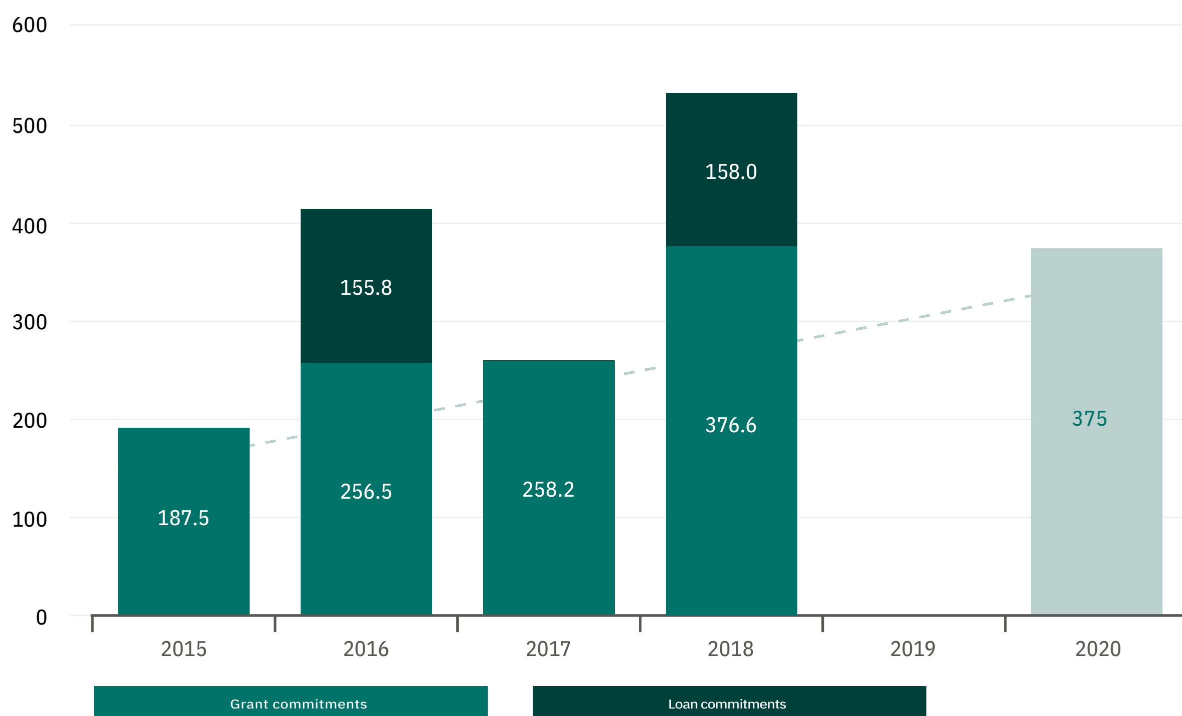


Figure 2: ODA commitments for DRM, 2015-2018, and in comparison to the 2020 target (USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

Note: The total number for 2015 includes the 2014 commitment figures for Sweden and the UK (which both apply a 2014 baseline).

The dataset for the 2018 ATI Monitoring Report includes 868 separate entries for DRM projects, a significant increase on the 645 in 2017, 472 in 2016 and 474 in 2015. Of the DRM projects reported to the ATI for 2018, 178 were not included in the original reporting to the OECD DAC. It is important that these projects are reported to the OECD DAC retrospectively as well in order to improve the completeness of reporting of ODA-funded DRM activities.

For 2018, gross ODA disbursements in support of DRM by ATI development partners accounted for 92.5% of total gross ODA disbursements for DRM reported by all OECD DAC donors under CRS purpose code 15114. This share is slightly lower than in 2017 (93.1%), 2016 (98.0%) and 2015 (97.7%). Development partners that reported DRM projects under CRS purpose code 15114 and are not ATI members are Austria, Hungary, Japan, and Spain.

Support to DRM by ATI development partners

Disbursements

In 2018, EU institutions accounted for the highest level of gross ODA disbursements (USD 87.8 million) for DRM among all ATI development partners, followed by France (USD 49.1 million) and Germany (USD 43.8 million). Since 2015, EU institutions have been the largest contributors of ODA to support DRM.

The highest absolute increase in gross ODA disbursements for DRM by an individual ATI development partner since the 2015 baseline was reported by France (USD 43.5 million), followed by the EU institutions (USD 41.8 million) and South Korea (USD 18.9 million). In percentage terms, the highest recorded increase in gross ODA disbursements for DRM during 2015-2018 was reported by France (763.9%), followed by South Korea (543.8%) and Luxemburg (208.9%).

On the other hand, some ATI development partners have seen declines in their support for DRM. The UK's gross ODA disbursements for DRM have fallen by USD 5.99 million since 2015, as have those of Finland (USD 2.7 million) and Belgium (USD 0.3 million). In percentage terms, the largest declines were reported for Finland (-59.6%), Belgium (-10.9%) and the UK (-14.5%).

Commitments

Amongst individual ATI development partners, the most significant ODA commitments for DRM in 2018 were reported by France (USD 149.3 million), the EU institutions (USD 115.6 million) and Norway (USD 54.8 million).

The highest absolute increase in gross ODA commitments for DRM by an individual ATI development partner during 2015-18 were reported by France (USD 143.5 million), the EU institutions (USD 72.7 million) and Norway (USD 40.7 million). In percentage terms, the largest increases in ODA commitments for DRM during 2015-18 were reported by Slovakia (5,067.9%), South Korea (3,096.3%) and France (2,469.8%).

The highest absolute decreases in ODA commitments for DRM during 2015-18 were reported by Belgium (USD 2.7 million), Switzerland (USD 2.6 million) and Italy (USD 0.2 million). In percentage terms, the largest decreases in ODA commitments for DRM during 2015-18 were also reported for Belgium (-100%), Switzerland (-33.3%) and Italy (-28.8%).

ODA loans

Loans are eligible to be reported as ODA as long as they are provided on terms that are sufficiently concessional in comparison to market loans.[7] ODA loans can provide valuable support for partner country DRM efforts, especially in supporting significant capital expenses, such as modernising IT systems.

[7] New rules on ODA loans were agreed within the OECD DAC in 2015. These rules require loans to have a minimum "grant element" (the measure of how soft or concessional loans are compared to a market loan) in order to be reported as ODA. These minimum grant elements are 45% for loans to Low Income Countries and Least Developed Countries, 15% for loans to Lower Middle Income countries and 10% for loans to Upper Middle Income countries.

In 2015 and 2017, no ODA loans for DRM projects were reported by ATI development partners. However, in 2018, France and Germany reported ODA loan commitments for three projects, with a total gross value of USD 158 million (see Table 1).

ATI development partner	*Recipient*	*Commitment (USD millions)*	*Long description*
France	Philippines*	50.0	Phase 2 of the local government finance and fiscal decentralisation reform programme in the Philippines
France	Indonesia*	99.0	Second public policy loan for tax reform in Indonesia
Germany	Cameroon*	9.03	Modernisation of the information system used for the Directorate General Taxes 1 (PMSI-DGI 1)

** ATI partner country*

Table 1: ODA loan commitments for DRM provided by ATI development partners (2018, USD millions)

At the same time, the total level of gross ODA loan disbursements for projects amounted to a much lower level of USD 65.3 million in 2018. Disbursed loans supported a total of three projects (see Table 2).

ATI development partner	*Recipient*	*Commitment (USD millions)*	*Long description*
France	Philippines*	21.8	Phase 2 of the local government finance and fiscal decentralisation reform programme in the Philippines
France	Indonesia*	27.0	Second public policy loan for tax reform in Indonesia
Korea	Lao People's Democratic Republic	16.5	Establishment of Tax Revenue Information System Project

** ATI partner country*

Table 2: Disbursed ODA loans for DRM provided by ATI development partners (2018, USD millions)

Outlook

6 ATI development partners – Australia, Denmark, France, Luxembourg, South Korea and Switzerland – already achieved a doubling of their ODA disbursements for DRM (compared to the 2015 baseline) in 2018, although Denmark has stated in its response to this year's ATI monitoring survey that it may not be able to sustain these levels in 2020 (see below). It is also the case that,

amongst the other ATI development partners, 4[8] stated in their responses to this year's ATI Monitoring Survey and another 5[9] (which did not respond to this year's survey) stated in last year's ATI Monitoring Survey that they remained committed to or are confident of achieving a doubling of their ODA for DRM by 2020. Overall, it seems as though the majority of ATI development partners have either doubled their ODA for DRM by 2018 or are explicitly planning to do so by 2020.

However, the 2018 ATI monitoring Survey also revealed that 6 ATI development partners – Denmark, Italy, Slovenia, Sweden, the UK and the USA – also stated in their survey responses that they face significant challenges with achieving the 2020 target. The USA has been clear from the time it signed up to the ATI that it was merely aiming to increase its ODA for DRM, and Slovenia has stated that it has no possibilities to provide additional earmarked funding for DRM. For the other 4 development partners, the major reallocation of aid resources they have been undertaking in 2020 to support the response to the COVID-19 pandemic and the economic challenges it has triggered, was identified as the main factor which may prevent them from doubling their ODA for DRM by 2020.

Since the spread of COVID-19 to partner countries was confirmed in early 2020, the health systems of these countries have been severely tested and restrictions to control the virus have led to huge income losses and contractions in domestic revenues.

These challenges have been difficult for many developing countries to manage without external assistance. As a result, the United Nations has launched an appeal to mobilise $6 billion to meet resourcing gaps for the most affected countries, $2.1 billion of which is required for ATI partner countries alone (UNOCHA 2020).[10] Many development partners have therefore been reallocating their aid in order to contribute to these emergency needs.

Amongst the challenges to be met is supporting partner countries to protect their domestic revenues. This will require added support to tax administrations (IMF 2020)[11] and continued reforms to address inefficient revenue raising opportunities (Gupta and Liu 2020).[12]

Box 4: The development and financing challenges posed by the COVID-19 pandemic

It is therefore clear that whilst the majority of ATI development partners remain well placed to achieve a doubling of their ODA for DRM by 2020, the challenges for them to collectively reach this target have been growing in 2020. As a result, ATI development partners may struggle to meet this target. Extending the timeline for doing so could help to ensure that the collective effort to increase ODA for DRM towards this level remains on track.

[8] The EU institutions, Germany, Ireland and Slovakia.

[9] Canada, Finland, Netherlands, Norway and Sweden.

[10] https://www.unocha.org/sites/unocha/files/GHRP-COVID19_July_update.pdf

[11] https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes

[12] https://www.cgdev.org/publication/covid-19-crisis-and-fiscal-reform-low-income-countries

Of the 20 ATI development partners, 13 increased their disbursements of ODA for DRM in 2018 and 6 already achieved a doubling of their ODA for DRM (compared to 2015)

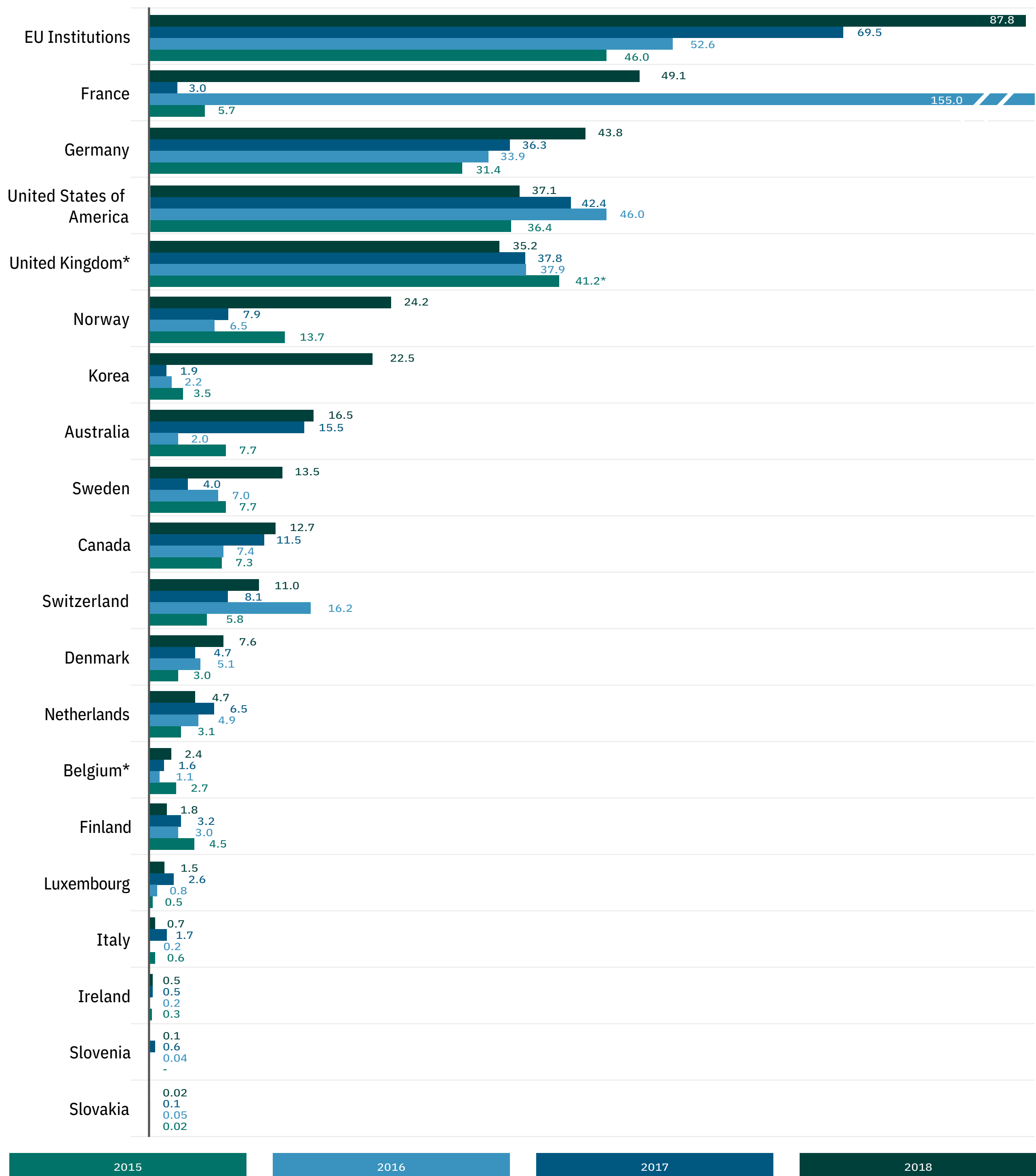


Figure 3: ATI development partners' support to DRM (gross disbursements, USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

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

Of the 20 ATI development partners, 15 increased their commitments of ODA for DRM in 2018, although 6 disbursed less than 80% of the ODA they committed and 7 exceeded their commitments

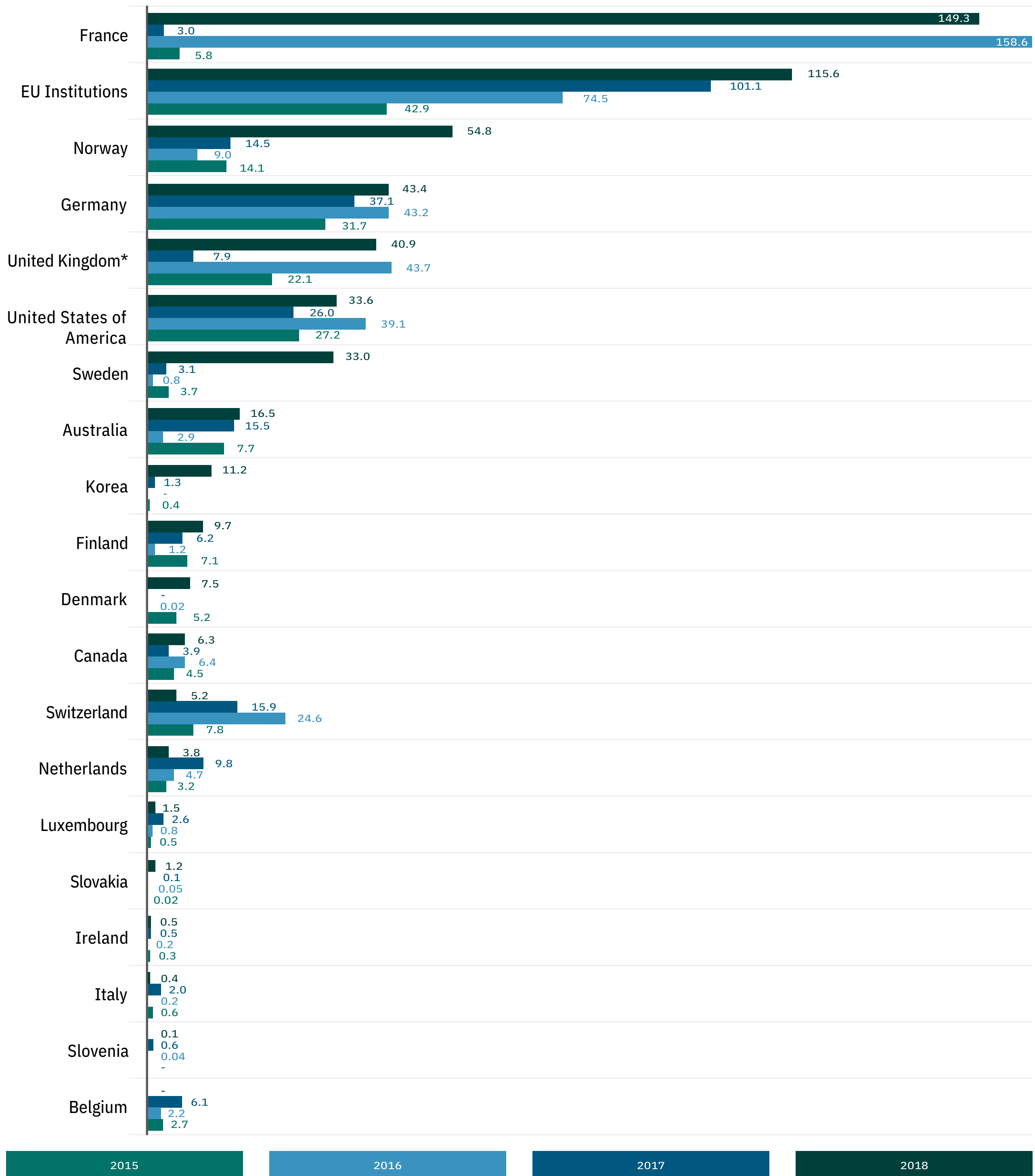


Figure 4: ATI development partners' support to DRM (gross commitments, USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

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

Insights on development partner support for DRM

This section presents some insights on the strategic priorities of individual ATI development partners in relation to DRM, the types of support they are providing and how this support is evolving. These insights are based on responses to the 2018 ATI Monitoring Survey on Commitment 1, and therefore focus on the twelve development partners that respond to the survey.

Denmark

In 2018, Denmark added four new entries of commitments to its portfolio of projects to support DRM. The new commitments total approximately USD 7.5 million, of which USD 5.5 million is channelled through multilateral channels, including the Revenue Mobilisation Trust Fund (RMTF) of the International Monetary Fund (IMF), and the International Finance Corporation / World Bank Global Tax Programme. Demark expects its new commitments to stay at a similar level in 2019.

European Commission

As stipulated in the European Commission's (EC) external strategy for effective taxation, the EU aims to help strengthen partner countries' tax policies and administration, whilst also promoting international tax good governance standards. Its *Collect More – Spend Better* approach of increasing efficiency and effectiveness both on the revenue and the expenditure side remains valid. In 2018 the EU's DRM financing channelled through budget support increased further, so that 55% of total DRM disbursements were provided through this aid modality, up from just 20% in 2015. This either through DRM related indicators or technical assistant as part of the budget support operation. The EC remains committed to meeting the target set for 2020 and continues to take action at global, regional and bilateral levels to increase support for the DRM. This also includes support to addressing money laundering, terrorist financing, and tax evasion and avoidance.

France

In 2018, France has increased its support for DRM through multilateral channels, as well as its provision of concessional loans for DRM projects. France has also provided increased levels of bilateral support for DRM projects in emerging economies.

Germany

The German *Marshall Plan for Africa* from 2017 remains the guiding strategy and framework for its development cooperation and for establishing new partnerships. Germany has a diverse DRM portfolio that combines bilateral technical and financial support on tax policy and administration, and cooperation with regional and international initiatives on DRM, including to the IMF's regional capacity development centres in Africa and support for Tax Administration Diagnostic Assessment Tool (TADAT) missions. In addition to addressing challenging domestic issues relating to revenue mobilisation in partner countries, Germany's support to DRM also aims to address complex international challenges, including in relation to Base Erosion and Profit Shifting (BEPS).

Ireland

Ireland has recently launched a *DRM initiative*, which it is hoped will result in a significant increase in technical support and peer-to-peer learning assistance to help strengthen tax administration in partner countries. This initiative will focus on Ireland's key partner countries: Colombia, Ethiopia, Kenya, Liberia, Malawi, Mozambique, Nigeria, Palestine, Sierra Leone, South Africa, Tanzania, Uganda, Vietnam and Zambia.

Italy

Italy's support for DRM is guided by the *G7 Bari Declaration on Fighting Tax Crimes and other Illicit Financial Flows*, signed during the Italian G7 Presidency. In this context, Italy hosts and funds steadily the OECD International Academy for Tax Crime Investigation in Rome and sits in the Advisory Group of the Africa Academy for Tax and Financial Crime Investigation in Kenya, which was launched during the Italian G7 Presidency. Priority regions for Italian DRM capacity building initiatives are Africa, Latin America, and the Southern and Eastern European Neighbourhood. In this regard, far-reaching training activities are provided to borders and customs officials from several countries both at the OECD International Academy and abroad, on-site at the institutions of beneficiary countries. An allocation for DRM support was included in the annual budget plan for 2020. However, the development cooperation budget and the annual allocation plan are currently under review in the light of the emergency situation created by the COVID-19 pandemic.

Slovakia

Slovakia's portfolio of DRM support remains relatively stable. Slovakia continues to provide technical assistance initiatives through bilateral programmes or in cooperation with established development organisations, such as United Nations Development Programme (UNDP). In 2018, Slovakia increased the level of DRM support it provides through sector budget support and supplementary technical assistance focussed on improving regulatory frameworks. Slovakia is committed to increasing its volume of financial support for DRM and to broadening its DRM related activities with UNDP in the Western Balkans (including adding North Macedonia to the portfolio).

Slovenia

Slovenia remains committed to providing assistance to projects to promote good governance and effective institutions. Most of its support for DRM focused on central bank governance, public financial management and tax administration through the Center of Excellence in Finance (CEF).

South Korea

South Korea's support for partner countries for DRM is guided by its *Mid-Term Sectoral Strategy 2016-2020*. This strategy focuses on two key approaches: 1) modernising administration systems related to tax and customs, and 2) providing technical support for reinforcing the capabilities of government officials and experts in partner countries. As the Mid-Term Strategy is due to expire in 2020, it is expected that this will be updated with a longer-term strategy that will include an emphasis on DRM support.

Sweden

Sweden's 2018 DRM portfolio includes support to global, regional and bilateral programmes. Sweden's disbursements for DRM in 2018 were lower than expected, mainly due to the non-disbursement of funds for a project in Tanzania, as well as the Afghanistan Reconstruction Trust Fund being disbursed at a much lower rate than in its previous phase. In 2018, the Swedish Government introduced its *Strategy for Sweden's Global Development Cooperation for Sustainable Economic Development 2018-2022*, which included DRM as a key results area. In accordance with the strategy, Sweden is planning to expand support to its global DRM programmes and to introduce an additional multilateral programme during the strategy period.

United Kingdom

The most significant new DRM programme initiated by the UK in 2018 is its USD 45 million Ethiopia Tax Transformation Programme. As the UK's largest bilateral tax programme, it aims to support Ethiopia to sustain the momentum it has achieved in increasing domestic revenue generation, so that the country can better finance its own services and development in the future. The UK also remains committed to using its international influence, through bodies such as the G20 and G7, to secure further progress on tax and development issues at the global level. To this end, the UK is increasing its policy engagements on the tax and development agenda post-2020, and will focus on improving tax administration and policy, strengthening the global voice of partner countries on tax issues and better coordinating capacity by international organisations.

United States

In 2018, the US Agency for International Development (USAID) expanded its revenue assistance activities in several ATI partner countries (Ghana, Kenya, Paraguay, Uganda) and other countries (Guatemala, Libya, Somalia). Owing to the end of USAID's large DRM programme in Afghanistan in 2017, the overall level of DRM programme disbursement in 2018 was unchanged from 2015. Many of USAID's larger DRM projects (El Salvador, Guatemala, Bosnia and Herzegovina, Jordan) have been assisting the introduction and improvement of a range of information technology functions or applications to support tax administration. Others have focused more narrowly on improved e-filing and e-payment systems and their wider adoption by taxpayers (Liberia, the Philippines) or upon more basic billing and collection systems for non-tax revenue (Libya).

Case study 1: Sweden's work to enhance DRM in partner countries

Sweden is one of the founder members of the ATI and has a long-standing commitment to support the mobilisation of domestic revenues in partner countries.

Sweden's efforts to expand ODA for DRM were given a significant boost by its hosting of the *Stockholm Tax Conference* in May 2018. The conference attracted almost 400 participants from 90 countries, international and regional organisations, the business community, civil society and academia, who were brought together to share experiences and discuss tax capacity building efforts.

The Swedish Government formed a working group to organise the conference, which consisted of Sida, the Swedish Tax Authority, the Ministry of Foreign Affairs and the Ministry of Finance. This working group has continued to meet regularly since the conference and has now become a platform for discussing progress on ATI commitments, progress with and potential new country partnerships, and Sweden's engagement in global fora on tax. The conference and this working group have therefore helped to give DRM issues more visibility and political attention across Government, and have encouraged greater emphasis on these issues at the level of country and regional programmes.

The *"Strategy for Sweden's global development cooperation in sustainable economic development 2018-2022"* identifies a priority to promote "more effective domestic resource mobilisation" (see above). Given that country ownership is a core principle of Swedish development aid, the extent and focus of DRM-related activities is directed by specific strategies at bilateral and regional levels. Sweden also aims to make long-term commitments for its DRM work, so as to support the achievement of sustainable results.

This increased profile and emphasis on DRM issues has helped facilitate a significant increase in Sweden's ODA for DRM in 2018, which amounted to USD 13.53 million. This is 77% above its ATI baseline. Further increases were expected to be delivered during 2019-20, although the spread of the COVID-19 pandemic has created challenges for disbursing at the level planned in 2020.

Most of Sweden's bilateral technical assistance collaborations are delivered in partnership with the Swedish Tax Authority. They have contributed to programmes through their extensive technical experience, a culture of promoting transparency and efficiency in tax administration, and an emphasis on country ownership and how revenue mobilisation can help to support trust and state building.

Recipient countries of ATI development partners' support to DRM

In 2018, at least 112 countries received ODA support for DRM from ATI development partners, up from 98 in 2017. Amongst these, the 3 largest recipients were Indonesia (USD 30.15 million), Afghanistan (USD 25.57 million) and the Philippines (USD 24.11 million). The top 10 recipients are listed in Table 3, and collectively received 43% of the total, up from 33.9% in 2017.

Excluding ODA loans for DRM – of which Indonesia, Philippines and Lao PDR were significant recipients (see Table 3) – the 3 largest recipients of ODA for DRM from ATI development partners in 2018 were Afghanistan (USD 25.57 million), Tanzania, (USD 16.98 million) and Ghana (USD 16.64 million), which are all ATI partner countries. The top 10 recipients of ODA grants for DRM from ATI development partners are listed in Table 3, and collectively received 34% of the total. This level of

concentration of the top 10 recipients is similar to that in 2017, when no ODA loans for DRM were disbursed by ATI development partners.

It is also the case that, in relation to grant ODA for DRM provided by ATI development partners, there were 5 new entrants (Haiti, Liberia, Mozambique, Somalia, Tanzania) to the top 10 recipient countries list in 2018 compared to 2017, suggesting some degree of diversification of ODA for DRM.

Recipients	*Gross (grants + loans) ODA disbursements, (USD millions)*	*Recipients*	*Grant ODA disbursements, (USD millions)*
1. Indonesia*	30.15	1. Afghanistan*	25.57
2. Afghanistan*	25.57	2. Tanzania*	16.98
3. Philippines*	24.11	3. Ghana*	16.64
4. Laos	17.12	4. Benin*	9.40
5. Tanzania*	16.98	5. Mozambique	6.93
6. Ghana*	16.64	6. Jordan	6.87
7. Benin*	9.40	7. Somalia	6.47
8. Mozambique	6.93	8. Burkina Faso*	5.67
9. Jordan	6.87	9. Liberia*	5.18
10. Somalia	6.47	10. Haiti	4.86
Total top 10 recipients	*160.25*	*Total top 10 recipients*	*104.57*

** ATI partner country*

Table 3: Top 10 recipients of ODA disbursements support to DRM from ATI development partners: i) total, gross; ii) grants (2018, USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114; ATI development partners make any required updates to this data, before reporting back to the Secretariat of the ATI.

DRM support to ATI partner countries

In 2018, 43.9% (USD 163.7 million gross disbursements) of total ODA support for DRM from the ATI development partners went to ATI partner countries. However, if ODA loans are excluded, this share decreases to 37.4% (USD 114.9 million). This was nonetheless significantly above the figure for 2015 (31.1%) and marginally above that in 2017 (35.3%).

Looking across the period 2015-18, **grant ODA for DRM from ATI development partners has increased more rapidly for the current group of 25 ATI partner countries (by 52%) than for non-ATI partner countries (by 27%). This shows the value of the ATI partnership.**

Grant ODA for DRM from ATI development partners increased more rapidly for ATI partner countries than for non-ATI partner countries during 2015-18

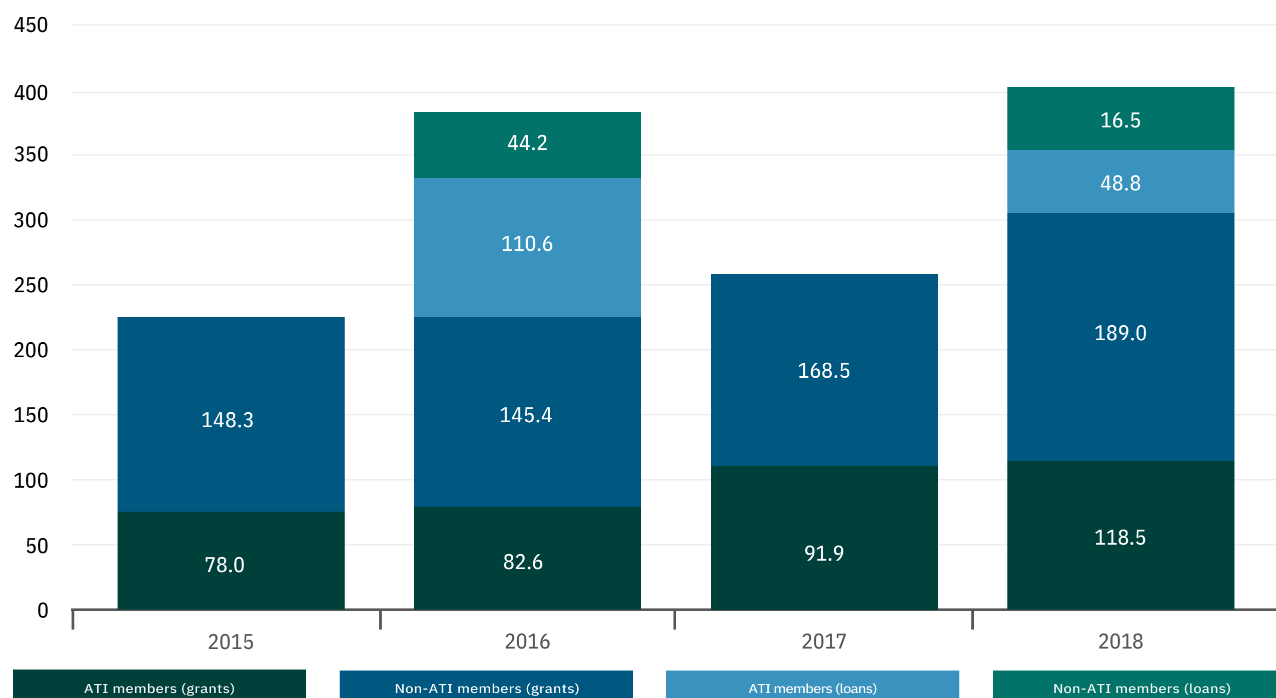


Figure 5: Gross ODA disbursements for DRM from ATI development partners, disaggregated by current ATI members and non-ATI members and across loans and grants (USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

Note: The total number for 2015 includes the 2014 commitment figures for Sweden and the UK (which both apply a 2014 baseline).

Looking solely at grant ODA, Afghanistan received the highest support for DRM from ATI development partners among all ATI partner countries, followed by Tanzania and Ghana. Support to Afghanistan increased by 55% between 2015 and 2018 to USD 25.6 million. Tanzania's support increased by 46% to between 2015 and 2018 to USD 17 million. Ghana's support increased by 156% between 2015 and 2016 to USD 16.6 to million.

Amongst ATI partner countries, the biggest increases in grant ODA for DRM from ATI development partners during 2015-18 were received by Ghana (USD 10.1 million), Afghanistan (USD 9.1 million), Benin (USD 9 million), Tanzania (USD 5.4 million) an d Burkina Faso (USD 4.7 million).

Compared to 2015, 7 ATI partner countries received less grant ODA support for DRM in 2018: Indonesia (-USD 0.5 million), Kenya (-USD 2.5 million), Madagascar (-USD 0.2 million), Malawi (-USD 0.5 million), Philippines (-USD 6.9 million) and Rwanda (-USD 1 million). For all other ATI partner countries, support has increased compared to 2015.

ODA grant support for DRM from ATI development partners to ATI partner countries seems to be less concentrated in 2018 than in 2015, but more concentrated than in 2017. The share of this support to the top-5 recipients amongst ATI partner countries was 62.5% in 2018, compared to 72.5% in 2015 and 56.3% in 2017. Some of the least-supported countries in 2015 received substantial support in 2018, such as Benin, Ethiopia, Namibia, Paraguay and the Solomon Islands.

Of the 25 ATI partner countries, 15 received increased levels of ODA for DRM in 2018, with 3 (Afghanistan, Ghana, Tanzania) seeing increases of at least USD 5 million

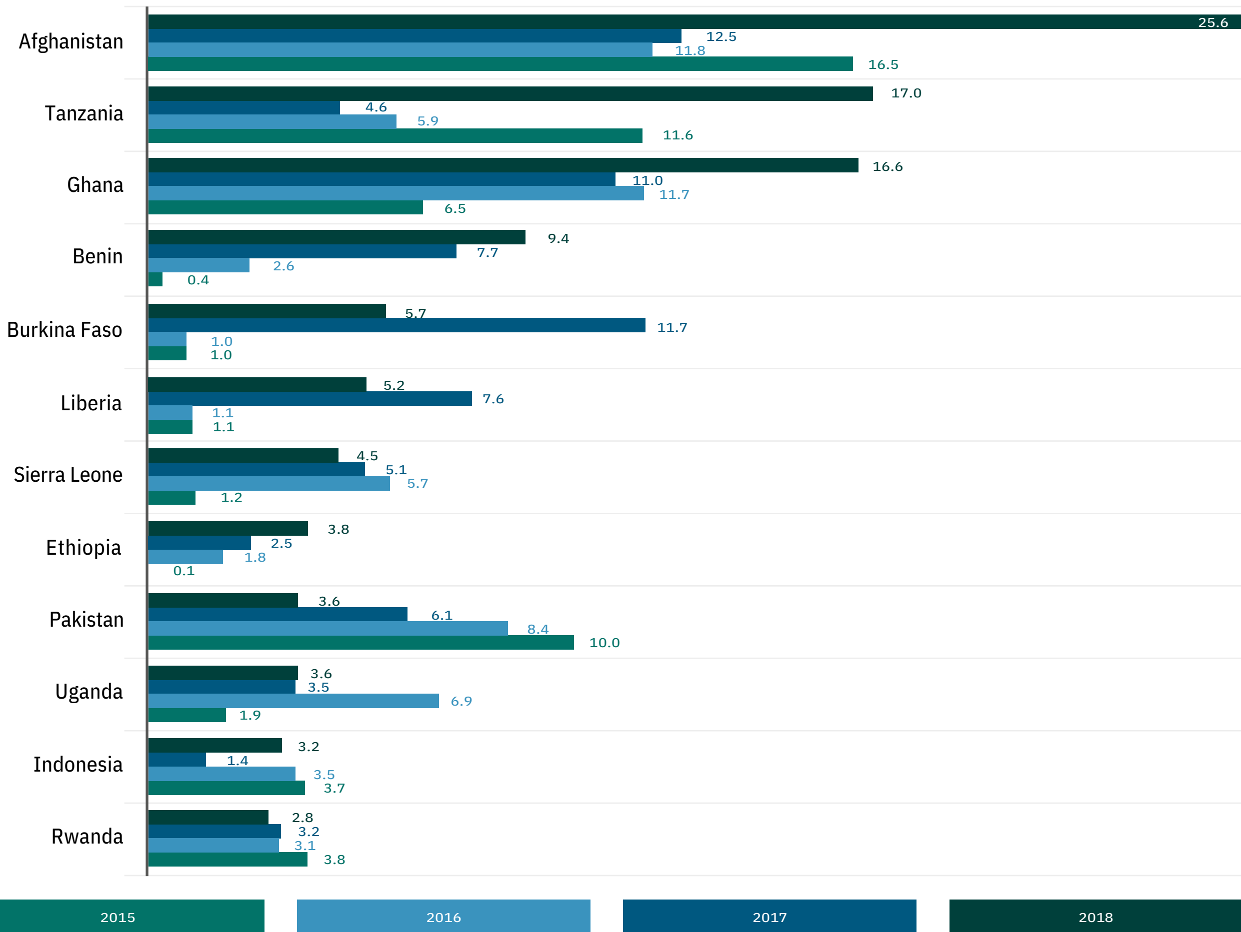


Figure 6: ODA support from ATI development partners to ATI partner countries (grant disbursements, USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

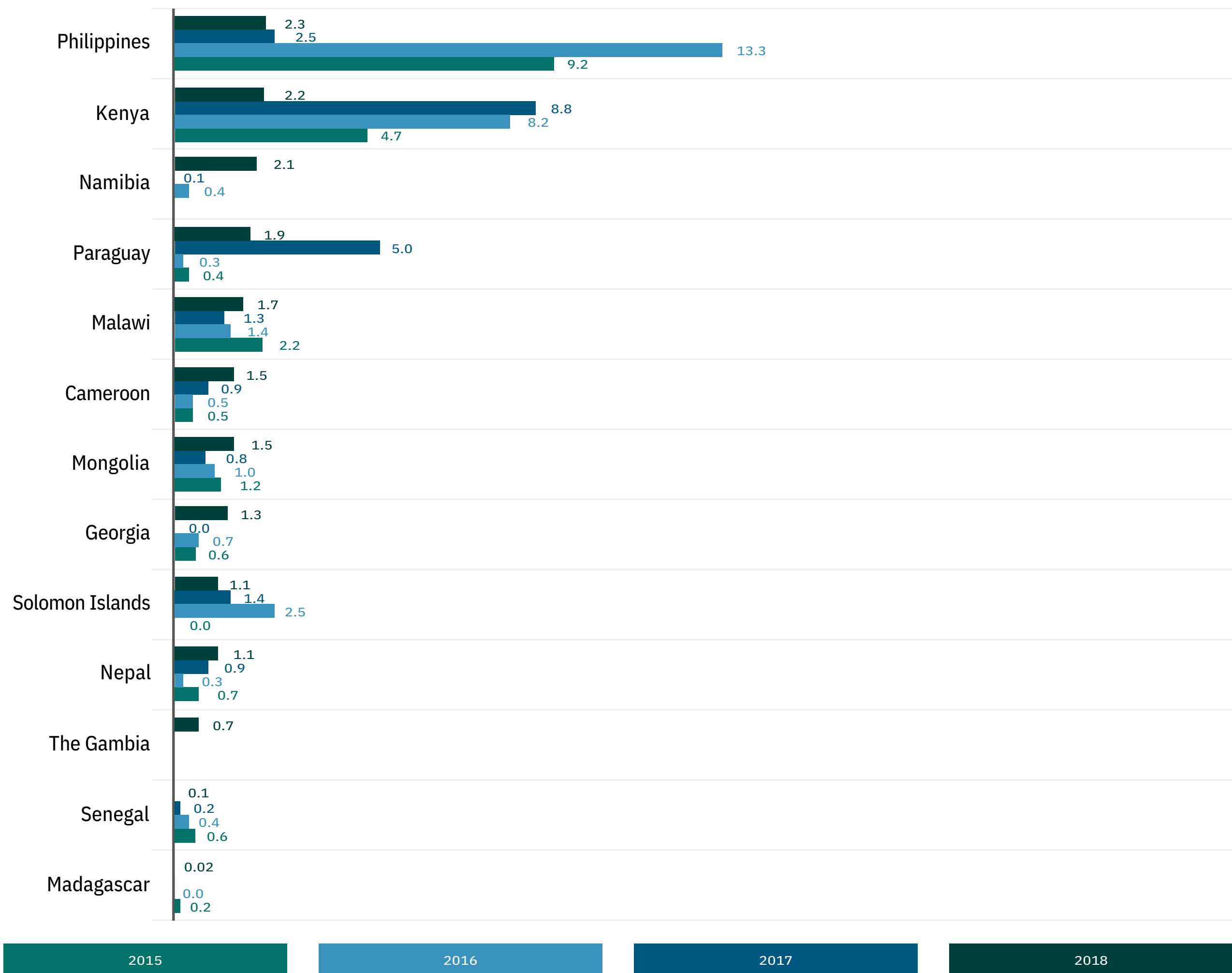
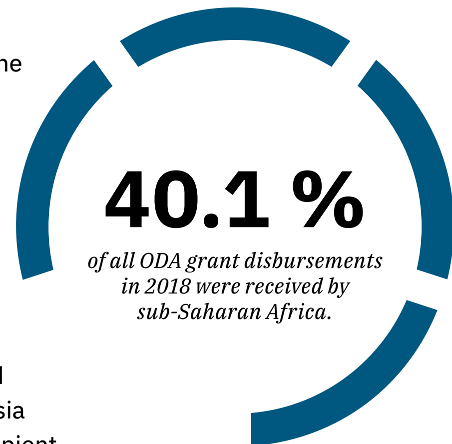


Figure 6 (cont.): ODA support from ATI development partners to ATI partner countries (grant disbursements, USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

Regional distribution of support



As in previous years, sub-Saharan Africa was by far the most significant recipient region of ODA in support of DRM from ATI development partners. It received 40.1% of all ODA grant disbursements in 2018, which was slightly down from 44.8% in 2017, but still significantly above the levels of 2015 and 2016. The second largest recipient region was South and Central Asia, which received 12.5% of all ODA grant disbursements for DRM, up from 9.8% in 2017. Significant grant finance for DRM also went to North and Central America (5.7%), Europe (5.3%) and Far East Asia (4.1%). The prominence of the Middle East as a recipient region declined in 2018, when it received just 2.5% of ODA grant disbursements for DRM from ATI development partners, down from 4.7% in 2017.

Addis Tax Initiative

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Sub-Saharan African countries still by far the largest recipients of ODA for DRM in 2018, despite reductions in their share; Asian, European and Oceanian countries saw increases

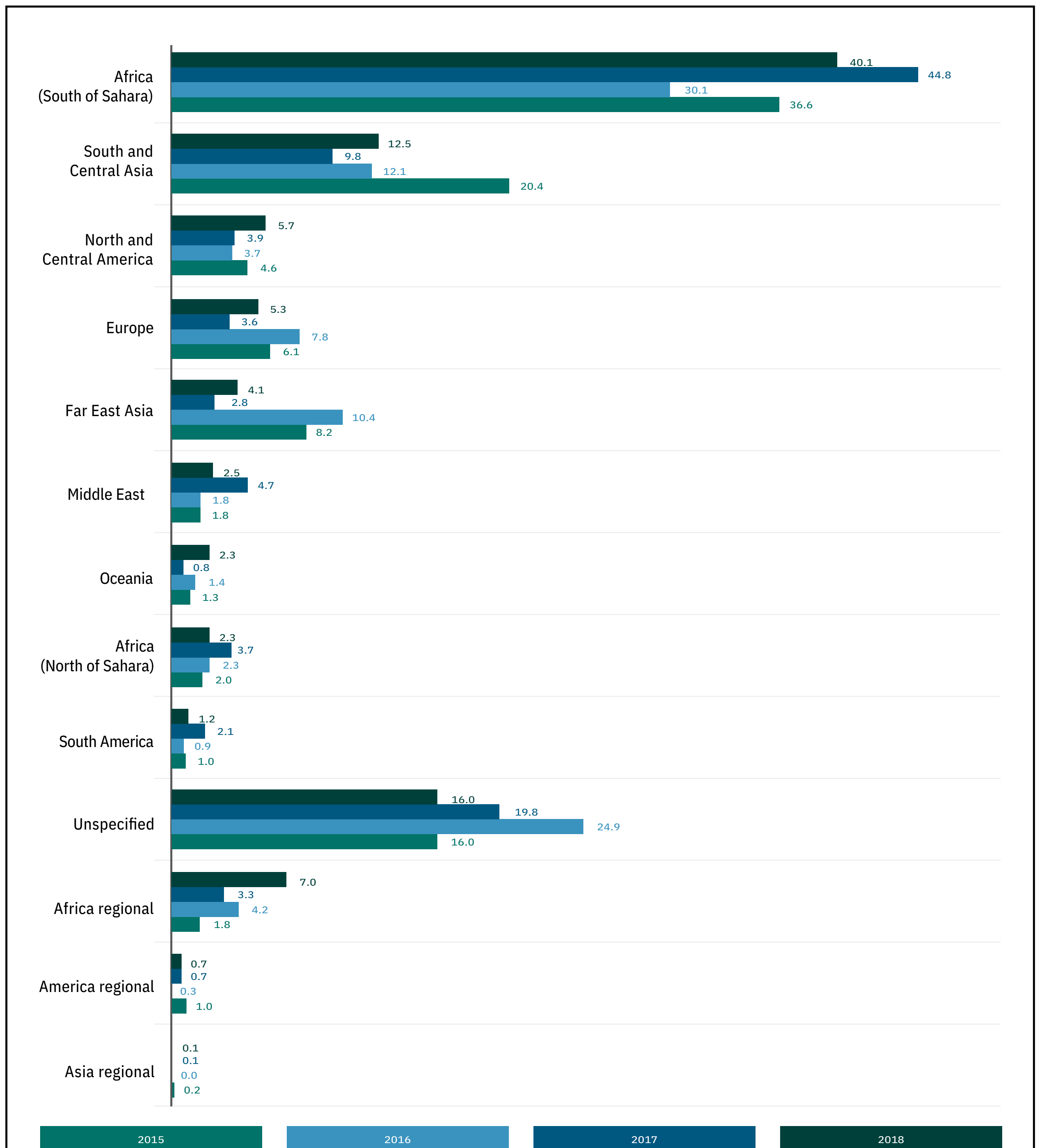

Figure 7: Regional distribution of ODA support (% of grant disbursements)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any required updates to this data and report final figures back to the Secretariat of the ATI.

Support by income group

As was the case in 2017, Least Developed Countries (LDCs) were by far the largest recipients of ODA for DRM from ATI development partners. LDCs received 41.3% of ODA grant disbursements, up from 37.6% in 2017 and 28.9% in 2016. Lower Middle-Income Countries (LMICs) are the next biggest group, receiving 21.4% of ODA grant disbursements from ATI development partners in 2018, a similar level to 2017, but down from 31.8% in 2016. Upper Middle-Income Countries (UMICs) received the lowest proportion of ODA grant disbursements from ATI development partners in 2018, just 7.2%, down from 9.3% in 2017. Looking across these country income groups and the period 2016-18, there has been a significant reorientation of ODA for DRM from ATI development partners towards LDCs and away from middle-income countries in the last year.

In 2018, LDCs saw increases in their share of ODA for DRM and are the most significant recipients, suggesting a growing pro-poor emphasis by ATI development partners

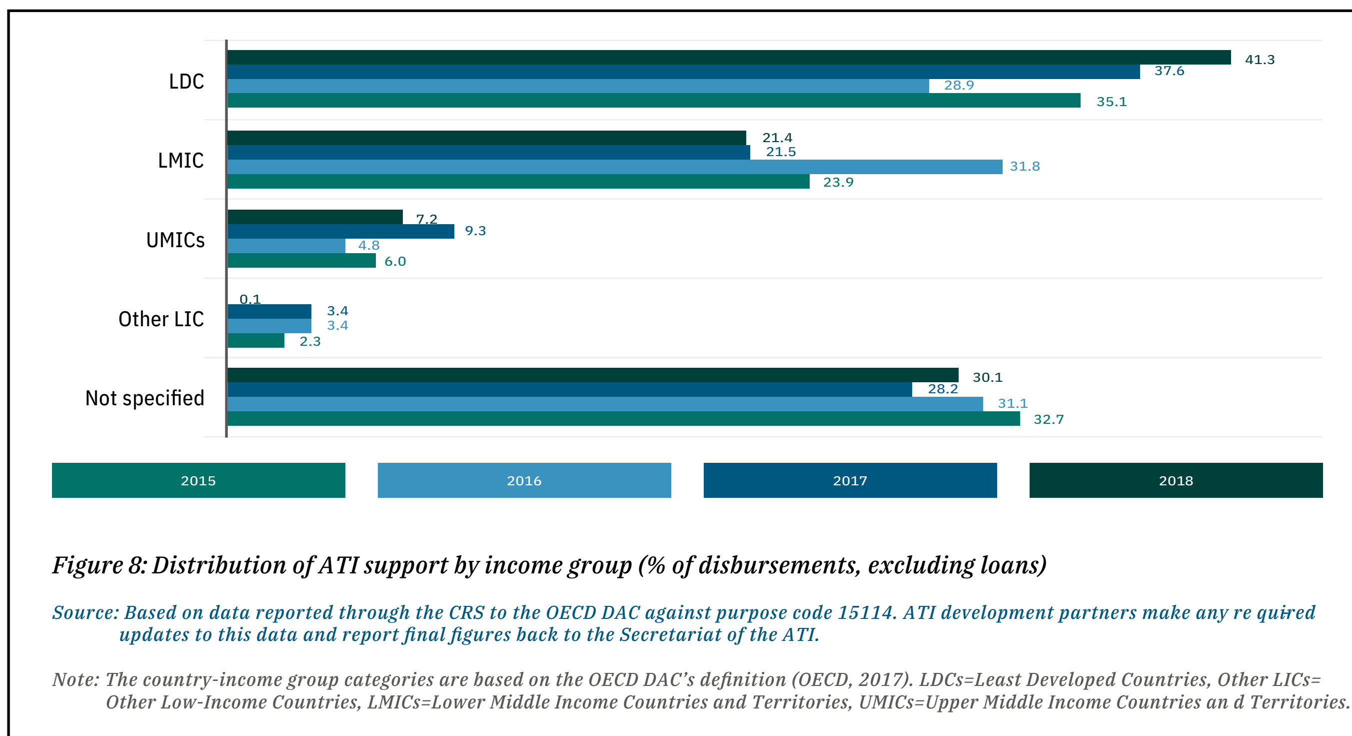

Figure 8: Distribution of ATI support by income group (% of disbursements, excluding loans)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. ATI development partners make any re quired updates to this data and report final figures back to the Secretariat of the ATI.

Note: The country-income group categories are based on the OECD DAC's definition (OECD, 2017). LDCs=Least Developed Countries, Other LICs= Other Low-Income Countries, LMICs=Lower Middle Income Countries and Territories, UMICs=Upper Middle Income Countries an d Territories.

Although LDCs are the most significant recipients of ODA for DRM from ATI development partners overall, many individual LDCs still receive only modest levels of support (see Table 4 for the 10 lowest LDC recipients). Overall, 14 LDCs (including 2 ATI partner countries[13]) received less than USD 0.5 million in ODA for DRM from ATI development partners in 2018, and an additional 4 (including one ATI partner country[14]) received less than USD 1 million.

[13] Madagascar and Senegal

[14] The Gambia

It is possible that some of these LDCs do not require the same levels of support for DRM as other LDCs (especially those with smaller populations). They may not be prioritising DRM reform efforts to the same degree as other LDCs and they may be receiving support through multilateral or regional programmes. However, the discrepancies in funding levels are a potential concern in realising the ATI objectives. The 3 ATI members identified above which receive less than USD 1 million in ODA for DRM in 2018 are likely to be experiencing shortfalls of funding for supporting DRM.

It is therefore important that more detailed work is done to identify countries that are at risk of being left behind on DRM, and to improve ways of coordinating efforts to target DRM support across ATI members so that all those in need of assistance are able to access it.

Recipients	*Gross Disbursements (USD millions)*
1. Angola	0.005
2. Burundi	0.014
3. Sao Tome	0.014
4. Vanuatu	0.015
5. Madagascar*	0.023
6. Sudan	0.025
7. South Sudan	0.027
8. Tuvalu	0.033
9. Bhutan	0.036
10. Senegal*	0.094
Total bottom 10 recipients	*0.288*

** ATI partner country*

Table 4: Lowest 10 recipients of ODA support to DRM (2018, USD millions)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. For 10 development partners this data was adjusted, with the final figures having been reported to the Secretariat of the ATI.

Support to DRM reported to the ATI by type of support and channel of intervention

ATI development partners are utilising a wide range of aid modalities and channels for delivering their ODA to support DRM, and their programmes can also be distinguished by a number of other characteristics.

Project type interventions are the most significant form of ODA support for DRM, specific-purpose programmes and funds are a growing form of support, and sector budget support is a declining form of support

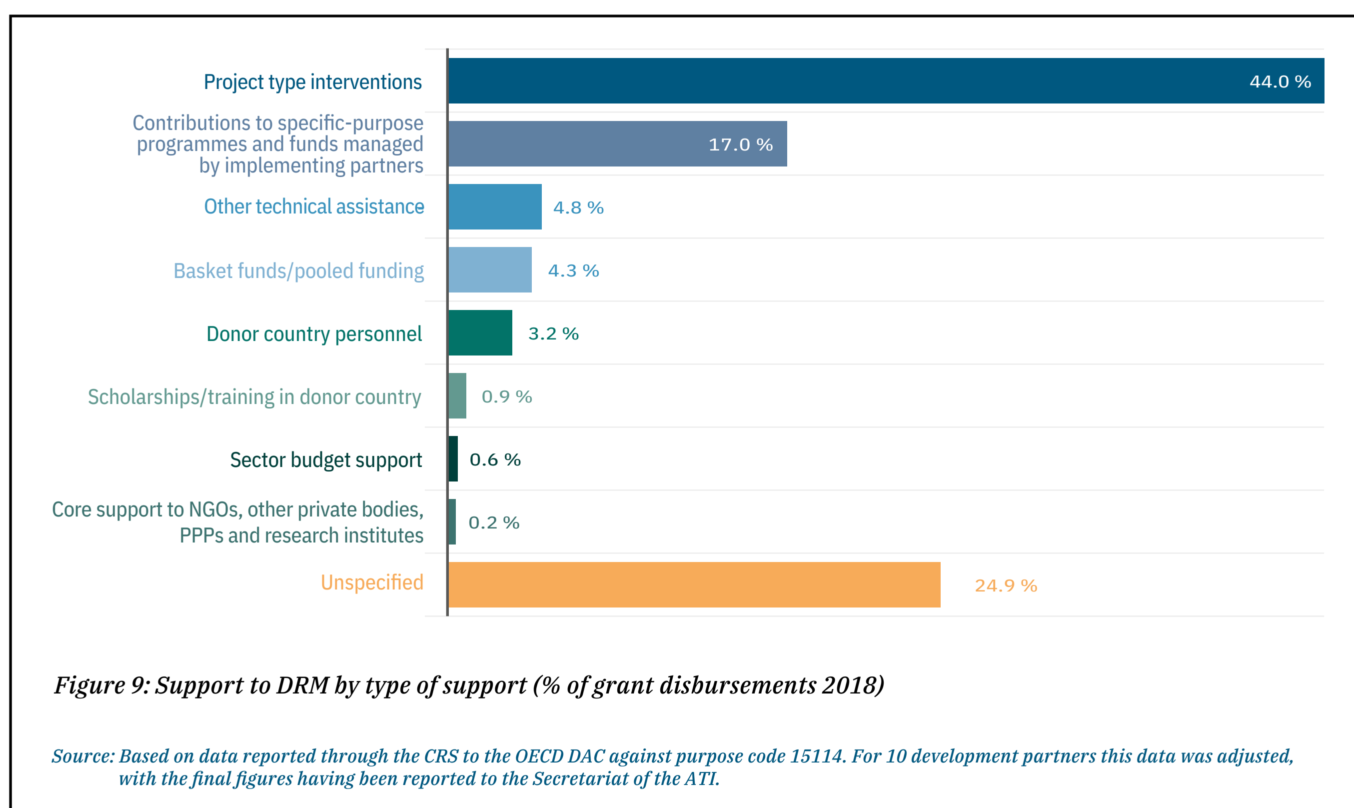

Figure 9: Support to DRM by type of support (% of grant disbursements 2018)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. For 10 development partners this data was adjusted, with the final figures having been reported to the Secretariat of the ATI.

As illustrated in Figure 9, the largest category of DRM programmes from ATI partners in 2018 were "project-type interventions". While significantly down from 61.1% in 2017, this type of support still accounted for 44% of the total. The second most significant type of support was "contributions to specific-purpose programmes and funds managed by implementing partners", at 17% of the total. This represents an increase from 10.3% in 2017 and 5% in 2016. Other significant types of DRM programmes include "other technical assistance", basket/pooled funds and "donor country personnel". Sector budget support declined significantly as a type support for DRM, to just 0.6% of the total, down from 13.5% in 2017.

Partner country government institutions are the most significant actors managing ODA for DRM projects, followed by private bodies in partner countries and multilateral bodies

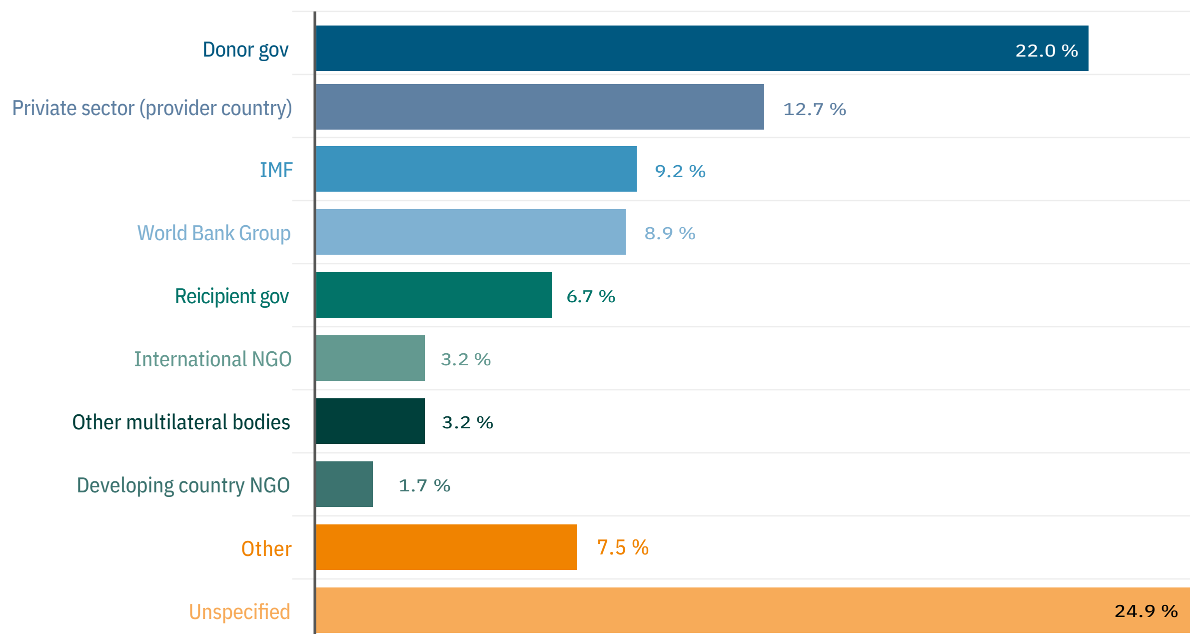

Figure 10: ODA for DRM by channel of support (% of disbursements, excluding loans, 2018)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. For 10 development partners this data was adjusted, with the final figures having been reported to the Secretariat of the ATI.

As illustrated in Figure 10, based on an analysis of grant ODA disbursements for DRM from ATI development partners, the most significant channels for managing such support include development partner governments (e.g. through development partner personnel providing training or being seconded into partner country institutions) (22% of the total), the private sector in provider countries (e.g. consultants providing technical assistance) (12.7%), the IMF (9.2%) and the World Bank Group (WBG) (8.9%).

It is also notable that partner country actors – for instance recipient governments (6.7% of the total) and local non-governmental organisations (NGOs) (1.7%) – play only a minor role as channels for DRM support. This may be because development partners prefer to procure technical assistance directly. However, it may also point towards the neglect of opportunities to utilise ODA for DRM to promote peer-to-peer learning through partner country collaborations (South-South cooperation), and also to provide support directly to ATI partner countries to deliver their own initiatives, including by procuring technical expertise.

DRM programmes still only weakly address issues relating gender equality

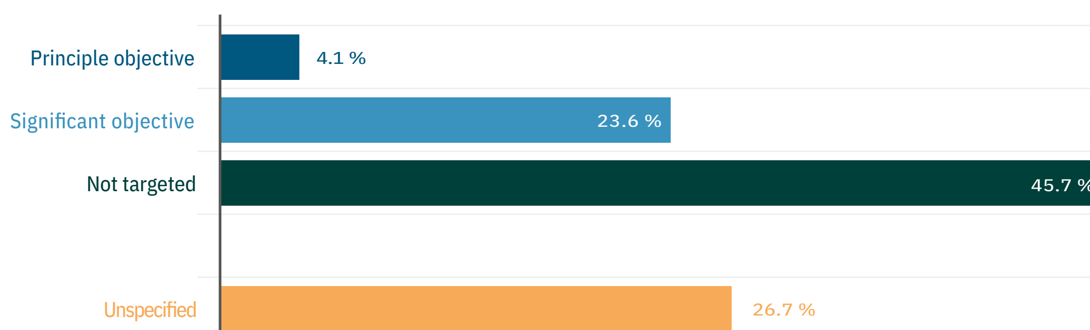

Figure 11: Scoring of DRM projects against the OECD DAC gender markers (% of disbursements, 2018)

Source: Based on data reported through the CRS to the OECD DAC against purpose code 15114. For 10 development partners this data was adjusted, with the final figures having been reported to the Secretariat of the ATI.

As illustrated in Figure 11, only 4.1% of disbursements of grant ODA for DRM delivered by ATI development partners in 2018 supported projects that promoted gender equality as a principal objective, 23.6% promoted gender equality as a significant objective and 45.7% did not target gender equality. Furthermore, 26.7% of disbursements supported projects for which there was no reporting on efforts to promote gender equality. As a result, for those projects that did report on targeting to address gender equality, almost 60% did not undertake such targeting at all.

It is therefore clear that ATI development partners could be doing more to mainstream gender across their DRM support, and to report on the extent to which their DRM work promotes gender equality.

Conclusion

The efforts of ATI development partners in 2018 to increase their ODA to support the DRM efforts of partner countries has kept them on track to deliver on their 2020 commitment to double ODA for DRM between 2015 and 2020 (albeit with the support of an increase in loans). The majority of ATI development partners have indicated they remain committed to delivering on the 2020 target, although a number of them also made it clear that the pressures of responding to the COVID-19 pandemic in 2020 may cause delay.

ATI development partners have continued to support the DRM efforts of a wide range of partner countries in 2018, and they have sustained a trend of increasing their focus on LDCs. However, a number of LDCs and countries with significant resource needs – including a number of ATI members – may not be receiving the support they need. There may therefore be a case for co-ordination of DRM support in the future, to avoid leaving any partner countries behind.

An agenda for improving development partner support for equitable tax reforms

In recent years, development partners have been expanding their efforts to support the modernisation of tax systems. However, to date, they have only placed limited emphasis on the importance of promoting the development of more equitable tax policies and practices. (Oxfam 2019). This box highlights insights from policy and research literature on how development partners can support the emergence of equitable tax systems more effectively.

Firstly, it is important for development partners to identify the factors that determine the equity of tax systems in each country and to design interventions that respond to them. As prevailing tax structures are shaped largely by the political and social context in which they have emerged, interventions need to adapt to this context (Fairfield 2011; Heredia et al 2003; Morrissey 1995). Development partners therefore need to develop a clear understanding of these contextual factors, through research and by closely engaging in dialogue with local counterparts, and to then to design programmes on the basis of this understanding. Such an approach can empower local counterparts to actively shape the design of tax reform programmes and play a leading role in implementing them. Furthermore, it would enable local counterparts to more effectively spot political openings to introduce equity-promoting tax reforms (Prichard et al 2012).

Secondly, supporting the emergence of more equitable tax systems is not only about supporting capacities in government, but it also requires a whole-of-society approach, enabling the inclusive engagement of all. The mixed success of development partners in supporting equitable tax reforms (Fjeldstad 2013) may in part be due to the fact that their programmes supporting such reforms have not done enough to actively engage and empower those who will benefit from such reforms – such as low income communities and small business owners – to play a role in promoting them (Prichard 2010). Development partners should therefore also more actively support voices outside of the Government – including civil society organisations and groups representing small businesses - that can engage publicly and in key fora on these reforms. For example, in Kenya, the National Taxpayers Association was formed in 2006 to bring together representatives from civil society, the private and public sectors to expand public engagement on tax issues, especially at the local level (Prichard 2010).

Thirdly, development partners could expand their efforts to analyse the distributional impact of tax reforms, in order to identify reforms that improve tax progressivity, and to then promote these reforms through their programmes. This approach could include an emphasis identifying opportunities to more effectively tax incomes higher up the scale (Prichard et al 2012; TJN and CA 2014); exploring ways to make consumption taxes more progressive, e.g. by reducing tax rates on products which are more extensively consumed by the poor (TJN and CA 2014); and exploring opportunities for wealth taxes (Prichard 2010).

Fourthly, it is vital to ensure that the rich and powerful, as well as large and multinational corporations, pay their fair share of tax. As has been emphasized by a range of international campaigns and initiatives, this requires countries to better address issues of tax evasion and avoidance, including tackling practices such as base erosion and profit shifting. Partner countries face significant challenges in relation to these issues, and it is important that donors develop long-term capacity building relationships in this area (Durst 2017) and tailor the focus of this support to existing levels of capacity (Oguttu 2017).

It is therefore vital that development partners include an equity perspective in their work to support DRM efforts in partner countries, and that a locally driven, society-wide and multi-dimensional approach is followed in addressing equity issues in donor DRM programmes.

ATI Commitment 2

Introduction

The Addis Ababa Action Agenda (AAAA) states that generating increased domestic resources is “critical to realising sustainable development and achieving the Sustainable Development Goals” (SGDs) (UN 2015a).[15] These resources allow governments to invest in basic public goods – services that improve people’s welfare and secure sustainable forms of growth and development. It is also increasingly recognised that expanding DRM is central to deepening democracy and building more responsive governments, as it challenges governments to engage their citizens in dialogue on the role and priorities of government (Prichard 2016).

By signing up to the Addis Tax Initiative (ATI), participating partner countries restated their commitment to step up domestic revenue mobilisation (DRM) in order to increase the means to attain the SDGs and inclusive development. This chapter explores the progress ATI partner countries are making in pursuing this goal by expanding tax revenues, diversifying their revenue base, strengthening their tax administrations and addressing other key issues related to DRM over the period 2015 to 2018.

It is important to note at the outset that expanding tax revenues is a deeply challenging undertaking, and progress often takes time to emerge. In fact, deliberate and steady progress may be the best way of achieving sustainable reforms. The progress made by ATI partner countries in the limited period since the ATI was formed therefore needs to be seen in this light.

In addition, the AAAA also recognises that a diverse range of challenges need to be addressed when aspiring to expand domestic revenues – not just enhancing revenue administration, but also building fairer, more transparent and more efficient tax systems (UN (2015a).[16] The 2018 ATI Monitoring Report therefore explores progress not just in strengthening tax administration capacity in ATI partner countries, but also assesses transparency related to tax exemptions and tax administrations, as well as the degree to which tax structures and collection efforts help to promote income equality.

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[15] Paragraph 22

[16] Ibid

The most prominent indicator to measure progress in DRM is the tax-to-GDP ratio, which illustrates to what extent governments are able to generate valuable public resources through their tax systems. However, merely looking at the tax-to-GDP ratio provides only a partial picture of DRM efforts.

Firstly, there is more to DRM than tax – many countries derive important domestic resources from other sources, including royalties and other levies around the extractive industry's delivery chain. Secondly, the tax-to-GDP ratio reveals little about the fairness and transparency of the tax system. Thirdly, it is also important to understand the capacity and efficiency of tax administrations, which can be measured using a range of indicators applied by the International Survey on Revenue Administration (ISORA) and the Tax Administration Diagnostic Assessment Tool (TADAT).

Bearing this in mind, ATI Consultative Group 2 worked during the course of 2018 and 2019 to develop a new list of indicators that provide a broader reflection progress in strengthening DRM systems and outcomes in partner countries. This new list of indicators aims to draw on the diverse indicators available for measuring progress on DRM, and is utilised for the first time, in the 2018 ATI Monitoring Report. It should though be noted that not all indicators approved for inclusion by ATI members are included in this report due to data limitations.

Box 5: The new monitoring of ATI Commitment 2

This chapter on ATI Commitment 2 first presents the methodology, indicators and data sources used for assessing the progress of partner countries in responding to Commitment 2. It then goes on to present analysis on the performance ATI partner countries in 2018 and (where possible) since the launch of the ATI in 2015 utilising these indicators and data sources. The monitoring exercise is complemented with examples of good practices and lessons learnt from the responses of ATI partner countries to the 2018 ATI Monitoring Survey on Commitment 2. However, due to the limited number of partner countries that were able to complete the survey, these additions are more modest in this year's report compared to previous reports.

Summary

ATI partner countries have made important progress over the period 2015 to 2018 in expanding their tax revenues and developing their tax systems. Despite this progress, many countries still face considerable gaps in collecting enough tax revenue to finance sustainable development. Key findings from the 2018 Monitoring Report on ATI Commitment 2 include:

- **The average tax-to-GDP ratio in 2018 was 15.6%, representing a modest increase since 2016.** Slightly more than half of the ATI partner countries have experienced an increase in their tax-to-GDP ratio since 2015.
- **The revenue structure of ATI partner countries is dominated by taxes on goods and services, which contributed an average of 46.4% of total tax revenue in 2018, representing an increase from 43.6% in 2015 and potentially indicating that their tax systems have become less progressive.** The share of revenues from taxes on international trade and transactions has decreased (16.9% of the total in 2018), and taxes on income, profits and capital gains have maintained their share (just over a third of the total in 2018).

- **Tax administration performance is valued by ATI partner countries as a means of enhancing revenue mobilisation.** Amongst the 25 ATI partner countries, 20 have formally applied the Tax Administration Diagnostic Assessment Tool (TADAT) and 16 have undertaken Public Expenditure and Financial Accountability (PEFA) assessments in order to track progress and identify gaps in developing their tax administrations.

- **Transparency and accountability remain a significant challenge for ATI partner countries in relation to tax expenditures and the service delivery standards of tax administrations.** Amongst ATI partner countries, almost two-thirds don't publish information on tax expenditures and only half publish the service delivery standards required by their tax administration and results reported against them. However, partner countries have made progress in publishing the strategic plans, annual business/operational plans and annual reports of their tax administrations.

- **Expanding tax revenues equitably is an emerging priority for ATI partner countries.** However, they face challenges in making their tax structures more equitable and in ensuring that the incidence of taxes collected falls increasingly on those with greater wealth or income, thereby helping to reduce inequality.

- Replies to the 2018 ATI Monitoring Survey highlight **reform efforts of ATI partner countries in relation to international tax issues, digitalisation of revenue administrations, expansions of the tax base and environmental taxes.**

Methodology and reporting for the 2018 ATI Monitoring on Commitment 2

The analysis presented in this chapter focuses on partner countries' efforts to increase their tax revenues and improve their tax systems. The data presented in this chapter is based on official data sources obtained from publicly available data. Where relevant and necessary, data presented in previous ATI Monitoring Reports is updated, in order to describe progress over time. As far as possible, the indicators utilised in this report attempt to cover the period up to and including 2018, in order to compare trends to previous ATI monitoring results and to the baseline performance when the ATI was launched in 2015.

The 2018 ATI Monitoring on Commitment 2 relies on the following publicly available data sources:

- *Government Revenue Dataset*, produced by the International Centre for Tax and Development (ICTD), drawing on several major international databases and reports by the International Monetary Fund (IMF)[17]

- *Government Finance Statistics database*, produced by the IMF

- *Public Expenditure and Financial Accountability (PEFA) database*

[17] Previous *ATI Monitoring Reports* have reported the tax-to-GDP data as reported by countries through the monitoring survey as well as data produced by the IMF – through its Government Finance Statistics (GFS) database and Article IV surveillance reports. However, this data is not always reported consistently across countries, and a range of inaccuracies has been found in some of these data sources (Prichard et al 2014). The Government Revenue Dataset relies on existing data sources – including those previously reported directly in the ATI Monitoring Report - and refines their quality and comparability, in order to support more accurate research and analysis on government revenue. It was therefore seen as the most reliable source for this year's report. Due to this change in data source, the data quoted in this year's ATI Monitoring Report may not be comparable to that quoted in previous reports.

- Tax Administration Diagnostic Assessment Tool (TADAT) assessments (noting simply in which ATI partner countries such assessments have been undertaken, as assessment results are not public)
- *Open Budget Survey (OBS)*, developed by the International Budget Partnership (IBP)
- *International Survey on Revenue Administration (ISORA)*, developed collaboratively by the IMF alongside the Inter-American Center of Tax Administrations (CIAT), the Intra-European Organisation of Tax Administrations (IOTA) and the Organisation for Economic Cooperation and Development (OECD)
- *Commitment to Reducing Inequality (CRI) Index*, developed by Oxfam and Development Finance International (DFI)

The indicators referenced from these sources in this report include[18]:

- Tax-to-GDP ratio
- Revenue structure and composition
- Tax administration performance (based on PEFA and TADAT scores)
- Transparency of tax expenditures
- Public accountability for revenue and expenditure
- Impact of tax revenue mobilisation on inequality

In addition to reporting data on tax revenue performance and capacity, this chapter includes insights from responses to the 2018 ATI Monitoring Survey on Commitment 2, which asked ATI partner countries to report on the main progress and reforms they have made on DRM.[19] Analysis on future priorities and prospects focuses on 2019/2020, and is drawn from partner country responses to the 2018 ATI Monitoring Survey on Commitment 2.

This year's survey took place in the middle of the Covid-19 pandemic, which has created severe challenges for ATI partner countries, and placed especially intense demands on revenue administrations and ministries of finance (which coordinate responses to the ATI monitoring survey). As a result, only 7 of the 25 ATI partner countries were able to respond.

More detailed information on the performance of all ATI partner countries can be found in the online *DRM Profiles* in the ATI website.

[18] A number of other indicators captured by ISORA – such as references to the on-time filing of core taxes, tax audit efforts and the extent of tax arrears – were agreed upon by the ATI Consultative Group 2 for the inclusion in the monitoring process. However, ISORA data for 2018 will only be (publicly) available by mid-2021, and could therefore not be included in this Monitoring Report. Furthermore – and despite the fact that many ATI partner countries provided the Secretariat of the ATI with consent to use ISORA data – ISORA data for most of these indicators for the years 2015-17 was only available for one third to half of partner countries. As a result, the decision was taken not to analyse these indicators in this chapter. However, they are referenced in the country profiles of those countries for which data is available.

[19] The survey also asked ATI partner countries to provide insights on how the ATI has helped them to strengthen DRM efforts, but only a small number of countries responded to this question in a substantive way.

Addis Tax Initiative

Key findings

Summary findings on ATI Commitment 2 are presented in the following sections. The results described here are mostly on an aggregate level and provide a general picture of DRM in ATI partner countries. For more detailed information on individual ATI partner countries, please refer to the country sections at the end of the online 2018 ATI Monitoring Report.

Tax revenues

Tax-to-GDP ratio

In 2018, the average tax-to-GDP ratio for the 20 ATI partner countries[20] for which data is available for each year[21] across the period 2015-18 was 15.6%, just above the minimum tax revenue level thought to be required to support sustainable growth (Gaspar et al 2016). Looking across the period 2015-18, the average tax-to GDP ratio for these 20 ATI partner countries first fell during 2015-16, from 15.2% to 15%, and then increased in 2017 to 15.5%, before reaching its 2018 level. Given that tax reforms and strengthened DRM efforts take time to deliver results, this progress is a very positive development.

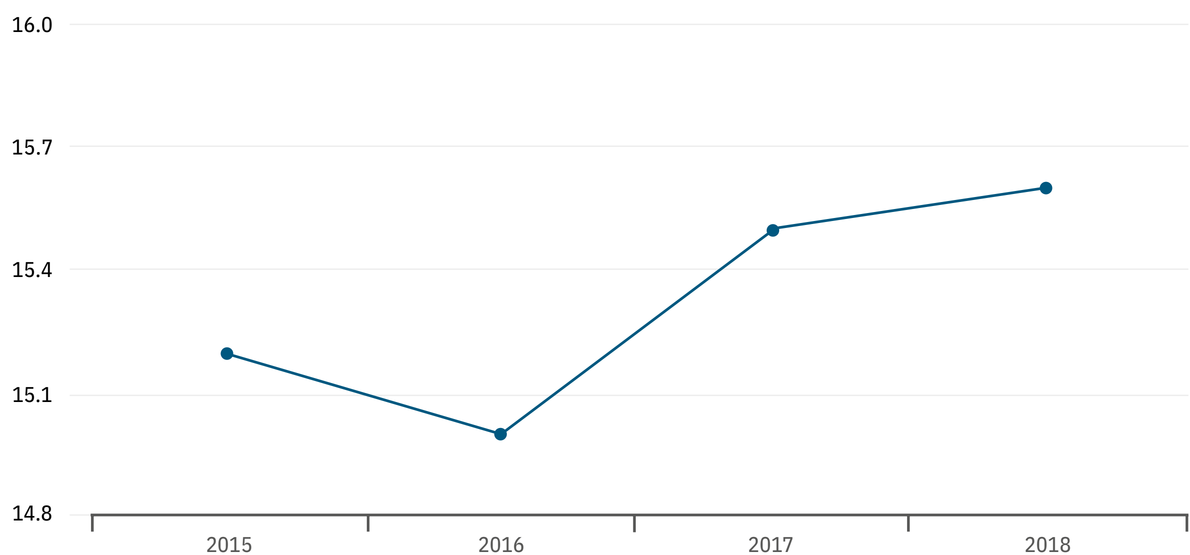


Figure 12: Average tax-to-GDP ratio (%) for ATI partner countries, 2015-18

Source: Government Revenue Dataset (ICTD)

Note: This average is based on the ATI partner countries for which data is available across 2015-18.

[20] This data excludes Afghanistan, Cameroon, Pakistan, Senegal and Tanzania, for which 2018 tax revenue information is not available. In addition, this data was only available for 2015 in the case of Pakistan.

[21] A consistent group of 20 ATI partner countries is used to analyse average tax-to-GDP ratios across the period 2015-18, in order to promote the comparability of the figures.

There has been a diversity of outcomes on tax revenue-raising since 2015 across the 24 countries for which we have data comparing tax-to-GDP ratios during 2015-17 (4 countries) or 2015-18 (20 countries). 3 ATI partner countries increased their tax revenues by more than 2 percentage points during 2015-18, including Mongolia (from 17.7% in 2016 to 23% in 2018), Nepal (from 16.7% in 2015 to 21.1% in 2017) and Malawi (from 15.2% in 2015 to 17.4% in 2018). In addition, during 2015-15, another 3 countries (Afghanistan[22], Burkina Faso, Sierra Leone) increased their tax-to-GDP ratios by 1.5%-2% and another 4 (Ghana, Madagascar, Philippines and Tanzania[23]) did so by 1%-1.5%. Overall, 13 of the 24 ATI partner countries for which data is have increased their tax-to-GDP ratios since 2015.

In contrast, only 2 ATI partner countries have seen their tax-to-GDP ratios fall by more than 2 percentage points during 2015-18. These countries include Namibia (from 33.3% to 27.9%) – which still has the second highest tax-to-GDP ratio amongst ATI partner countries – and Ethiopia (from 12.7% to 10.7%). Amongst the remaining 9 ATI partner countries which have seen falls in their ODA-to-GDP ratios since 2015, for 6 these were equivalent to less than 1 percentage point.

Tax-to-GDP ratios are on average lowest amongst low income countries (LICs), followed by lower-middle income countries (LMICs) and then upper-middle income countries (UMICs) (ERD 2015). Amongst the 10 ATI partner countries classified as LICs, 8[24] had tax-GDP-ratios below 15% in 2018. However, 5[25] of the 11 ATI partner countries that are LMICs and 2[26] of the 4 that are UMICs also had tax-to-GDP ratios below 15%.

[22] Over the period 2015-17, since no data is available for 2018.

[23] Ibid

[24] Afghanistan, Burkina Faso, Ethiopia, Gambia, Liberia, Madagascar, Sierra Leone and Uganda. The 2 LICs with tax ratios above 15% in 2018 were Malawi (15.2%) and Rwanda (15.7%).

[25] Benin, Cameroon, Ghana, Pakistan and Tanzania.

[26] Indonesia and Paraguay.

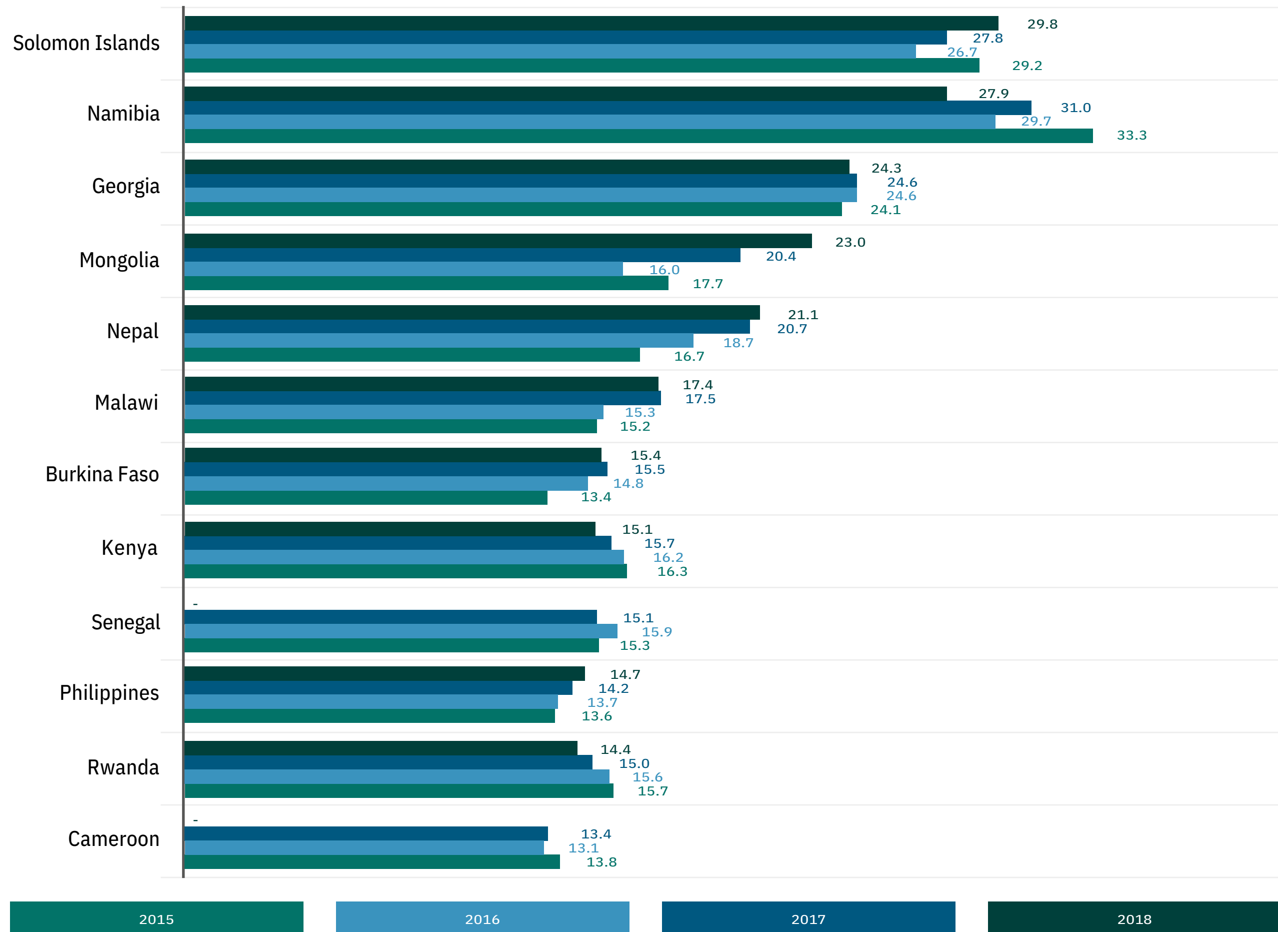


Figure 13: Development of tax revenues for ATI partner countries (2015-18; % of GDP)

Source: Government Revenue Dataset (ICTD).

Note: The 2018 ATI Monitoring Report covers revenue from four core tax sources of ATI members (i.e. taxes on incomes, profits and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions, which are sometimes reported as part of the tax-to-GDP ratio, is not included.

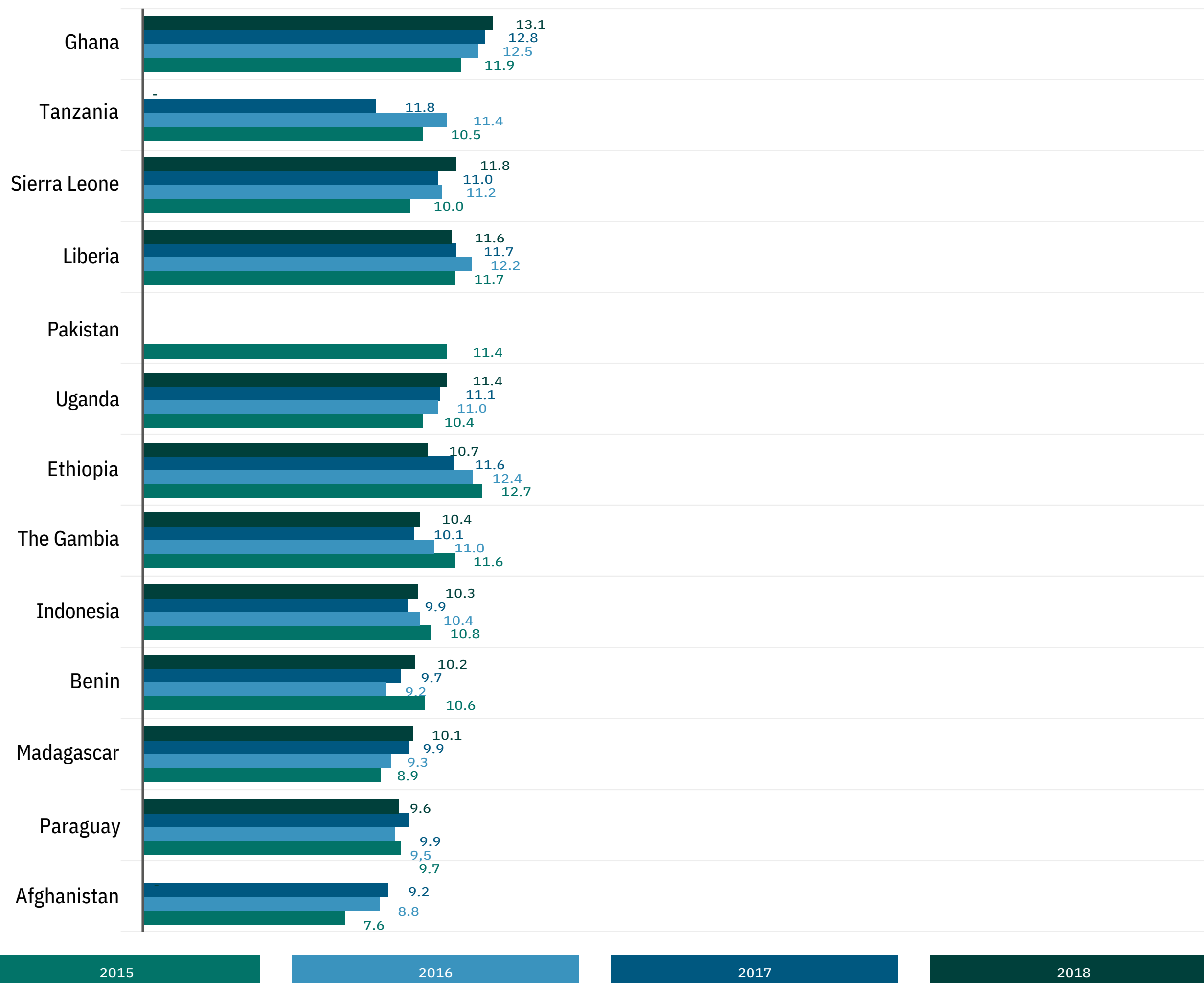


Figure 13 (cont.): Development of tax revenues for ATI partner countries (2015-18; % of GDP)

Source: Government Revenue Dataset (ICTD).

Note: The 2018 ATI Monitoring Report covers revenue from four core tax sources of ATI members (i.e. taxes on incomes, profits and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions, which are sometimes reported as part of the tax-to-GDP ratio, is not included.

Tax revenues remain by far the most significant source of public revenue across ATI partner countries, although their significance for their DRM efforts has declined marginally during the period 2015-18. Across the 19 ATI partner countries for which data is consistently available between 2015 and 2018, tax revenue as a share of total public revenue fell on average from 88.6% in 2015 to 86.4% in 2018.[27]

Amongst ATI partner countries, the average share of total public revenues consisting of tax revenues during 2015-2018 varied from lows of 77.9% in Mongolia, 77.4% in Paraguay and 78.6% in Afghanistan, to highs of 96% in Madagascar, 94.8% in Uganda and 93.7% in Namibia.

[27] Both tax and total revenue excludes social security contributions.

Tax revenue structure

Tax revenues are generated from a wide range of sources, including i) taxes on income, profits and capital, ii) taxes on goods and services, iii) taxes on international trade and transactions, and iv) a range of other taxes of lesser significance. Data disaggregating tax revenues across these four groups of taxes is currently available for 19 of the 25 ATI partner countries.

Graph 14 illustrates the average proportion of total tax revenues contributed by each of these four categories of taxes across the ATI partner countries for which data is available for each of the years during 2015 to 2018. It shows that taxes on goods and services remain the most important source of tax revenue for ATI partner countries and have become proportionately more important. This trend potentially indicates that the tax systems of ATI partner countries have become more regressive since 2015, given that the incidence of indirect taxes – such as those on goods and services – often falls more heavily on people with lower incomes.[28]

It is also the case that during 2015-18, revenues from taxes on international trade and transactions have become proportionately less important for the DRM efforts of the average ATI partner countries, and there has been no major change in the significance of taxes on income, profits and capital gains, which remain the second most important source of tax revenue for ATI partner countries.

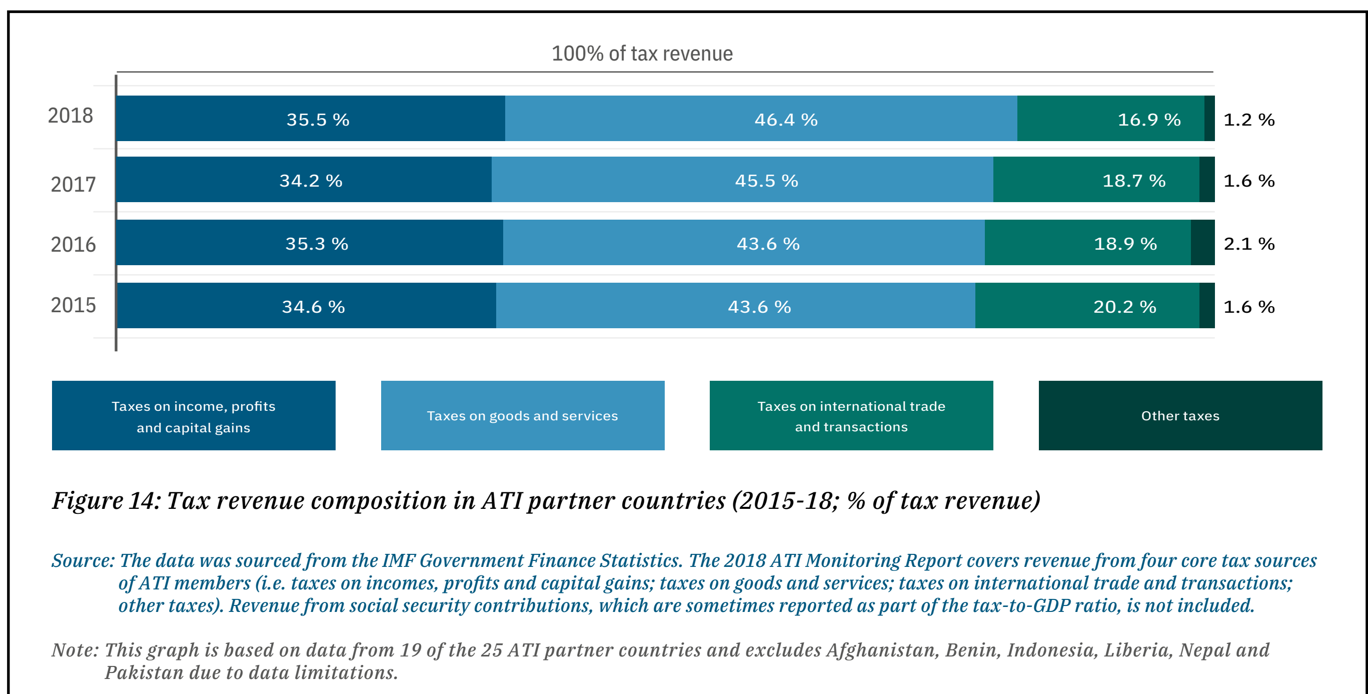


Figure 14: Tax revenue composition in ATI partner countries (2015-18; % of tax revenue)

Source: The data was sourced from the IMF Government Finance Statistics. The 2018 ATI Monitoring Report covers revenue from four core tax sources of ATI members (i.e. taxes on incomes, profits and capital gains; taxes on goods and services; taxes on international trade and transactions; other taxes). Revenue from social security contributions, which are sometimes reported as part of the tax-to-GDP ratio, is not included.

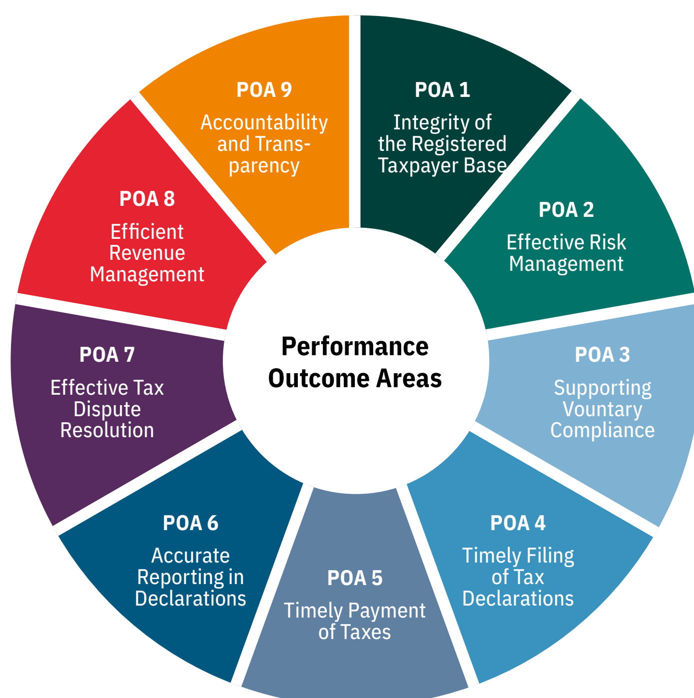
Note: This graph is based on data from 19 of the 25 ATI partner countries and excludes Afghanistan, Benin, Indonesia, Liberia, Nepal and Pakistan due to data limitations.

[28] A number of studies suggest that indirect taxes can have a negative effect on income distribution (Martinez-Vasquez et al., 2012; Karanfil and Ozkaya, 2013), and others suggest that direct taxes are more effective at redistributing income than indirect taxes (Obadic et al., 2014; Saez, 2010; Weller, 2008). This is because indirect taxes usually apply a uniform rate to all payees. It is though the case that the progressiveness of indirect taxes depends on their design, as exemptions and lower rates for certain goods and services can help to address these issues (Grown and Valodia 2010). In contrary, evidence shows that a large informal sector in developing countries makes consumption taxes progressive (Bachas et al. 2020).

Tax administration performance

TADAT assessments

Partner countries face significant challenges in building the technical, governance and infrastructural capacity their tax administrations require to mobilise tax revenues effectively. One tool that has been used to assess tax administration capacity in partner countries and to identify areas that need strengthening is the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas (see Figure 15). Where multiple assessments of a country have been undertaken, the tool can be used to assess the improvement in tax administrations performance over time.



Tax Administration Diagnostic Assessment Tool (TADAT)

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

Figure 15: TADAT Performance Outcome Areas

Since the publication of the 2017 ATI Monitoring Report, an additional 3 ATI partner countries (Benin, Senegal, The Gambia) have undertaken TADAT assessments, and 2 ATI partner countries (Rwanda, Uganda) undertook updates of their assessments. Overall, 20 of the 25 ATI partner countries (see Table 5) have now undertaken at least 1 TADAT assessment[29] and Rwanda and

[29] The ATI partner countries yet to undertake a TADAT assessment include Afghanistan, Benin, Indonesia, Nepal and the Solomon Islands.

Uganda have done two TADAT assessments. In addition, Afghanistan – although it has not yet undergone a formal TADAT assessment – has embedded the TADAT methodology into its national DRM strategy and has been promoting its application in guiding the work of officials in the Afghanistan Revenue Department.

However, as TADAT assessments are not generally made public and only some countries decide to publish them, it is not possible to obtain an overview of the TADAT assessment results for the respective ATI partner countries. The ATI encourages its partner countries to conduct TADAT assessments and to publish the results.

PEFA assessments

The Public Expenditure and Financial Accountability (PEFA) assessment is a comprehensive tool used for assessing the status of a country's public financial management system (including budgeting, public procurement, expenditure and financial transparency, and accountability). The PEFA framework uses a broad range of indicators, including DRM-related indicators, covering the efficiency and effectiveness of revenue collection (indicator P19) and the accountability of revenue collection in general (P20).

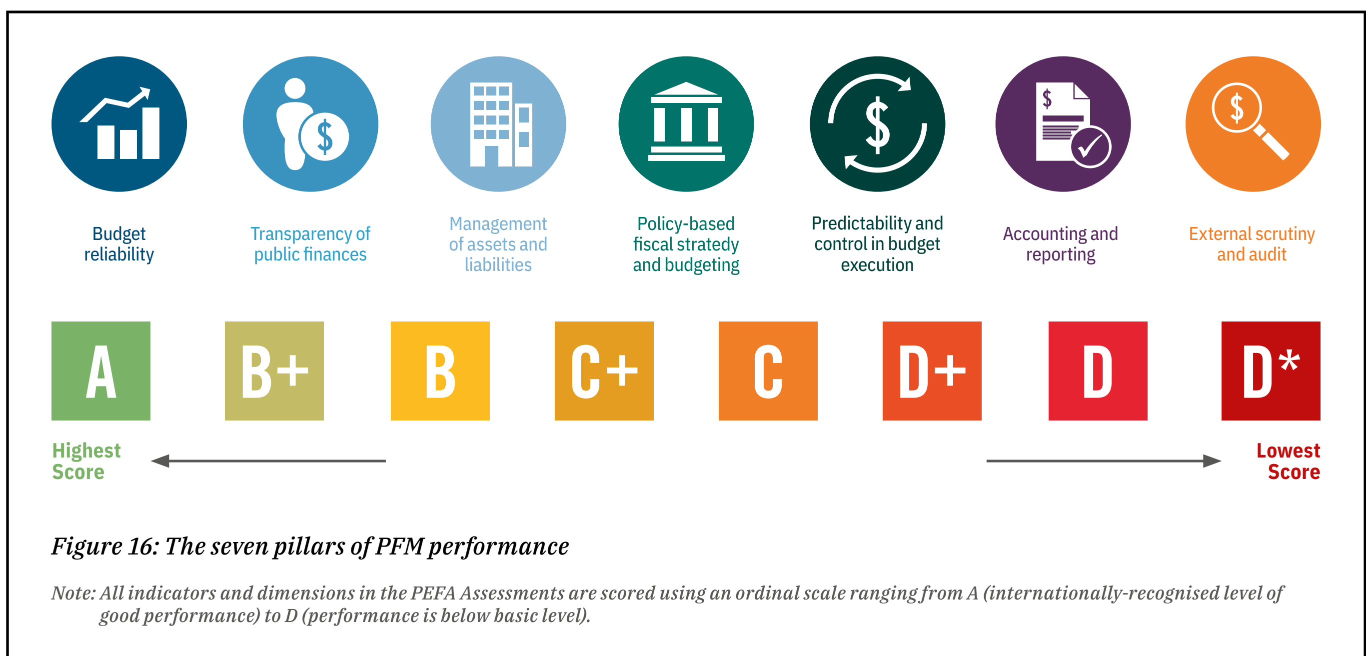


Figure 16: The seven pillars of PFM performance

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

The analysis in this section therefore presents the results of PEFA assessments undertaken for ATI partner countries, focusing on these two indicators. Indicators P19 and P20 consist of several sub-indicators that are aggregated to obtain a main score. However, this section analyses merely the aggregate score for each indicator, giving an overview of how the ATI partner countries are performing in relation to revenue administration and accountability.

Since the publication of the 2017 ATI Monitoring Report, 3 additional ATI partner countries have carried out PEFA assessments and published the results (Ethiopia, Ghana, Kenya). As a result, 16 of the 25 ATI partner countries have now carried out PEFA assessments. The results of their assessments in relation to revenue administration and accountability are presented in Table 5.

ATI partner country	*Assessment year*	*P19: Revenue administration*	*P20: Accounting for revenue*
Afghanistan	2018	D+	C+
Burkina Faso	2017	C	D+
Cameroon	2017	D+	B+
Ethiopia	2019	C+	C+
Georgia	2018	B+	A
Ghana	2018	D+	C+
Indonesia	2017	C+	A
Kenya	2019	D+	D+
Madagascar	2018	C	D+
Malawi	2018	B	A
Paraguay	2016	B	C+
Philippines	2016	B	A
Rwanda	2017	C+	B+
Sierra Leone	2018	C+	C+
Tanzania	2017	C+	B+
Uganda	2017	B	D+

Table 5: PEFA scores for ATI partner countries: Indicators P19 and P20

Source: PEFA assessment scores

Note: Assessed countries receive a grade between A+ (highest) to D (lowest) for each of the assessment criteria, whereby grades for each of the assessment criteria are based on distinct definitions. See the PEFA Field Guide for more information.

As is illustrated above, 8 ATI partner countries scored a “B” or higher in at least one of these two indicators in their last PEFA assessment, and 3 (Georgia, Malawi, the Philippines) scored a “B” or higher in both of these indicators.

Public accountability for tax revenues

Transparency is central to building accountable Government policy and practice in relation to taxes, allowing for scrutiny of the way revenues are raised and utilised. This can help countries to tackle corruption and improve the impact of revenue-raising efforts on development outcomes. ATI members have therefore agreed to apply new indicators on public accountability in the monitoring exercise of ATI Commitment 2. These indicators are synthesised from responses to ISORA and explore how effectively the tax administrations of ATI partner country have been promoting public

accountability through publishing i) its strategic plan, ii) its annual business/operational plan, iii) its service delivery standards, iv) the results of its service delivery efforts, and v) its annual report.

ISORA has gathered information in response to these questions for 16 of the 25 ATI partner countries.[30] The survey responses over the period 2015-17 suggest that an increasing proportion of ATI partner countries have published the strategic plans, annual business/operational plans and annual reports of their tax administration. However, the number of ATI partner countries that publish information on the service delivery standards required of their tax administrations or the results they have achieved in working to deliver these standards stagnated during 2015-17.

Table 6 illustrates the performance in 2017[31] of these ATI partner countries across the five areas of public accountability assessed through ISORA. The table indicates that Kenya and Uganda are the only 2 ATI partner countries which publish all of the sources/categories of information assessed in the ISORA survey, with an additional 3 countries (Ghana, Indonesia, Malawi) publishing 4 out of 5. There are also a number of countries that either do not publish any of these sources/ categories of information, or only one of them.

Table 6 also shows that ATI partner countries are more likely to publish the strategic plan and annual report of their tax administration (all but three reporting countries publish these sources), but are least likely to publicise the results they achieve against service delivery standards (on which only three reporting countries published information).

[30] ISORA data is not generally made public; the ISORA data quoted here and elsewhere in this report was therefore made available by participating countries, following a request by the ATI Secretariat, or was sourced from already published reports; ISORA 2020 will report survey data for 2018 and 2019, will be finalised by mid-2021 and will be made publicly available.

[31] Response to these survey questions are only available for 5 ATI partner countries in 2017.

	Does the government publish its strategic plan?	*Does the government produce and publish its annual business/ operational plan?*	*Does the produce and make public a formal set of service delivery standards?*	*Does the government publish the results it achieves vis-à-vis its formal service delivery standards?*	*Does the government publish its annual report?*
Afghanistan	✓	✖	✓	✖	✓
Cameroon	✓	✓	N/A	N/A	✓
Ethiopia	✖	✖	✓	N/A	✖
Georgia	✓	✓	✖	✖	✓
Ghana	✓	✓	✓	✖	✓
Indonesia	✓	✓	✓	✖	✓
Kenya	✓	✓	✓	✓	✓
Madagascar	✖	✖	N/A	N/A	✖
Malawi	✓	✖	✓	✓	✓
Mongolia	✖	✖	✓	✖	✖
Paraguay	✓	✓	✖	✖	✓
Philippines	✓	✓	✖	✖	✓
Solomon Islands	✓	✓	N/A	N/A	✓
Tanzania					✓
The Gambia	✓	✓	✖	✖	✓
Uganda	✓	✓	✓	✓	✓

Table 6: Assessment of country performance against ISORA questions on the public accountability of tax administrations, 2017

Source: ISORA, 2017

Transparency of tax expenditures

Tax expenditures are the provisions in tax rules that allow for reductions or deferrals in taxes for businesses or individuals, usually to promote investment in a particular area of the economy or to stimulate economic activity amongst a certain group of taxpayers. While these can be useful tools of economy policy making, transparency facilitates cost-benefit assessments and helps to ensure that they are applied appropriately. ATI members have therefore agreed to apply new indicators on tax expenditure transparency in the monitoring exercise for ATI Commitment 2.

This indicator is drawn from the biennial survey of budget transparency across the world - the Open Budget Survey (OBS) – carried out by the International Budget Partnership (IBP). Question 45 of OBS asks countries to answer the question: *“Does the Executive’s Budget Proposal or any supporting budget documentation present information on tax expenditures for at least the budget year?”*. Countries are graded “A” to “D” based on the level of transparency of their tax

expenditures, with A being the highest grade and D the lowest.[32] IBP has assessed 23, 22 and 21 of the 25 ATI partner countries against this indicator in their surveys in 2019, 2017 and 2015 respectively.[33]

Figure 17 illustrates, for each of the four possible grades, how many ATI partner countries were awarded them in 2015, 2017 and 2019. It shows that no country was awarded an "A" grade in any year, and only 2 countries (Benin, Senegal) were awarded a "B" grade in 2015 and one country (Mongolia) was in 2019, with none being awarded this grade in 2017. In addition, the proportion of surveyed countries that were awarded a "C" grade initially rose, then fell, reaching 35% in 2019, and the proportion of surveyed countries which were awarded a "D" grade increased, reaching 61% in 2019.

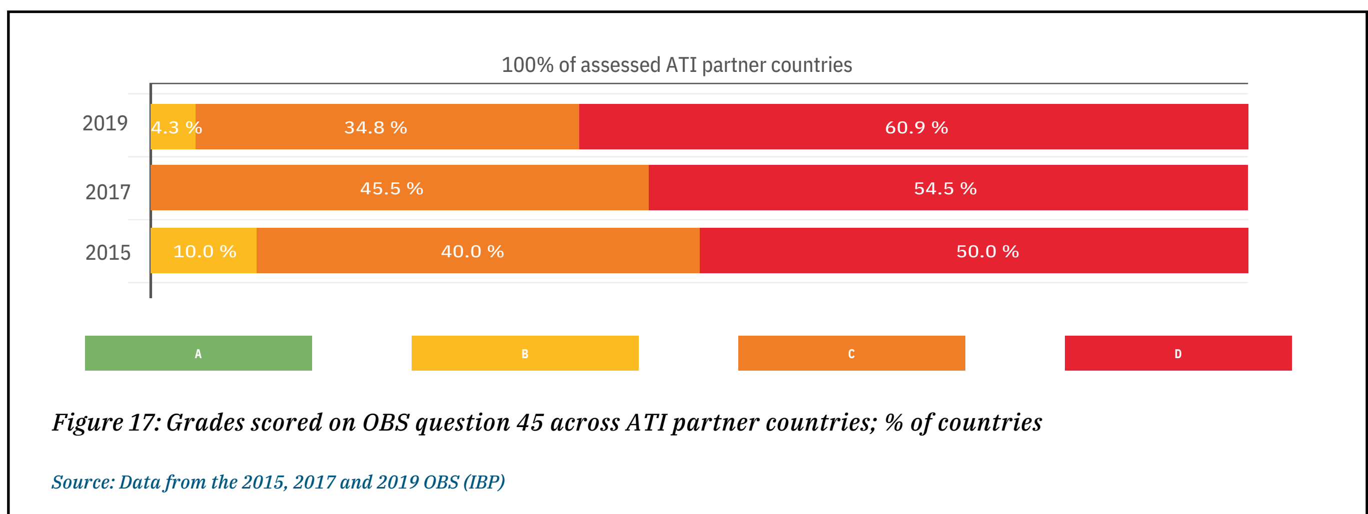


Figure 17: Grades scored on OBS question 45 across ATI partner countries; % of countries

Source: Data from the 2015, 2017 and 2019 OBS (IBP)

These results show that, overall, the transparency of tax expenditures amongst ATI development partners has worsened in recent years. The main positive exception is Mongolia, which has improved its performance on this indicator from a "D" grade in 2015, to a "C" in 2017 and to a "B" in 2019. In addition, another 6 ATI partner countries scored a "C" grade in both 2015 and 2019.

[32] The possible answers to these questions and the grades applied to each include:
– Yes, information beyond the core elements is presented for all tax expenditures (grade A);
– Yes, the core information is presented for all tax expenditures (grade B);
– Yes, information is presented, but it excludes some core elements or some tax expenditures (grade C);
– No, information related to tax expenditures is not presented (grade D).

[33] Ethiopia and the Solomon Islands were not assessed in any of the OBS. The Gambia was not assessed in the 2017 and 2015 OBS. Paraguay was not assessed in the 2015 OBS.

Progressive taxation to address inequality and poverty

Tax policies and reforms affect not only the level of revenue a country is able to mobilise, but also who pays taxes. Reforms that cause the incidence of taxation to fall increasingly on those with higher incomes are considered to be “progressive”. If the burden falls more heavily on the poor, they are considered “regressive”. Progressive tax policies and reforms are an important tool in efforts to tackle income and/or wealth inequality.

In recent years, there has been a growing recognition of the importance of promoting progressive tax policy reforms, alongside efforts to expand DRM. ATI members have agreed that there should be a stronger emphasis on equitable taxation in the ATI monitoring exercise and knowledge-sharing work. This section of the 2018 ATI Monitoring Report therefore examines which steps ATI partner countries have taken to make their tax systems more progressive.

One of the most comprehensive datasets available to assess efforts made across countries in promoting equitable taxation is the CRI Index developed by the Oxfam and DFI. One of the three pillars[34] of the CRI Index is “Progressivity of Tax”. It includes several sub-indicators which are used to assess country performance. ATI members have agreed to utilise two of these sub-indicators for monitoring partner countries’ performances on equitable taxation in this year’s ATI Monitoring Report:

- Progressivity of the tax structure, i.e. the degree to which each country is designing its tax system with an intent to be progressive;
- Impact of tax collection on levels of inequality (as measured by the GINI coefficient[35]), i.e. the degree to which actual tax collection in each country is helping to reduce inequality.

The CRI Index from 2018 includes data on all 25 ATI partner countries. Figure 18 illustrates how each of the ATI partner countries scored on the two indicators presented above, on a scale between 0 and 1 – where 1 represents the maximum level of progressivity and impact on inequality.

[34] The other two pillars focus on the progressivity of public spending and of labour rights and minimum wages.

[35] The Gini coefficient (Gini index or Gini ratio) is a statistical measure of economic inequality. It measures the dispersion of income or distribution of wealth among the members of a population.

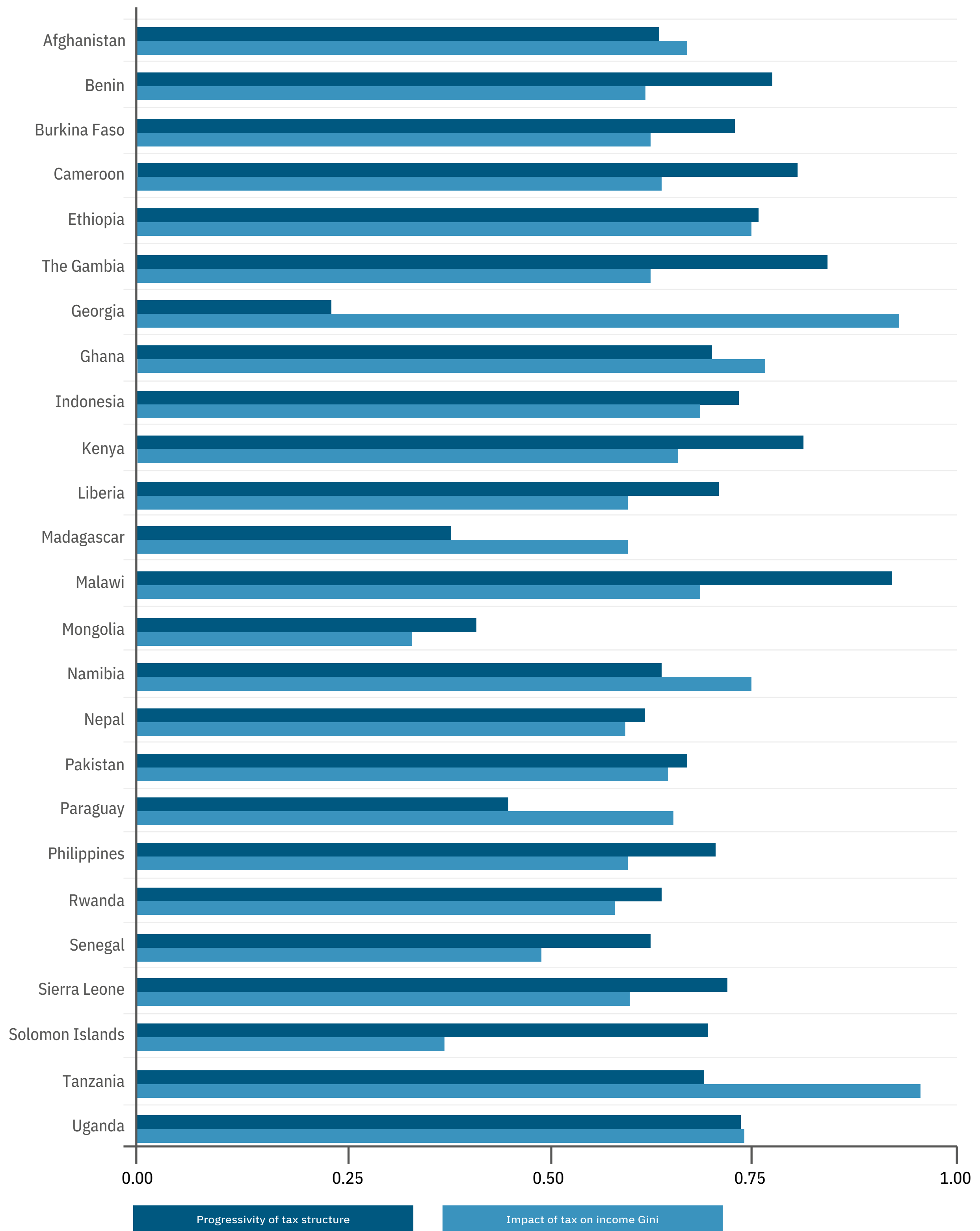


Figure 18: CRII scores across ATI partner countries on progressivity of tax structure and impact of tax collection on inequality, 2018

Source: Oxfam and DFI (2018)

Figure 19 illustrates that, amongst the ATI partner countries, those with the most progressive tax structures in 2018 were Malawi (which scored 0.92 against this indicator), The Gambia (0.84), Kenya (0.81), Cameroon (0.8), and Benin (0.78). Those with the least progressive tax structures in 2018 were Georgia (0.23), Madagascar (0.38), Mongolia (0.41), Paraguay (0.45), and Nepal (0.61).

Figure 19 also illustrates that, amongst ATI partner countries, those whose tax collection efforts have the most significant impact on reducing the GINI inequality coefficient in 2018 included Tanzania (which scored 0.95 against this indicator), Georgia (0.93), Ghana (0.77), Namibia (0.75), and Uganda (0.74). Countries in which tax collection efforts had the least impact on reducing the GINI inequality coefficient in 2018 were: Mongolia (0.33), the Solomon Islands (0.37), Senegal (0.49), Rwanda (0.58), and Nepal (0.5).

Amongst the 25 ATI partner countries, those that ranked in the top 10 in this group for both indicators in 2018 included Malawi (first for progressivity of tax structure and eighth for impact of tax collection on inequality), Ethiopia (sixth and fourth), Indonesia (seventh for both), Kenya (third and tenth) and Uganda (eighth and sixth). Those ranked on the bottom of this group for both indicators in 2018 included Mongolia (23rd for progressivity of tax structure and 25th for impact of tax collection on inequality), Senegal (20th and 23rd), Madagascar (24th, 18th), Nepal (21st and 19th) and Rwanda (18th and 22nd).

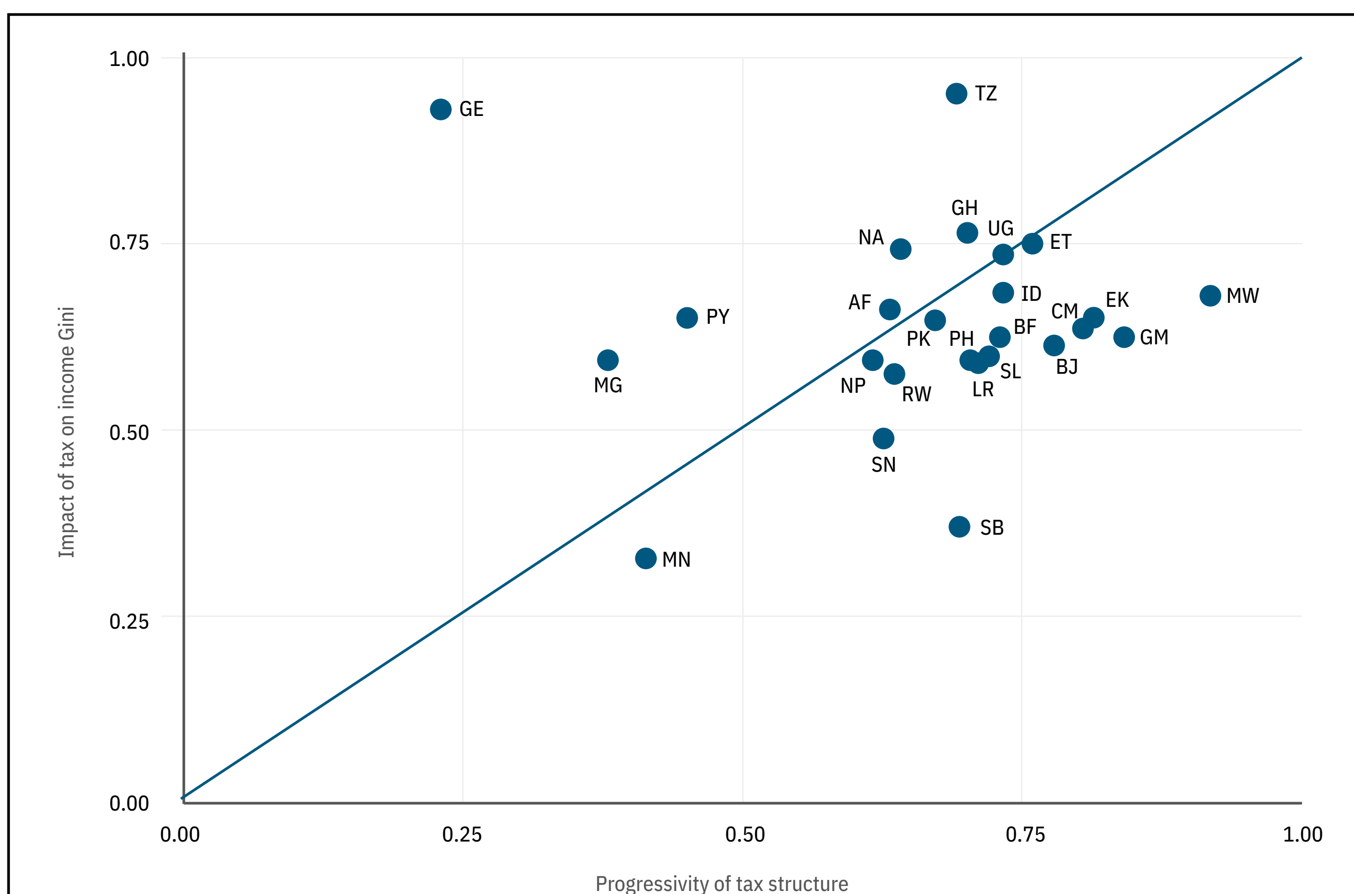


Figure 19: Scatter plot of CRI Index scores across ATI partner countries on progressivity of tax structure and impact of tax collection on inequality, 2018

Source: Oxfam and DFI (2018)

The scatter plot in Graph 19 illustrates the CRI Index score for progressivity of tax structures (x axis) and the impact of actual tax collection on the Gini inequality measure (y axis) for each country. This graph illustrates that most countries have similar scores for both elements of the CRII, suggesting that equitable tax collection usually emerges from an equitable tax structure and vice versa. However, the outlying cases of Georgia, Tanzania (both of which score much higher on tax collection than tax structure;), Malawi and Solomon Islands (both of which score much higher on tax structure than tax collection) suggest this isn't always the case.

Insights from ATI partner country surveys

This section presents some brief insights from the responses to the 2018 ATI Monitoring Survey on Commitment 2 from the 7 partner countries that completed this part of the survey.

Georgia

The Georgian Government highlighted the progress it has made towards modifying 34 of its tax treaties to make them compliant with international agreements, taking part in an OECD/G20 peer review of tax treaties,[36] and efforts by the Ministry of Finance to prepare a draft regulatory package for the implementation of country-by-country reporting, consisting of amendments to both primary and secondary legislation.

Ghana

The Government of Ghana emphasised its efforts to introduce the project GREAT (Ghana Revenue Authority Enhancement & Transformation), which aims to change the Ghana Revenue Administration's system by simplifying revenue processes and introducing innovations to enhance revenue mobilisation to meet growing expenditure.

Kenya

The Kenyan Government highlighted its efforts since 2018 to implement the Regional Electronic Cargo Tracking System, which will help to tackle transit diversion, as well as the launch of Kenya Revenue Authority's seventh corporate plan in January 2019, which aims to expand revenue mobilisation through transformation, data-driven decision making and tax-base expansion.

Madagascar

The Madagascan Government emphasised its efforts since 2018 to introduce new telecommunication systems to share tax information and support payments and to broaden the tax base by lowering the threshold for VAT liability. In addition, it highlighted new tax agreements with Canada and Morocco as well as improvements made to the system for targeting tax audits.

[36] This peer review – entitled "*Prevention of Treaty Abuse: Peer Review Report on Treaty Shopping (2019)*" – was undertaken as part of the effort to review progress in relation to the Inclusive Framework on Base Erosion and Profit-Shifting (BEPS).

Malawi

The Malawian Government highlighted its introduction of a carbon tax on motor vehicles and an excise tax on plastic pipes, plastic sacks and bags. It also introduced an online Integrated Tax Administration System (ITAS) (called Msonkho), which will be fully rolled out by December 2020.

Case study 2: Malawi's efforts to enhance DRM

In recent years Malawi has achieved significant increases in the level of tax revenues it has collected, with its tax-to-GDP ratio increasing from 15.2% in 2015 to 17.4% in 2018. This progress was made possible mainly by introducing tax policy changes and tax administration reforms aimed at broadening the tax base, improving the efficiency of the tax administration and encouraging tax compliance.

Amongst the tax policy changes introduced, the Government of Malawi reviewed the list of exemptions and zero-rated products for VAT, introduced a 10% excise tax on data transfers and TV subscriptions and increased the top bracket for Personal Income Tax (PIT) from 30% to 35%.

In order to expand the tax base, the Government of Malawi removed duty free import rates in a number of areas, including in relation to radio and TV broadcasting equipment and buses. Furthermore, the tax rate for life assurance business was increased from 21% to 30%, in order to align it with the Corporate Income Tax (CIT) rate for other businesses.

With respect to improving tax administration and compliance, the Government of Malawi reviewed the penalty regime and standardised it across the tax types in order to improve tax compliance. Further, it rolled out the implementation of e-payment system for all taxes to reduce the cost of administration and compliance by taxpayers. In addition, it also upgraded its computerised customs management and collection system.

A number of factors are reported to have been critical in helping to secure the introduction and success of these reforms. Firstly, political will to introduce them has been strong. Secondly, extensive engagement with a wide range of relevant stakeholders and analysis of the key issues in the planning stage has helped to broaden support and direct actions for their introduction. Finally, the fact that tax administration reforms – such as the implementation of an e-payment system for all taxes - have reduced transaction costs for taxpayers has helped to encourage tax compliance.

Mongolia

The Mongolian Government emphasised the adoption of a new General Tax Law, the Corporate Income Tax Law and the Personal Income Tax Law in March 2019. In addition, a new unit within the Mongolian Tax Authority focused on international tax was established and a Tax Administration Information System, which integrates 26 different systems for every tax operation and allows for online payment of taxes, was launched.

Paraguay

The Government of Paraguay highlighted the introduction of an electronic tax invoicing system. Since 2018, the number of people paying income taxes has doubled. A major awareness-raising and capacity-building programme on tax issues across the country was organised.

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Conclusion

Under ATI Commitment 2, partner countries take action on a number of fronts to expand tax revenues, strengthen tax administration capacity and improve transparency and accountability of their tax administrations. The data and survey responses collected this year show that ATI partner countries are making progress in some of these areas, although this has been modest in relation to transparency and accountability, and evidence is not available on trends in the equity of tax systems.

Average tax-to-GDP ratios across ATI partner countries increased in 2018 to reach 15.6%, as compared to 15.5% in 2017, 15% in 2016 and 15.2% in 2015. This trend has been supported by the fact that 13 ATI partner countries have increased their tax-to-GDP ratios since 2015, and that their increases have generally been more substantial than the falls in tax-GDP-ratios experienced by the other 11 ATI partner countries for which data is available. However, this performance still leaves the average ATI tax-to-GDP ratio for ATI partner countries at just above 15%, the minimum thought to be necessary to support sustainable growth.

Tax revenues, especially those generated from taxes on goods and services, seem to be becoming more significant for the overall revenue-raising efforts of ATI partner countries, while taxes from international trade and transactions are becoming proportionately less important. Given that the incidence of taxes on goods and services often falls more heavily on people with lower incomes, their increased significance for ATI partner countries may suggest that their tax systems are becoming more regressive, depending on exemptions and the size of the informal sector.

The last year has seen an increasing number of ATI partner countries undertaking TADAT and PEFA assessments, so that most have now carried out such analysis to help them diagnose their tax capacity weaknesses.

This report also looked into the transparency of applying tax exemptions and of tax administrations in ATI partner countries. The analysis suggests that ATI partner countries have made some modest improvements to the transparency of their tax administrations, but have not made progress in improving the low levels of transparency they apply to their tax expenditures.

In agreeing to address tax equity issues in the ATI monitoring process, ATI partner countries have signalled that this issue should be given greater emphasis. However, it is not clear what progress partner countries have been making in making their systems more equitable, which is an issue that will need to be explored further in future ATI monitoring reports.

The responses of ATI partner countries to this year's monitoring survey suggest that these countries are strongly emphasising the design and implementation of online/electronic tax administration systems, engaging more extensively on international tax issues (especially tax treaty reform) and expanding the capacity of their revenue institutions.

ATI Commitment 3

Introduction

ATI Commitment 3 focuses on the efforts of ATI members to ensure policy coherence for development in the area of domestic revenue mobilisation (DRM). It requires all ATI member countries *"to ensure that relevant domestic tax policies reflect the joint objective of supporting improvements in domestic resource mobilisation in partner countries and applying principles of transparency, efficiency, effectiveness and fairness"* (ATI Declaration 2015, p. 4). This commitment is in line with the spirit of the Addis Ababa Action Agenda (AAAA), which calls for the pursuit of "policy coherence and an enabling environment for sustainable development at all levels and by all actors" (UN, 2015a, p. 5).

Pursuing policy coherence for DRM requires understanding the relationship between all polices and DRM outcomes in partner countries, and then addressing the trade-offs that emerge when these policies come into tension with the DRM efforts of partner countries. For partner countries, ATI Commitment 3 requires them to ensure that all of their tax and other policies help to maximise their own domestic revenues. For development partners, ATI Commitment 3 requires them to ensure that their tax and other policies help to maximise DRM in partner countries.

Methodology of and reporting for the 2018 ATI Monitoring on Commitment 3

Monitoring the efforts and results of ATI members on policy coherence is done through self-reported data and information on policy coherence gathered through the ATI Monitoring Survey on Commitment 3. Currently, there is no standard or universally accepted list of indicators to assess policy coherence for DRM. The ATI has therefore developed its own list of indicators, in dialogue with its members, who are asked to highlight their own experiences and contributions through the monitoring survey. For some of these indicators – most notably the endorsement of/engagement with relevant international agreements and processes on issues such as tax cooperation – this chapter also utilises the latest publicly available information on the status of each ATI member country.

During the monitoring process, all ATI development partners and partner countries were invited to complete the 2018 ATI Monitoring Survey on Commitment 3. The survey asked ATI member countries to report on their domestic strategies and inter-agency cooperation approaches for promoting policy coherence for development in relation to DRM, to identify key strengths and weaknesses in their approaches to policy coherence for DRM, and to identify the progress they have made since 2018.

In particularly, ATI member countries are asked to report on actions to improve policy coherence for DRM in the following areas: illicit financial flows (IFFs), international tax cooperation, tax incentives for investment (partner countries only), coherence of double taxation agreements, taxation of official development assistance (ODA) support, DRM and green growth, and any other topics (for example, trade and health).

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22 ATI member countries replied to the 2018 ATI Monitoring Survey on policy coherence.[37] Thus, it must be kept in mind that this years' survey provides only a partial picture of the efforts by ATI member countries to address policy coherence for DRM.

Key findings

In the following section, summary findings from the ATI members countries' responses to the 2018 ATI Monitoring Survey on Commitment 3 are presented. The completed surveys show that:

- Of the 17 responding ATI development partners, only 8 have some sort of strategy in place for addressing policy coherence that at least references DRM issues.
- Of the 17 responding ATI development partners, at least 14 have formal or informal structures that support cross-government engagement on DRM issues.
- Of the responding 21[38] ATI member countries, 19 state to have an exchange-of-information relationship reflecting the international standard on exchange of information for tax matters with other countries. 15 of 16[39] ATI development partners confirm that they have an exchange-of-information relationship with ATI partner countries.
- All ATI development partners[40] and 12 ATI partner countries are formally participating in the OECD/G20 Inclusive Framework on BEPS.
- All but one of the ATI development partners and 13 ATI partner countries are signatories to the Convention on Mutual Administrative Assistance in Tax Matters.
- Health, trade and gender remain other policy areas in which ATI member countries are attempting to promote policy coherence with respect to DRM.

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

Canada

Canada remains committed to promoting policy coherence for development, and has been working toward a whole-of-government approach (WGA) to tax and development. A key element of this is a collaboration between Finance Canada, the Canada Revenue Agency and Global Affairs Canada to establish and develop the Knowledge Sharing Platform for Tax Administrations (KSP-TA). The KSP-TA provides an online library of reference material, interactive e-learning courses, an international event management function, and communities of practice to facilitate knowledge exchange between tax administration officials.

[37] The number of responses to the 2018 ATI Monitoring Survey on Commitment 3 was constrained this year due to the demands posed by the response to the COVID-19 pandemic on ATI member countries. These constraints have been felt particularly by partner countries and their Ministries of Finance and revenue administrations.

[38] For this indicator, the EU is excluded from reporting as it is not a sovereign state.

[39] Ibid

[40] Ibid

Denmark

Since 1 August 2019, the Danish Government's SDG Action Plan has committed it to assess the consequences of new legislation and major initiatives for the Sustainable Development Goals (SDGs). These new requirements could help to identify challenges that future tax reforms will pose for Denmark's efforts to promote the SDGs.

Finland

Policy coherence for development remains integral to the Finnish Government's broader efforts to implement the 2030 Agenda for Sustainable Development. Although the Finland *Tax and Development Action Programme* ended in 2019, the Finnish Government has drafted a new *Taxation for Development (T4D) Action Programme for 2020-2023*. One of the main objectives of the new programme is to ensure that companies that implement or participate in Finnish aid programmes apply tax policies responsibly, which highlights the emphasis being put on policy coherence.

Ghana

The Ghanaian Government has developed three strategic plans to enhance DRM and is facilitating workshops for state actors to ensure inter-agency cooperation. In addition, a department within Ghana Revenue Authority has been tasked with developing a formal strategy for policy coherence on domestic revenue.

Ireland

The Irish Government's new policy for international development – *A Better World* – commits to an all-of-government approach to international development, including in relation to the issue of taxation and development. This has resulted in the creation of a cross-government DRM Group, which brings together the Department of Foreign Affairs and Trade, the Department of Finance and the Office of the Revenue Commissioners to collaborate on supporting DRM efforts and strengthening tax administrations in partner countries (see Case Study 3 for more).

Italy

The development cooperation reform in 2014 and the adoption of the National Strategy for Sustainable Development (NSDS) in 2017 at ministerial level strenghtened the Italian Government's effort to foster policy coherence. Development cooperation is an integral part of the NSDS. This plan develops a strategy to monitor and coordinate policies and initiatives for the implementation of NSDS at national, European and international level, supporting the achievement of the SDGs. Italy's approach in the area of DRM recognises the link between the SDGs and reform of tax policies and tax administration. In this respect, technical assistance and capacity building are not seen as stand-alone activities but are part of the NSDS.

United Kingdom

HM Revenue and Customs, HM Treasury and the former Department for International Development (now the Foreign, Commonwealth and Development Office) developed a common Tax for Development Vision (unpublished) that sets out a strategic framework focusing on strengthening

government tax policies and supporting partner countries to develop their tax systems. At the country level, United Kingdom's government entities also share knowledge of partner countries, which supports efforts to identify factors that may impede the success of each countries' efforts to strengthen tax capacity.

Case study 3: Ireland's Cross-Government DRM Group

Ireland's Cross-Government DRM Group grew out of specific collaborations between revenue authorities in a number of countries (e.g. Rwanda) in the mid-2010s. Ireland's decision to join the ATI in 2017 triggered discussions on how to formalise this arrangement, as part of a boarder process of promoting engagement with the SDGs across government.

These discussions led to the formation of the Cross-Government DRM Group in January 2019, bringing together representatives of the Department of Foreign Affairs and Trade, the Department of Finance and the Office of the Revenue Commissioners to collaborate on supporting partner countries on DRM. A strategic agenda to guide its work was launched in October 2019 and emphasises the following priorities:

- SCALE UP support to DRM activities, including at least doubling funding to key DRM partners by 2020 and developing a methodology to track revenue and finance investments in technical assistance activities;
- SHARE Ireland's experience through effective global partnerships, building on strategic partnerships with organisations such as the African Tax Administration Forum (ATAF), with the aim of increasing both the scale and efficiency of technical assistance and peer-to-peer learning;
- SHAPE an enabling environment through coordinated action by establishing a cross-government DRM group to support the coordination and sharing of lessons.

The DRM Group has begun exploring collaborations in a range of countries, including Malawi, South Africa and Vietnam. These collaborations are aimed at supporting a strategic and coherent approach to the reform of tax systems and strengthening their governance.

There have been discussions about creating space within the DRM Group for dialogue with other relevant actors in Ireland, including academics, technical experts and others. However, these plans have been disrupted by COVID-19 pandemic.

Focus areas of policy coherence

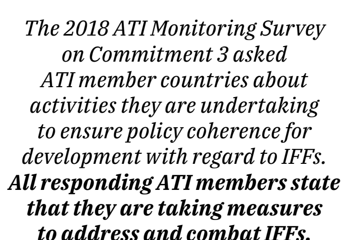
Illicit financial flows

An important area of focus for efforts to address policy coherence for DRM is the fight against IFFs. Africa is one of worst-affected world regions: an estimated USD 88.6 billion in IFFs leave Africa every year, far exceeding annual ODA receipts (UNCTAD 2020).[41] Not only do these outflows limit the levels of finance available for investment, they also negatively impact efforts to raise public revenues in partner countries, as much of this finance should be taxed.

[41] https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2479

Due to the significance of IFFs for the efforts of partners countries to mobilise development finance, the AAAA commits signatories to "redouble efforts to reduce IFFs by 2030, with a view to eventually eliminating them". The AAAA also identifies the importance of addressing IFFs "through strengthened national regulation and increased international cooperation".[42]

For instance, **Australia** is a founding member of the Financial Action Task Force (FATF), the global money laundering and terrorist financing watchdog, as well as the Asia-Pacific Group on Money Laundering. Through these bodies, Australia promotes international anti-money laundering and counter-terrorism financial standards and coordinates responses to global threats to the integrity of the financial system.



The 2018 ATI Monitoring Survey on Commitment 3 asked ATI member countries about activities they are undertaking to ensure policy coherence for development with regard to IFFs. ***All responding ATI members state that they are taking measures to address and combat IFFs.***

During 2018-19, the **Canadian** Government made a number of legislative amendments to the Canada Business Corporations Act (CBCA) in order to strengthen approaches to recording and reporting on beneficial ownership. These amendments require federally-incorporated private corporations to create and maintain a register of individuals with significant control over the corporation in its corporate books, and to make this information available on request to investigative authorities. Canada also launched consultations on the creation of a public beneficial ownership registry in February 2020.

In recent years, the **European Union** (EU) has introduced a range of directives to be applied by member states to address IFFs. These directives focus on issues such as money laundering, terrorist financing and transparency to prevent aggressive cross-border tax planning. In addition, the EU provides assistance to partner countries through the new Global Facility on Fighting Money Laundering and Terrorist Financing to put in place effective Anti-Money Laundering/Combating the Financing of Terrorism (AML/CLT) frameworks.

The **German** Federal Government continues to pursue policy coherence through a bi-annual inter-ministerial dialogue on IFFs. It is also providing technical assistance related to IFFs, which is implemented through a global programme that helps to strengthen cross-sectoral efforts to combat IFFs at national, regional and international levels.

From 2015 to 2018, **Ghana** was a part of the "Tax and Good Governance Project", led by the WU Global Tax Policy Centre and the African Tax Institute of the University of Pretoria. Ghana provided support to five African countries to tackle IFFs.

In 2019, **Paraguay** enacted a package of anti-money laundering laws, guided by the framework of recommendations made by the Financial Action Task Force on Latin America (GAFILAT). These laws will help to promote greater efficiency in the fight against money laundering, organised crime and the financing of terrorist activities.

Since July 2017, the Revenue Authority of **Madagascar** (DGI), under the leadership of the Madagascar Anti-Money Laundering and Terrorist Financing Department (SAMIFIM), have participated in the National Risk Assessment process on money laundering and terrorist financing – an initiative set up by the World Bank (WB).

[42] UNGA 2015, paragraph 23.

Amongst ATI development partners responding to the 2018 Monitoring Survey on Commitment 3, the majority highlight their efforts to address IFFs through intergovernmental bodies such as FATF and the OECD's International Academy for Tax Crime Investigation. **Finland** also highlighted its support to the African Union (AU) to oversee and facilitate the work of the *High Level Panel on Illicit Financial Flows*, chaired by former President of South Africa Thabo Mbeki.

International tax cooperation

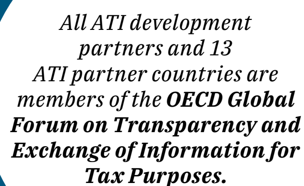
The AAAA encourages the scaling up of international tax cooperation to address tax challenges that require cross-border collaboration and coordinated global responses. The priorities identified by the AAAA in this area include efforts to address corporate tax avoidance and evasion.

The ATI Monitoring Survey on Commitment 3 asks ATI members to share the highlights of their activities to promote policy coherence for DRM in relation to international tax cooperation.

Automatic Exchange of Information

The exchange of information (EoI) on tax matters between tax authorities operating in different jurisdictions is a key element of the fight against cross-broader tax evasion, as it allows these authorities to identify any transactions on which local tax requirements have not been applied and to request action to comply with them.

All ATI development partners except the USA, and 7[43] of the ATI partner countries, have so far signed the *Multilateral Competent Authority Agreement* – an agreement that specifies the details of what information needs to be provided through automatic information exchange mechanisms and when.[44] All ATI development partners and 13 ATI partner countries are members of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes – a key international body working on the implementation of international standards relating to tax transparency and exchange of information. All ATI development partners except the USA and 4 ATI partner countries[45] are signatories to the *Multilateral Component Authority Agreement on automatic exchange of financial account information* (CRS MCAA) – a multilateral agreement that allows for bilateral exchange relationships between countries. This information is based on the status of ATI member countries as of September 2020.



Responses to the monitoring survey suggest that most ATI development partners have in place EoI relationships with the majority of their fellow ATI development partners. However, only 5 ATI development partners (France, Norway, Slovenia, South Korea, the UK) have EoI relationships in place for the majority of ATI partner countries.

Only a limited number of ATI partner countries have shared information through the monitoring survey on the countries with which they have EoI relationships. However, these responses do suggest that, in general, ATI partner countries have a much less extensive range of EoI relationships than ATI

[43] Burkina Faso, Cameroon, Georgia, Indonesia, Kenya, Pakistan and Senegal.

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

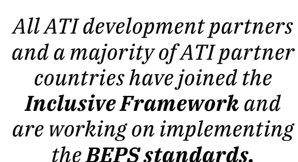
[45] Ghana, Indonesia, Liberia and Pakistan.

development partners. This finding helps to illustrate the capacity challenges that partner countries face in mobilising the resources required to pursue EoI relationships and address broader challenges related to international tax cooperation. Many ATI development partners are supporting aid programmes that aim to help address these challenges (see ATI Commitment 1 chapter).

Responses to the monitoring survey suggest that, amongst ATI development partners, the **UK** reports the highest number of jurisdictions in its EoI network (156 countries), followed by **South Korea** (154 countries), **Canada** and **Norway** (144 countries each), and **Finland** (128 countries). Amongst ATI partner countries, **Georgia**[46] reports the highest number of countries in its EoI network (102 countries), followed by the **Philippines**[47] (42 countries), **Mongolia** (25 countries), **Liberia**[48] (15 countries) and **Benin**[49] (9 countries).

Responses to the monitoring survey also highlight other examples of progress made by ATI members in relation to EoI. **Australia's** survey response highlights that the OECD Global Forum's Exchange of Information Peer Review process provided positive feedback on its responsiveness in practice when receiving EoI requests from other countries' revenue authorities. **Canada** highlighted how its first exchanges of Common Reporting Standard (CRS) data took place in September 2018. **Ghana** emphasised that in 2018 the Government passed the standard for Automatic Exchange of Financial Account Information Act. **Ireland** reported playing an active role in the EU Platform for Good Tax Governance, which brings together representatives from governments, business and civil society to discuss approaches to target tax evasion and avoidance. The **UK** highlighted that it is running pilots with Pakistan and Ghana to assist them in implementing the international standard on Automatic Exchange of Information (AEoI).

Base Erosion and Profit Shifting



*All ATI development partners and a majority of ATI partner countries have joined the **Inclusive Framework** and are working on implementing the **BEPS standards.***

One of the main ways in which corporate tax avoidance occurs is through the shifting of profits by companies (usually through the mechanism of payments between entities in a corporate structure) from a higher-tax jurisdiction to a lower-tax jurisdiction, which then erodes the revenue base within the higher tax jurisdiction. These practices are referred to as Base Erosion and Profit Shifting (BEPS) and are estimated to reduce global revenues by USD 100 to USD 240 billion a year, disproportionately affecting partner countries.

As a result of the significant revenue implications of BEPS, there has been growing international collaboration to address BEPS, which has been facilitated mainly through the G20/OECD Inclusive Framework on BEPS. Addressing this issue is critical to efforts to promote policy coherence for DRM and is therefore an element of the ATI's monitoring and information-sharing work. All ATI development partners and a majority of ATI partner countries[50] have joined the Inclusive Framework and are working on implementing the BEPS standards, in accordance with their domestic capacities. In addition, all ATI development partners except the USA and

[46] Based on reporting from the 2017 ATI Monitoring Survey on Commitment 3.

[47] Ibid

[48] Ibid

[49] Ibid

[50] ATI partner countries who are members of the OECD/G20 Inclusive Framework on BEPS are; Benin, Burkina Faso, Cameroon, Georgia, Indonesia, Kenya, Liberia, Mongolia, Namibia, Paraguay, Senegal and Sierra Leone. See *link* for the full list of members.

13 ATI partner countries are signatories to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.

The 2018 ATI Monitoring Survey on Commitment 3 asked ATI members to report how many of their tax treaties incorporate the minimum standard on anti-treaty abuse provisions, according to the Action 6 recommendations of BEPS. Amongst ATI development partners, those with the largest number of ATI partner countries with whom their tax treaties meet this standard include the **UK** (13 ATI partner countries), the **Netherlands** (8 ATI partner countries), **Canada** (5 ATI partner countries) and **Ireland** (4 ATI partner countries). The Netherlands (91 countries), Canada (68 countries) and the UK (38 countries) also have the largest number of tax treaties overall meeting these standards.

ATI members also highlighted a range of activities they have been undertaking and results they have achieved in relation to BEPS in their responses to the monitoring survey. **Canada** highlighted its efforts to enact legislation to require large multinational companies to undertake Country-by-Country Reporting (CbCR), to file a report providing information on their global allocation of income and taxes and to make this information available to Canada's Revenue Authority for sharing with other tax authorities. This allows high-level assessment of transfer pricing and other BEPS risks. Canada's first automatic exchange with other jurisdictions of country-by-country reports took place in June 2018. As part of the implementation at **EU** level of recommended anti-BEPS actions, the Council of the EU adopted the Directive (EU) 2018/822 on 25 May 2018, which lays down rules for a mandatory disclosure of certain potentially aggressive cross-border tax planning schemes.

Tax incentives for investment

Tax incentives are provisions allowing for reduced levels of taxation in particular sectors of the economy, which aim to promote investments (including from overseas) that are strategically important for a country's development. Amongst the types of tax incentives that can be applied are temporary exemptions from corporate income tax ("tax holidays"), reductions in tariffs or duties on the import of raw materials, and reductions in tax on profits remitted overseas.

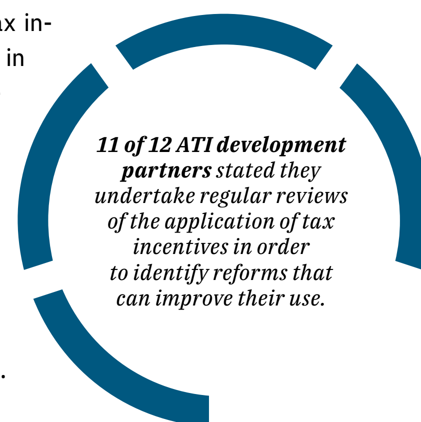
By definition, tax incentives involve reductions (at least initially, before economic activity expands) in the potential level of revenue generated by an economic activity, and partner countries can often feel pressured to significantly reduce taxes in order to compete with other countries for investment. As a result, tax incentives are a key policy area that partner countries need to address in order to ensure policy coherence for supporting DRM. The fact that it is far from conclusive whether and to what degree tax incentives can help to attract additional investment (Andersen et al 2017) increases the challenges for partner countries in designing policies that adequately address DRM and investment needs.

In order to address the significant challenges involved in ensuring tax incentives do not undermine DRM efforts, the AAAA commits signatories to reducing their use in the natural resource sector, and to designing tax incentives in a collaborative way, so as to avoid harmful tax competition.

In the ATI Monitoring Survey on Commitment 3, ATI partner countries are asked to share the highlights of their activities with respect to tax incentives for investment. Insights from countries responding to the survey this year and the previous year are presented below.

Cameroon's evolving approach to tax incentives has involved directing incentives towards established companies for undertaking real and new high-impact investments, as well as special provisions for the primary sector. **Ghana** has helped its pharmaceutical sector to develop by introducing VAT exemptions for the active ingredients for its products. **Kenya** has a system that allows for discretionary tax incentives to be applied by the Cabinet Secretary, but it is working on moving away from such an approach. **Malawi's** system of tax incentives is sector specific, and focuses on the following priority sectors: agro-processing, electricity generation and transmission, transport, tourism, mining, and export processing zones. In **Madagascar**, while line ministries had formerly had a right to incorporate tax incentives in their sectoral laws, all tax provisions need to be included in the General Tax Code in the future. In **Mongolia**, the Parliament has the sole right to introduce tax incentive measures, except for the types of investments addressed in the Investment Law and in relation to the tax regime flexibilities allowed for in free zones.

An important step for addressing challenges related to tax incentives is to undertake regular reviews of their application in order to identify reforms that can improve their use. In the monitoring survey, ATI member countries were asked whether they undertake regular reviews of their tax expenditures. Of the 12 ATI development partners who replied to this survey question, 11 stated they undertake such reviews and one confirmed an intention to undertake such reviews in the future.[51] Of the 5 responding ATI partner countries, 3 undertake regular reviews of their tax expenditures, one does not, and one intends to in the future.



Coherence of double taxation agreements

Double taxation agreements (DTAs) address the situation of transactions taking place across countries and determine which country tax is paid in. The primary goal of DTAs is to avoid the double taxation of these transactions, thereby helping to promote investment. However, DTAs also help to avoid the problem of double non-taxation and therefore to counter tax evasion.

The degree to which partner countries have to relinquish taxation rights over foreign entities (largely from development partners) operating in their territory has implications for how much revenue they can raise from these entities. DTAs are therefore an important issue related to policy coherence for DRM, especially as research suggests that more often than not DTAs favour the interests of development partners over partner countries (ICTD 2016, Hearson 2018).

Amongst ATI partner countries, 4 (up from 3 in 2019) report that they have a tax treaty policy in place which helps guide their efforts to negotiate DTAs, and an additional 5 ATI partner countries (up from 4 in 2019) intend to develop such policy frameworks (see Table 7).

ATI partner countries have been undertaking a range of actions to improve their approach to developing DTAs. **Georgia** and **Malawi** have developed model DTAs, which they are using to guide their negotiations over such treaties. **Kenya** is in the process of reviewing its existing DTAs in order to identify how they can be updated in order to bring them into line with the OECD's BEPS agreement and to limit revenue leakage. **Madagascar** noted that they already have DTAs in force (with France and Mauritius) and has two treaties that are in the process of being formally ratified (with Canada and

[51] 3 development who shared survey responses did not answer this question.

Morocco). The **Philippines** mainly uses the UN Model Double Taxation Convention, with additional clauses from the OECD Model Convention, to develop its DTAs.

In order to meet their commitments on policy coherence for DRM, ATI development partners should approach the negotiation of DTAs with a view to ensuring that it does not unfairly undermine DRM capacity in partner countries. As was the case in 2017, 7 ATI development partners already have in place a tax treaty policy that addresses this issue, and 2 more intend to develop such policies (see Table 7).

The ATI Monitoring Survey on Commitment 3 also asked development partners to identify highlights from their efforts to ensure that their approach to DTAs promotes development objectives. 8 ATI development partners responded to this question in the survey, and their responses identify a range of valuable efforts to promote policy coherence for development in this area. **Australia** encourages partner countries to sign and ratify the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters, in order to underpin the multilateral exchange of tax information and strengthen the integrity of their tax systems. **Canada** ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting in August 2019, which allows for the modification of its tax treaties in order to meet the terms of the BEPS agreement. **Germany** states that it is prepared to include provisions from the UN's Model Double Taxation Convention when negotiating tax treaties for taking into account the special interests of partner countries. **Ireland** was only the second country to submit itself for analysis carried out by International Bureau for Fiscal Documentation (IBFD) to examine the effects of its tax regime on the economies of developing countries (with only small spillover effects identified). The **Netherlands** reports that in addition to working to avoid double taxation, it uses its tax treaties to avoid double non-taxation and to limit opportunities for tax evasion. **Norway** uses the UN Model Double Taxation Convention as a starting point for negotiating tax treaties with partner countries.

	Participating in the OECD/ G20 Inclusive Framework on BEPS	*Signatory to the Multi-lateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS*	*Tax treaty policy in place that looks specifically at policy coherence for development*	*Signatory to the Con-vention on Mutual Ad-ministrative Assistance in Tax Matters*	*Conducting periodic eval-uation of tax expenditures*
Afghanistan	Intended	No	No	No	Yes
Australia	Yes	Yes	Yes	Yes	Yes
Belgium	Yes	Yes	N/A	Yes	N/A
Benin	Yes	No	Yes	Yes	Yes
Burkina Faso	Yes	Yes	N/A	Yes	N/A
Cameroon	Yes	Yes	Yes	Yes	Yes
Canada	Yes	Yes	Yes	Yes	Yes
Denmark	Yes	Yes	Yes	Yes	Yes
Ethiopia	No	No	N/A	No	N/A
Finland	Yes	Yes	Intended	Yes	Intended
France	Yes	Yes	Yes	Yes	Yes
Georgia	Yes	Yes	Intended	Yes	Yes
Germany	Yes	Yes	Yes	Yes	Yes
Ghana	No	No	Yes	Yes	Yes
Indonesia	Yes	Yes	Intended	Yes	Yes
Ireland	Yes	Yes	N/A	Yes	Yes
Italy	Yes	Yes	N/A	Yes	Yes
Kenya	Yes	Yes	No	Yes	Yes
Korea	Yes	Yes	Yes	Yes	Yes
Liberia	Yes	Intended	Intended	Yes	Intended
Luxembourg	Yes	Yes	N/A	Yes	N/A
Madagascar	No	No	No	No	Intended
Malawi	No	No	Yes	No	Yes
Mongolia	Yes	Intended	Intended	Yes	No
Namibia	Yes	No	N/A	Yes	N/A
Nepal	No	No	N/A	No	N/A
Netherlands	Yes	Yes	Yes	Yes	Yes
Norway	Yes	Yes	Yes	Yes	Yes
Pakistan	Yes	Yes	N/A	Yes	N/A
Paraguay	Yes	No	Yes	Yes	Yes
Rwanda	No	No	N/A	No	N/A
Senegal	Yes	Yes	N/A	Yes	N/A
Sierra Leone	Yes	No	N/A	No	N/A

	Participating in the OECD/ G20 Inclusive Framework on BEPS	*Signatory to the Multi-lateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS*	*Tax treaty policy in place that looks specifically at policy coherence for development*	*Signatory to the Con-vention on Mutual Ad-ministrative Assistance in Tax Matters*	*Conducting periodic eval-uation of tax expenditures*
Slovakia	Yes	Yes	N/A	Yes	Yes
Slovenia	Yes	Yes	No	Yes	Yes
Solomon Islands	No	No	N/A	No	N/A
Sweden	Yes	Yes	N/A	Yes	Yes
Switzerland	Yes	Yes	Intended	Yes	N/A
Tanzania	No	No	N/A	N/A	N/A
The Gambia	No	No	N/A	N/A	N/A
The Philippines	Intended	No	Intended	Intended	Yes
Uganda	No	No	N/A	N/A	N/A
United Kingdom	Yes	Yes	No	Yes	N/A
United States	Yes	No	N/A	Yes	N/A

Table 7: Country international cooperation profiles

Taxation of ODA support

Historically, ODA has been exempt from local taxation by partner countries. This has been justified mainly on the basis of maximising the quantity of aid available for development purposes. However, in recent years, there has been growing debate about ODA's tax exempt status, in part driven by a recognition that this is inconsistent with an emphasis on supporting DRM and promoting policy coherence for development (Steel et al 2018).

As a result of this debate, the Platform for Collaboration on Tax (PCT) – a joint initiative of the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), United Nations (UN) and World Bank Group (WBG) – called for a review of tax exemptions for ODA. As a consequence, a number of donors have begun to reform their own policies on the tax implications of their ODA flows. For example, **Norway** and the **Netherlands** unilaterally dropped their insistence on tax exemptions in government-to-government ODA programmes in 2014/15 and 2016 respectively.

The responses to the ATI Monitoring Survey on Commitment 3 reveal a diverse set of approaches to this issue. **Canada** has recently initiated an internal review of its policy on ODA taxation, in response to questions from partner countries. The **EU's** new *Neighbourhood, Development and International Cooperation Instrument* foresees that "taxes, duties and charges imposed by partner countries may be eligible for financing" and the European Commission (EC) will follow up on that,

as long as they are not specific and applicable only on EU aid. Although **Finland** still requests tax waivers on its ODA support, it has stated that it is open to discussing this issue. **Slovakia** has made it clear that it supports continued tax exemptions for its ODA on the basis that it allows local non-governmental organisations (NGOs) – its main delivery partners – to access larger levels of assistance, but that it remains open to policy reforms emerging in the international community. Since 2010, **Sweden** has not required tax exemptions for VAT and for tariffs levied on ODA. In 2016, its government tasked the Swedish International Development Cooperation Agency (Sida) with reviewing the preconditions and effects of a removal of tax exemptions for ODA support, and active work in this area is still ongoing.

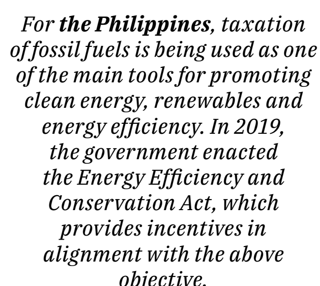
DRM and green growth

The SDGs challenge the international community to pursue development progress in ways that protect the environment and promote sustainability. This approach to development has led to increasing attention being paid to alternative approaches to economic development, including an emphasis on promoting green growth.

Importantly, some of the instruments that can be used to promote green growth also support DRM, such as increasing taxes on and reducing subsidies for activities that are harmful to the environment (e.g. the production and use of fossil fuels). This opens up possibilities for improving coherence between green growth and DRM policies.

The ATI Monitoring Survey on Commitment 3 asks ATI development partners and partner countries to share highlights from their efforts to improve coherence between their DRM and green growth policies. The responses suggest that this is a relatively new area where ATI partner countries are still developing their policy responses. Most have yet to take concrete measures.

However, some interesting approaches are emerging. **Canada** is continuing to support ongoing work in the G20 to phase out inefficient fossil fuel subsidies. **Germany** is continuing to promote green growth efforts in a number of countries: in Algeria, it is providing technical, organisational and strategic advice to the Ministry of Environment on environmental taxes; and in Vietnam it is supporting the Ministry of Finance to develop fiscal frameworks for its green growth strategy, including revisions to the Environmental Protection Tax. **Norway** is using taxes on fossil fuels to help fund climate change mitigation and renewable energy projects in developing countries. **Switzerland** is supporting the IMF's Revenue Mobilization Trust Fund (RM-TF) and the WB's Global Tax Program to provide support to promote tax incentives for green growth.



For ***the Philippines****, taxation of fossil fuels is being used as one of the main tools for promoting clean energy, renewables and energy efficiency. In 2019, the government enacted the Energy Efficiency and Conservation Act, which provides incentives in alignment with the above objective.*

Amongst partner countries responding to the monitoring survey, **Benin** highlighted how its approach to DRM takes account of environmental objectives. **Kenya** reported that it first implemented a plastic bag tax, before banning their use in 2017. **Malawi** highlighted the importance of the fiscal regime applied to its mining sector. **Mongolia** emphasised how its laws have defined green taxes, which are discouraging the import and use of harmful manufacturing, services and goods. For **the Philippines**, taxation of fossil fuels is being used as one of the main tools for promoting clean energy, renewables and energy efficiency, and in 2019 the government enacted the Energy Efficiency and Conservation Act, which provides incentives in alignment with the above objective.

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Other topics

The ATI Monitoring Survey on Commitment 3 also provides respondents with the opportunity to highlight additional policy areas they are focussing on in their efforts to promote policy coherence for achieving the SDGs.

Italy highlighted its funding of a World Health Organisation (WHO) programme that strengthens the tobacco tax system in Ethiopia, Mozambique, Tanzania and Uganda, in order to increase government revenues and achieve significant health gains through reduced consumption. **Sweden** highlighted its contributions towards the creation of open, inclusive and sustainable markets in developing countries, especially in sectors where there are strong opportunities for creating productive employment, integrating partner countries into value chains and promoting sustainable development. It also highlighted its feminist foreign and development policy, which makes promoting gender equality an objective across all aspects of its development cooperation. Since 2012, **South Korea** has granted duty-free and quota-free market access and applied preferential rules of origin for products originating from 47 least developed countries (LDC).

Conclusion

ATI members are continuing to make progress on policy coherence for DRM across a range of areas. In relation to IFFs, international agreements and processes are beginning to feed into the policy and legal reforms of development partners. Efforts to address money laundering and terrorist financing seem to have received the most attention. However, issues of tax evasion and avoidance are also becoming more prominent, and AEoI, CbCR of company activities and the use of beneficial ownership registers are increasingly common. However, it is also clear that partner countries are struggling to fully engage with these global processes, and many lack the capacity and resources to fully apply the tools, reforms and policies emerging from them.

In relation to DTAs, there are signs that partner countries are developing more strategic approaches to their negotiation, and that global agreements to stamp out tax treaty abuses are helping. However, only a limited number of partner countries responded to questions about tax treaties in this year's monitoring round and it is important that they engage more actively to reform and report on their practices.

Lastly, it remains evident that the use of tax incentives to stimulate investment continues to be a deeply challenging agenda for partner countries to address effectively, and that expanding peer learning on these issues could add significant value. Debate on the merits of tax exemptions for ODA flows continues to grow, and development partners are gradually becoming more open to exploring this issue. More attention is also being paid to linking DRM to green growth opportunities, especially through the use of taxes on fossil fuels.

ATI supporting organisations

Introduction

International organisations, forums, academic institutions, civil society organisations (CSOs) and private sector foundations that provide technical assistance and other forms of support to enhance domestic revenue mobilisation (DRM) in partner countries and that endorse the objectives of the Addis Tax Initiative (ATI) can join as ATI supporting organisations.

The most recent ATI supporting organisations are the United Nations Department of Economic and Social Affairs (UN DESA) and the International Budget Partnership (IBP), which joined in 2019 and 2020. The number of ATI supporting organisations now stands at 17 (please refer to page 6 for the complete list).

The supporting organisations differ considerably in terms of the scope of their activities, focus areas, country portfolios and modes of delivery. The 2018 ATI Monitoring Survey provided supporting organisations with an opportunity to report on their priorities and recent activities in supporting DRM efforts. 10 of the 17[52] ATI supporting organisations provided responses to the survey, an overview of which is presented below.

Key findings

Asian Development Bank (ADB)

DRM, strengthening governance and institutional capacity are one of ADB's seven operational priority areas. The ADB's recent technical assistance (TA) on tax issues has focussed on issues such as property taxes, tax incentive policy reform and digital transformation in tax administration. Given that there is no existing regional tax institution in Asia, the ADB has been prioritising collaborations with member countries of the Study Group on Asian Tax Administration and Research (SGATAR).

African Tax Administration Forum (ATAF)

The TA requests ATAF has responded to have increased significantly in the last year, reaching 14 in total, in addition to participating in 6 (Tax Administration Diagnostic Assessment Tool) TADAT missions. In providing TA to African countries, ATAF aims to promote homegrown solutions to tax challenges by promoting pee-to-peer learning between tax administrations. One of ATAF's emerging priorities is its work on transfer pricing (TP), on which it has developed model TP legislation and an *ATAF model for Double Taxation Agreements* that are designed for African countries. In addition, ATAF has helped several African countries to amend, improve or develop TP legislation to limit illicit financial flows (IFFs) and aggressive tax planning.

[52] The IBP joined only in September 2020 and was therefore not asked to complete the 2018 ATI Monitoring Survey.

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Bill & Melinda Gates Foundation (BMGF)

The BMGF funds practical research and the development of data-driven tools through institutions such as the International Centre for Tax and Development (ICTD) (see an example of this collaboration in Sierra Leone in Box 6), the Centre for Global Development (CGD) and the Commitment to Equity Institute (CEQ). BMGF also promotes innovation in the tax and development field through their partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in setting up the *DRM Innovation Fund* and by funding IBP to promote civil society groups working on tax. In 2019, BMGF's grantees on tax issues agreed to promote an equitable approach to tax revenue raising.

On being elected Mayor of Sierra Leone's capital Freetown in 2018, Yvonne Aki-Sawyerr made improved revenue collection a central component of her *"Transform Freetown"* agenda. She quickly turned her attention to opportunities to increase property tax collection, especially from wealthier residents. To develop these reforms further, she formed a working group to develop a points-based system to determine the new property tax rates, which more than tripled tax rates for the top 20% of properties, and halved tax rates for bottom 20% of properties.

She and her team received technical support from the International Centre for Tax and Development (ICTD) and the international Growth Centre – funded by BMGF and the UK Government – that allowed them to undertake property surveys using satellite imagery and manual on-the-ground teams, to develop a simple model for calculating the taxable value of each property and introduce a new IT system to manage the entire system. The city council has now registered virtually every property in Freetown, roughly doubling the number on the tax register from 57,000 to about 110,000.

Source: *African Arguments, May 21, 2020*

Box 6: BMGF support for introducing a progressive property tax in Freetown, Sierra Leone

Commonwealth Association of Tax Administrators (CATA)

CATA undertakes capacity building for tax officials through workshops, conferences, study tours and exchange programmes. CATA is currently placing a strong emphasis on digitisation in tax administration, strengthening capacity in tax crime investigation and building strong leadership skills amongst tax officials through its Senior Leadership Programme. CATA also plays a strong advocacy role to ensure that international standards on transparency, efficiency, effectiveness and fairness are adhered, and its peer learning programme helps members to share best practices and seek support from fellow member countries.

Inter-American Centre of Tax Administrations (CIAT)

CIAT provides demand-led TA on a wide range of tax issues, with the most significant demands currently focussing on risk management, electronic invoicing and technology, current account systems, audit practices, human resources management, Base Erosion and Profit Shifting (BEPS) actions and TP. Since 2018, CIAT has provided 300 weeks of technical assistance for 16 countries in Latin America, Caribbean and Africa. CIAT's work has helped Bolivia to generate their first case of TP and El Salvador to achieve a rating of "largely compliant" in the OECD's Peer Review Global Forum on Transparency and Exchange of Information for Tax Purposes.

Exchange and Research Centre for Leaders of Tax Administrations (CREDAF)

CREDAF's 2018-21 Strategy focuses on broadening the tax base, with a first year focussed on "Digitalisation for the broadening of the tax base", and the second year focussed on the "Mastery and valorisation of the database". CREDAF's most recent capacity development seminar focussed on tax auditing, and helped to launch a Tax Audit Directors' Forum that aims to support officials to share experiences. CREDAF also recently published a methodological guide on the topic securing tax revenues during the period of crisis.

Global Financial Integrity (GFI)

GFI works with customs departments to improve their ability to detect trade misinvoicing so they can collect the proper amount of duties and VAT. GFI also provides advisory services to help governments establish multi-agency units to identify, investigate and interdict illicit flows related to tax evasion, money laundering and misinvoicing. In one partner country, during a 12-week period, GFI was able to support the tax authorities to identify more than USD 100 million in under-invoiced imports using its *GFTrade risk assessment tool*.

Organisation for Economic Cooperation and Development (OECD)

The OECD's priority is to increase the inclusion and voice of partner countries in the OECD's forums on tax, primarily the OECD/G20 Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposed. The Global Forum marked its 10-year anniversary in 2019, and a survey of its members suggested it has helped to identify about EUR 102 billion in additional revenue (tax interest, penalties) through voluntary disclosure programmes and investigations linked to the implementation of the automatic exchange of information standard. Exchange of information on request alone helped to the collection of nearly EUR 7.5 billion of additional revenue. The OECD has also continued to expand its training on tax issues for partner countries in 2019, with 4,000 tax officials benefitting from e-training and 600 officials from over 60 partner countries trained in tackling tax crime and other financial crimes. The Tax Inspectors Without Borders (TIWB) joint initiative with the United Nations Development Programme (UNDP) has continued to deliver, realising over half a billion dollars in increased revenues.

Save the Children

Save the Children is working on increasing public participation in subnational tax policy development through civil society engagement in two counties in Kenya – Bungoma and Wajir – with a focus on promoting effective social service delivery and children's rights, as well as the emergency response to COVID-19. Save the Children is also working to engage USAID to encourage it to lead a whole-of-government DRM strategy for the United States that promotes pro-poor and equitable tax policies and finances local civil society participation in budget monitoring and tax policy development.

West African Tax Administration Forum (WATAF)

Since 2018, WATAF has successfully executed capacity building events for over two hundred officials from member countries on issues such as computer assisted audit technique, risk management in tax administrations, TP auditing, data collection and analytics, and human resource management in tax administration. WATAF has also recently published a tax statistic report entitled "*Revenue Collection in West Africa 2011-2017: Shifting Tax Bases*", in collaboration with ATAF.

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