Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries

Prepared for Submission to G20 Finance Ministers

July 2016

International Monetary Fund (IMF)
Organisation for Economic Co-operation and Development (OECD)
United Nations (UN)
World Bank Group (WBG)

Acronyms

AEOI	Automatic Exchange of Information
ATAF	African Tax Administration Forum
ATAIC	Association of Tax Administrations in Islamic Countries
ATI	Addis Tax Initiative
BEPS	Base Erosion and Profit Shifting
CATA	Commonwealth Association of Tax Administrators
CIAT	Inter-American Center of Tax Administrations
CD	Capacity Development
CREDAF	Centre de rencontres et d'études des dirigeants des administrations fiscales
DAC	Development Assistance Committee
DRM	Domestic resource mobilization
FARI	Fiscal Analysis for the Resource Industries
FTA	Forum on Tax Administration
IMF	International Monetary Fund
IOs	International Organizations joined in the Platform for Collaboration on Tax: the IMF, OECD, UN and WBG
IOTA	Intra-European Organisation of Tax Administrations
ISORA	International Survey of Revenue Administrations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PITAA	Pacific Islands Tax Administrators Association
PCT	Platform for Collaboration on Tax
RA-FIT	Revenue Administration's Fiscal Information Tool
RTO	Regional Tax Organization
SARA	Semi-Autonomous Revenue Authority
SDGs	Sustainable Development Goals
SGATAR	Study Group on Asian Tax Administration and Research

TA	Technical assistance
TADAT	Tax Administration Diagnostic Tool
TPA-TTF	Tax Policy and Administration Topical Trust Fund
TIWB	Tax Inspectors Without Borders
UN	United Nations
UNDP	United Nations Development Programme
WBG	World Bank Group

EXECUTIVE SUMMARY

This report responds to the February 2016 request from the G20 for the IMF, OECD, United Nations and World Bank Group to:

> *"…recommend mechanisms to help ensure effective implementation of technical assistance programs, and recommend how countries can contribute funding for tax projects and direct technical assistance, and report back with recommendations at our July meeting."*

The report has been prepared in the framework of the Platform for Collaboration on Tax (the "PCT"), under the responsibility of the Secretariats and Staff of the four mandated organizations. The report reflects a broad consensus among these staff, but should not be regarded as the officially endorsed views of those organizations or of their member countries. [1],[2]

The request arises in the context of increased recognition of the centrality to development of strong tax systems and of the importance of external support in building them, and a correspondingly increased willingness of advanced economies to provide substantially greater financing and other support for this. It recognizes that, while real progress has been made on increasing tax revenues in low income countries over the past two decades, for many countries revenues remain well below levels that are likely needed to achieve the 2030 Sustainable Development Goals, and to secure robust and stable growth. The report also takes as a fundamental premise that it is not just how much revenue is raised that matters for development and growth, but also how it is raised—and that strong tax systems are key for both equity objectives and enhancing state building.

In that context, the report uses the experiences of the international organizations to analyze how support for developing tax capacity can be improved. It does not attempt to reiterate the nature of the challenges faced by developing countries, about which much has been written—but rather focuses on ensuring that the countries have the support needed to overcome them.

An indispensable prerequisite to improving tax capacity is enthusiastic country commitment. While such political commitment must arise within the country and its government and cannot be created by external support, the report assesses ways in which such support can

[1] Reflecting these facts, it should be noted that to the extent that recommendations included herein imply certain tasks to be undertaken by the PCT, implementation would be premised on adequate resources being made available to do so.

[2] It has benefited from comments submitted by countries, CSOs, business organizations and individuals received during a public review period, June 30-July 8 2016.

encourage and reinforce that necessary commitment. Given such commitment, the report points to several *key enablers* to building tax capacity:

- A *coherent revenue strategy* as part of a development financing plan
- *Strong coordination* among well-informed and results-oriented providers
- A strong *knowledge and evidence* base
- Strong *regional* cooperation and support
- Strengthened *participation of developing countries* in international rule setting

The report arrives at a number of recommendations for measures to strengthen or achieve those enablers. These are summarized in Appendix 4. The primary ones include: (i) options through which the G20, IOs and other development partners can encourage political support for tax systems development; (ii) the development of country-owned medium-term revenue strategies, or tax reform plans depending on country circumstances; (iii) support to non-government stakeholders; (iv) support by development partners to increase managerial, as well as technical, skills in taxation agencies; (v) various approaches to developing better coordination and collaboration among providers, and avoidance of fragmented support and approaches; (vi) intensification of work by PCT partners and others to produce comparable and reliable data; (vii) increased partnerships and support for regional tax organizations; and (viii) support to developing countries to facilitate meaningful participation in international tax policy discussions and institutions.

The agenda going forward would include implementation of 3 to 5 pilot medium-term revenue strategies (MTRSs); support for developing countries to participate effectively in international tax policy discussions and institutions; work by the international organizations (IOs) to measure and report upon the impact of various different interventions; and a follow up report by the IOs within 3 years, to reflect lessons learned from actions hereunder.

INTRODUCTION

This report responds to the February 2016 request from the G20 for the IMF, OECD, United Nations and World Bank Group to:

> *"…recommend mechanisms to help ensure effective implementation of technical assistance programs, and recommend how countries can contribute funding for tax projects and direct technical assistance, and report back with recommendations at our July meeting."*

The report has been prepared in the framework of the Platform for Collaboration on Tax, under the responsibility of the Secretariats and Staff of the four mandated organizations. The report reflects a broad consensus among these staff, but should not be regarded as the officially endorsed views of those organizations or of their member countries.

The structure of the report is as follows: Section 2 provides context, and sets out overall aims for tax system reform and the role of capacity building, Section 3 briefly outlines the current state of play of tax capacity development, looking at the actors, cooperation, and aid effectiveness principles. Section 4 draws on experience and evidence to identify the enabling elements of successful capacity development and make recommendations. These recommendations are summarised in Appendix 4.

CONTEXT

A. External Support for Developing Tax Capacity

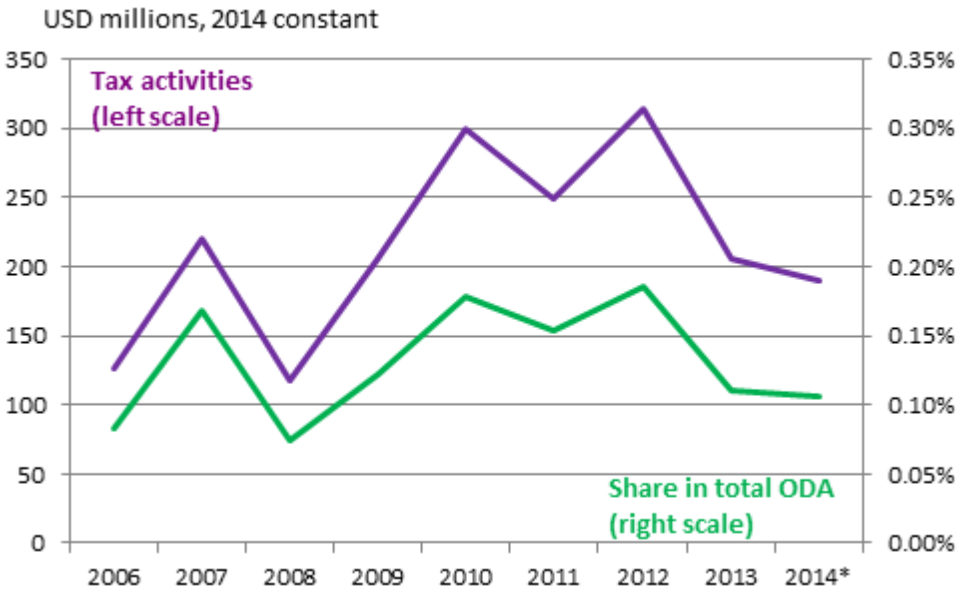
There is increased recognition of the centrality to development of strong tax systems, and the potential importance of external support in building them…Notably, the Addis Ababa Action Agenda (Addis Agenda) recognizes that "significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing sustainable development and achieve the Sustainable Development Goals"[3]. The Addis Agenda stresses the need for assistance to developing countries to improve their capacity to collect tax and other revenues, and contains commitments to provide international support to developing countries in reaching targets for enhanced domestic revenue.

…and a willingness of advanced economies to substantially increase their support for building such fiscal capacity, currently at modest levels. An important instance of this commitment, though not the only one, is the Addis Tax Initiative (ATI). Launched in July 2015, this initiative aims to double support for technical cooperation in taxation by 2020, and includes a restatement by partner countries of their commitment to strengthen revenue mobilization so as

[3] Addis Agenda, para. 22.

to achieve the Sustainable Development Goals (SDGs) and ensure inclusive development.[4] Ambitious though intentions to step up assistance in the tax area are, they start from a very low base. Accurate statistics are difficult to come by as, until now, there has not been a standard OECD Development Assistance Committee (DAC) code against which to report tax projects—and the first year of data (2015) using the new code will not be available until late 2016. Such data as are available, however, suggest that only around 0.15 percent of all official development assistance (ODA) is targeted to tax projects (Figure 1). [5] This is around one-fifth of that provided to public finance management, and one-eightieth of that provided for the health sector.[6]

Figure 1. ODA Commitments to Tax and Development Capacity Building



Source: OECD DAC – see footnote 3

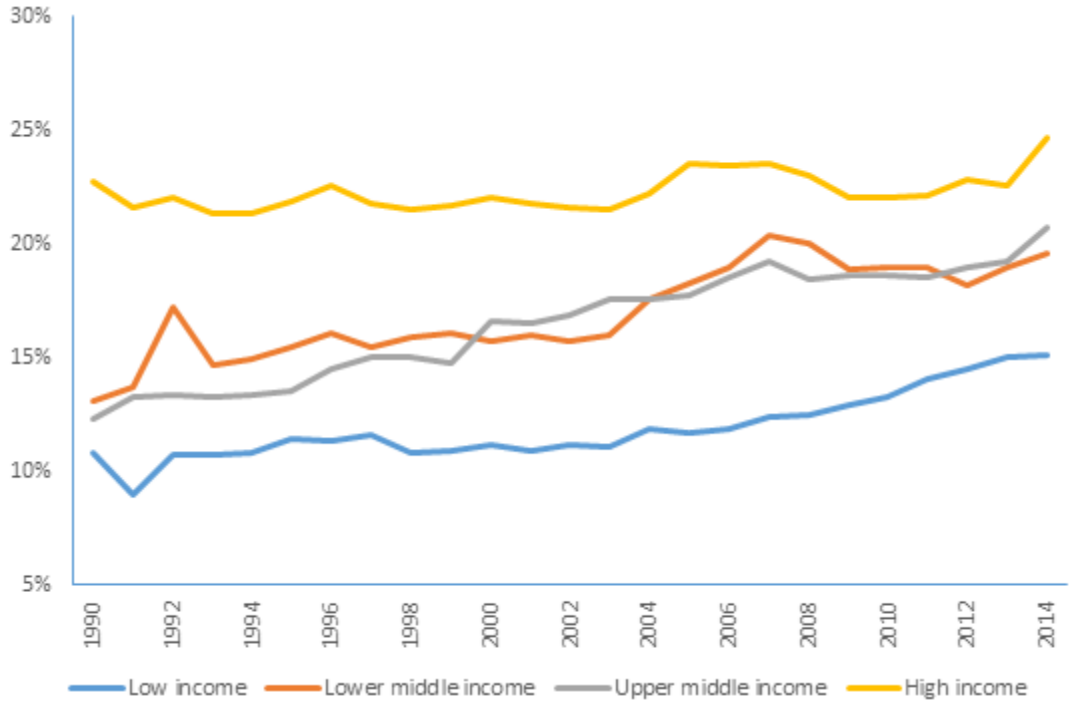
B. Progress and Objectives

Real progress has been made on increasing tax revenues—but in many developing countries these remain below levels likely needed to achieve the SDGs and, more generally, secure robust and stable growth. There has been a slow but marked increase in tax ratios since around the turn of the century, with median tax revenues in low-income countries increasing by 4.3 percent of GDP between 1990 and 2014 (Figure 2), though there is wide variation across countries (Figure 3). There is no single target for the tax ratio appropriate to all countries: their potential, in terms of resource endowments and geographic location, differ, as do governments' views as to an appropriate level of taxation. There is increasing evidence, however, that it is hard to secure lasting growth with a tax ratio below around 15 percent,[7] and higher levels may be

[4] See https://www.addistaxinitiative.net/
[5] The data are based on a key word search in the CRS. Totals are likely to be underestimated as they are based only on projects where it was possible to identify a tax component in individual descriptions.
[6] Data from OECD DAC Statistics
[7] Gaspar, Jaramillo and Wingender (2016).

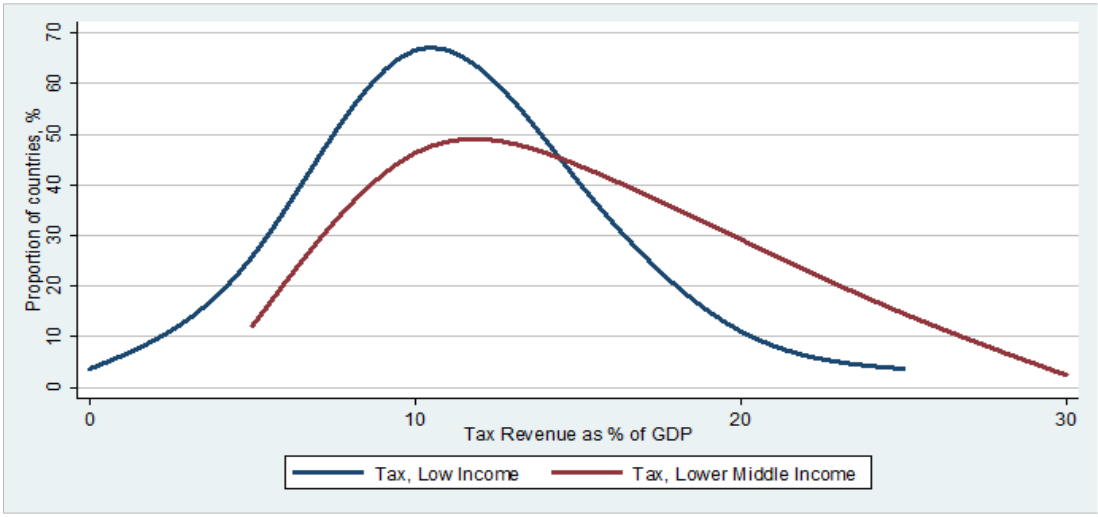
needed to secure broad based sustainable development outcomes. This leaves much to do: in 2013, the median tax ratio in low-income countries (LICs) was around 13 percent, with 16 LICs having ratios below 15 percent.[8]

Figure 2. Development in Tax Revenues (median, by income group)



Source: IMF Revenue Longitudinal Dataset (WoRLD), June 2016. Country classification according to World Bank country income groups.

Figure 3. Distribution of Tax Ratios, 2013



Source: WoRLD data.

[8] Among lower middle income countries, the median tax ratio was around 18 percent, and 17_had tax ratios below 15 percent, on average by 2.5 percent.

Strong revenue performance is a core ultimate objective, but a single-minded pursuit of revenue can be deeply counter-productive. The total amount of tax (and non-tax) revenue is the primary concern in meeting infrastructure, social and other spending needs, including those required to achieve the SDGs, while also reducing dependence on volatile and the sometimes disempowering aid—which may also blunt the incentive to develop own sources of revenue[9]—and securing macroeconomic stability and resilience. Strict pursuit of ill-conceived short-term revenue targets, however, is a common source of bad practice (in, for instance, the denial of VAT refunds, the harassment of taxpayers, or offering tax amnesties that undermine the credibility of the wider tax system). This damages economic activity and feeds a vicious cycle of mistrust between taxpayer and tax authorities.

It is not just how much revenue is raised, but how it is raised that matters, for growth… Focus on revenue can help to promote structural reforms in some cases (such as the switch from tariffs to VAT, or reducing reliance on a proliferation of withholding taxes) that can set the stage for well-designed and revenue-enhancing improvements in the medium term. There is fairly strong evidence, for example, that some forms of taxation (such as tariffs) are less supportive of growth than others (such as property taxes and VAT),[10] though details are important within these broad categories (in the design, for instance of the corporate income tax). Conversely, revenue is often foregone in low-income countries by offering tax incentives that may have little impact in attracting investment or growth.[11] In terms of implementation too, burdensome procedures (such as requiring unnecessary documentation or inordinate judicial delay) can act as significant obstacles to business and can undermine compliance. Moreover governments able to rely heavily on revenue from natural resource rents may be less likely to be held accountable by the citizenry than those needing to rely on revenue sources more salient to them.[12]

…and also in addressing corruption. One rationale for the support given to the spread of the VAT in developing countries, for instance, is that of inculcating experience with methods of self-assessment by the taxpayer rather than the direct assessment that provides avenues for corrupt bargaining and extortion. And the shift in many countries towards semi-autonomous revenue agencies (SARAs) has aimed to both reduce the risk of political intervention in tax collection and incentivize officials to limit the attractions of corruption. Success in these areas is hard to assess, and has evidently been less than complete—the VAT, for instance, can offer its own opportunities for collusion.

Strengthening tax systems is also key to achieving equity objectives and enhancing state building—with strong links to the expenditure side. Governments' distributional preferences naturally differ, across countries and over time, but all need the tools to match them. This is not only, or even mainly, a matter of taxation: most distributional objectives, especially in developing

[9] Whether aid reduces reliance on own sources of revenue remains contentious.
[10] Acosta-Ormaechea and Yoo (2012) find a hierarchy of taxes by relative growth–friendliness broadly similar to that for advanced countries found by Arnold and others (2012).
[11] The evidence on this is reviewed in IMF, OECD, UN and WBG (2015).
[12] See for instance International Center for Tax and Development (2015).

countries, are likely to be best achieved on the spending side.[13] Moreover, the perception that the better off are not paying a reasonable amount or — often no less damaging — that some are escaping tax while others who are similarly positioned, perhaps competitors, are not, can undermine broader trust in and compliance with the tax system.[14] Key to building that trust in the tax system, and hence the wider legitimacy of the state, is establishing a clear and credible link between the revenue that is raised and the services it finances, an area in which a number of countries are making greater effort.[15] Too often, weak tax systems have undermined state building: governments do not trust taxpayers to behave honestly, and taxpayers have little incentive to do so—which prove self-fulfilling prophecies. Reversing this vicious cycle by strengthening tax capacity can be critical to improving governance and accountability, by fostering a shared interest of government and citizen in economic growth and encouraging the development of respected revenue administrations that can spur improvements in other aspects of state capacity, and engaging taxpayer-citizens in politics.[16] Recent disclosures have re-emphasized that the legitimacy of domestic tax systems needs to be seen in an international context—and that international cooperation is a requisite for establishing fair tax systems that citizens can trust.

International tax reforms are integral to domestic tax system development. The international tax landscape is changing rapidly, presenting developing countries with both challenges and opportunities in dealing with tax avoidance and evasion. The current G20/OECD-led drive to address Base Erosion and Profit Shifting (BEPS) and to exchange information for tax purposes between tax sovereignties are welcome efforts. They can help provide developing countries with the tools to address these international tax challenges, but only if they are integrated as part of the domestic tax system reform. Developing countries can benefit significantly from these advances. Importantly, however, ensuring that they do is not only a matter of capacity development, but of ensuring that the emerging international rules are appropriate for their circumstances and priorities. Work on this is underway in the Platform for Collaboration on Tax (PCT),[17] notably in preparing the 'toolkits' requested by the G20 Development Working Group to support BEPS implementation and other international tax priorities.

There has been significant progress since the IO's 2011 report[18] to the G20 on building effective tax systems in developing countries—but several recommendations there remain relevant. A summary of those common recommendations, and developments since, is set out in

[13] See for instance IMF (2014a).
[14] See for instance OECD (2013)
[15] Such as the use of bill boards in Lagos state to highlight links between tangible improvements in local services and the payment of taxes and the reform of tobacco taxes in the Philippines in 2014, which in part succeeded because a clear link was established between tobacco excises raised and improvements in public health services. Ali, Fjeldstad and Sjursen (2014) establish an empirical link between compliance and public service provision in Kenya, Tanzania, Uganda and South Africa.
[16] OECD (2010).
[17] "*The Platform for Collaboration on Tax*," Concept Note, IMF, OECD, UN and World Bank, April 19, 2016 (available on all four organizations' websites).
[18] IMF, OECD, World Bank and UN (2011).

Appendix 1. Areas of significant progress include the adoption of country-by-country reporting as a minimum standard under the G20/OECD-led BEPS project and several other aspects of international taxation, and the development of TADAT as a commonly accepted objective and standardized tool for assessing the performance of tax administration systems. However less progress has been made in reviewing the tax exemptions still often required for donor-financed projects and in establishing the assessment of spillover effects on developing countries as a routine part of evaluating major tax reforms in advanced countries.

Against this background, this report focuses not on the technical challenges to be faced in improving revenue mobilization but on how support for developing tax capacity can be improved. Much has been written on the nature of the challenges faced by developing countries—not wholly dissimilar to those in advanced, but generally writ much larger—and these are briefly recounted in Appendix 2.[19] The emphasis is rather on ensuring that countries have the support needed to help overcome such challenges. For this, the paper takes a broad view of capacity development (CD), defined by the DAC as "the ability of people, organisations and ultimately society as a whole to manage their affairs successfully."[20] CD in the tax area is ultimately the responsibility of government but external assistance providers can help at three levels:

- Establishing an effective enabling environment for tax reform—such as supportive civil society or sustained political commitment. External actors can help here, for example through policy dialogue at the highest levels of government and by promoting an evidenced-based discussion based on accurate data and analysis.
- Building effective policies, practices and organisations—external assistance can help greatly with technical co-operation and technical assistance, on the full range of issues in tax policy, legislation and administration.
- Developing individual talent, including leadership and specialist technical skills—again, outsiders can help, including with the task of training.

C. Stakeholders in the Tax System

Tax systems—a term we use to encompass policy, legal and administrative aspects of all revenue-raising, formally tax or non-tax—are ultimately political objects. Political economy considerations must thus loom large in any account of opportunities and challenges for CD in this area.

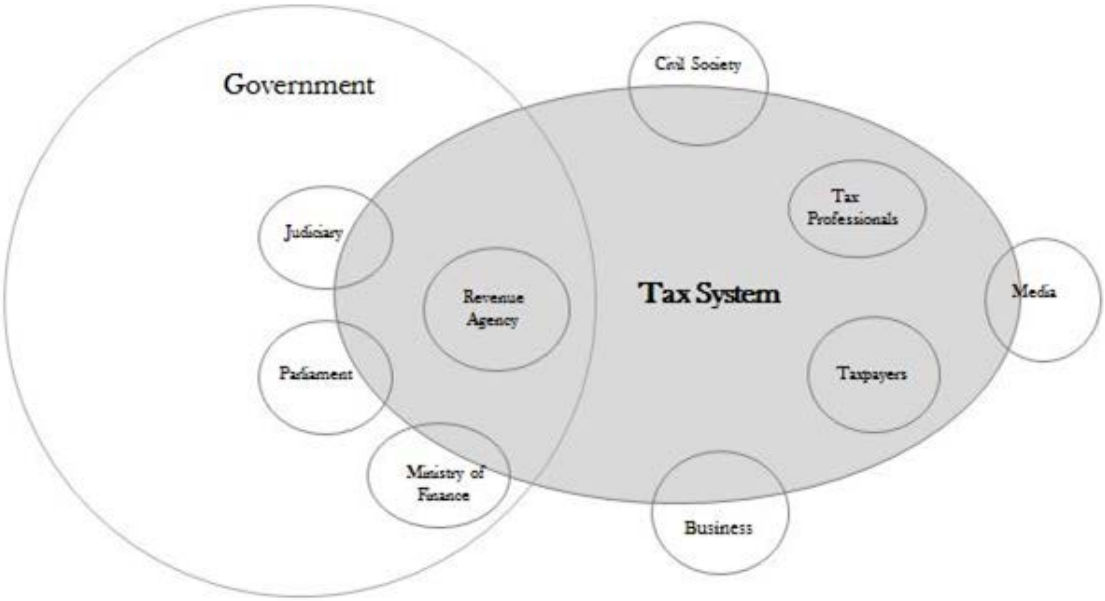
Tax capacity development must take account of a complex and multi-layered environment. The purpose of external support is to help countries build robust 'tax capacity'—meaning the enabling environment, organizations and skills—equipping them to raise the revenue they need in ways that are conducive to stability, growth, good governance, and fairness. Achieving this in today's advanced economies has been the work of centuries, with upheavals of war,

[19] For more detail, see for instance IMF (2011) and World Bank and others (2015).
[20] OECD DAC (2006).

democratization and experimentation all playing key roles.[21] Unsurprisingly, experience shows that there are no easy or quick fixes for establishing broad fiscal capacity. [22] But it also shows that patient, focused reform can achieve a great deal. Understanding the country context, the potential drivers, supporters and blockers of reform, and capacity needs, is a crucial part of capacity development design.

A range of actors in the enabling environment determine the prospects for successful capacity development and reform. Figure 4 provides a representation of some of the key domestic players whose actions and interactions determine the design and performance of national tax systems. Non-governmental actors, including tax advisers, civil society, business and the media play key roles. Involvement of these stakeholders is critical, particularly if excluded groups can act as blockers. In addition, 'weakest link' dynamics among a wider set of stakeholders may hold back reforms. The justice system, for example, may be unable to process tax disputes in a timely and disinterested way.

Figure 4. Stakeholders Shaping Tax System Performance



Within the public sector, tax agencies deal only with tax matters—but several other organizations play a central role in tax system performance while having a wider set of responsibilities: such as the Ministry of Finance, the customs agency, and ministries dealing with natural resources. Change challenges powerful vested interests within these organisations, whether in terms of entrenched rent-seeking, bureaucratic inertia and/or the sheer turmoil involved. Establishing a SARA, for instance, may require identifying and dismissing corrupt staff, requiring all to reapply for their jobs, and can lead to strikes and legal challenges.[23] These can be

[21] See for instance Besley and Persson (2011).
[22] Keen (2013).
[23] See also Fjeldstad and Moore (2009).

fundamental distractions from continuing core operations, and change management—with dedicated staff—is often a key but neglected, element of substantial reform.

Tax administrations face significant human resource and skills challenges. In many low income countries, for instance, large numbers of staff are employed on very low-yielding activities, effectively taking part of their remuneration in corrupt payments—all of which can itself become an obstacle to constructive reforms (such as simplification of complex small business regimes). And high turnover at Commissioner level has, in many cases, made sustained reform difficult.[24] Salary structures, including bonus arrangements, can have significant effects on tax officials' behavior, and on the likelihood of their remaining in the public service. Bonuses related to amounts collected, for instance—which seem to be more common than often supposed—may reduce incentives to collusively reduce tax payment but can incentivize extortion.[25] Developing and retaining necessary specialist skills is a major challenge, and not just within the revenue authority. Skills may also need to be developed outside government, not only among tax professionals, but also, for instance, among journalists.

CURRENT CAPACITY DEVELOPMENT SUPPORT

This section summarizes the current state of play in external support for the development of tax capacity, and some of the challenges faced—particularly in light of the prospective scaling-up of such support. It also looks at the opportunities that exist through the different ways of delivering support and ways to improve performance.

A. Actors in Tax Capacity Development

A wide range, and large number, of organizations are involved in financing and/or delivering support for building tax capacity. Within their differing expertise, membership and mandates, the International Organizations (IOs) authoring this report have large and diverse experiences in tax CD; these are briefly summarized in Appendix 3. But the IOs are by no means the only actors in this area. In recent years, up to 25 bilateral donors have been providing direct assistance.[26] In addition to bilateral donors other institutions also provide assistance; the European Commission combines support for direct assistance, such as in transfer pricing, with policy coherence with EU policies such as transparency of extractive industries reporting; the World Customs Organization helps its member countries improve the capacity of their customs administrations to carry out a broad range of functions (including, for instance, valuation and trade facilitation); the Regional Development Banks, to differing degrees, provide support on a range of tax policy and administration issues, as well as undertaking policy development work. The Regional Tax Organizations (RTOs) also play an important role in building capacity, summarized in Box 1.

[24] As shown, for instance, in Figure 10 of IMF (2015).
[25] As found for instance in Khan, Khwaja and Olken (2014).
[26] Source: OECD analysis of DAC reporting

Box 1. The Regional Tax Organizations

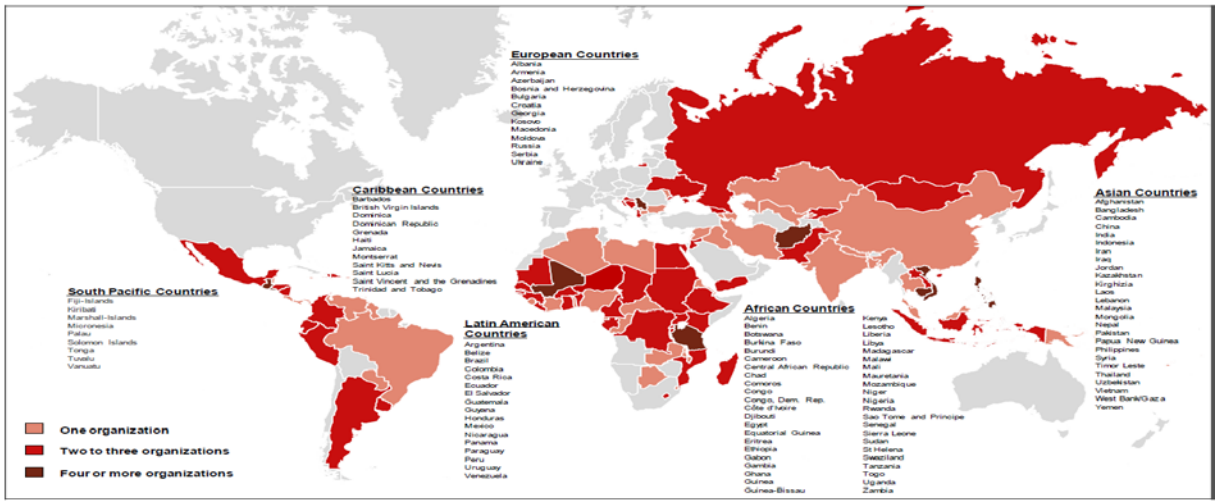
Regional organizations are an increasingly important part of the international capacity building architecture, being especially well-placed to construct and share experience and information within regional networks:

- **ATAIC -** (Association of Tax Administrations in Islamic Countries) Affiliated with the Organization of Islamic States, and currently having 28 members, it was established in 2004 to facilitate improvement of tax administration, and to promote Sharia taxation with particular reference to Zakat within Islamic countries.
- **ATAF** – (African Tax Administration Forum) ATAF's mission is to improve the capacity of African Tax Administrations, advance the role of taxation in governance and state building and develop partnerships between African countries and development partners.
- **CATA** – (Commonwealth Association of Tax Administrators) helps member countries through conferences, training programs, publication and knowledge sharing to develop effective tax administrations that promote sustainable development and good governance.
- **CIAT** – (Inter-American Center of Tax Administrations) promotes mutual assistance and cooperation among member countries. It develops specialized technical assistance programs based on the needs and interests of its member countries, as well as encouraging studies, research and the exchange of experiences and best practice.
- **CREDAF** – (Centre de rencontres et d'études des dirigeants des administrations fiscales) brings together the tax administrations of its francophone members to share experiences, develop practical guides and deliver training to improve implementation and operation of priority issues.
- **IOTA** – (Intra-European Organisation of Tax Administrations) is a forum to assist its 46 members improve tax administration, primarily through workshops to exchange view, experiences and best practice.
- **PITAA** – (Pacific Islands Tax Administrators Association) seeks to build capacity through provision of training and resources as well as providing a forum to discuss administration and policy issues with most relevance for the Pacific Islands and their characteristics.
- **SGATAR** – (Study Group on Asian Tax Administration and Research) provides a platform to enhance the performance of tax administrations in the Asia-Pacific region by promoting collaboration and communication among members, primarily through its annual forum.

In a comprehensive mapping of tax projects, the International Tax Compact showed that up to five donors are sometimes working on tax issues in the same country while other countries are not supported at all (Figure 5). [27] Within sub-Saharan Africa alone, an IMF stocktake counts 50 providers active in the area, an average of 5-6 per country, and a total of 208 programs.

[27] Köhnen, Kundt and Scuppert (2010)

Figure 5. Country-Specific Mapping: Worldwide Activities on Taxation and Development



Source: Köhnen, Kundt and Scuppert (2010)

This complex environment creates risks of duplication or fragmentation. Three countries alone are estimated to have received more than one-third of the total bi-lateral support reported by developed country governments donors over the last decade.[28] Other reports suggest that fragile states are less likely to receive support in the tax area. There is evident risk of unwarranted duplication—though some larger countries have made good use of taking advice from a range of providers—while the needs of some countries are neglected. No less troubling is the risk of a country receiving advice on related but distinct issues—restructuring of tax administrations and strengthening of IT systems, for instance—that is inadequately sequenced, or of interventions being driven more by the interests and expertise of providers rather than by a country-owned assessment of priorities.

For-profit providers play a supporting role in all aspects of building tax capacity—sometimes engaged by donors, sometimes directly by developing country governments (in the latter case, sometimes reportedly paid in part by commission on additional revenue raised). Private foundations, however, have not been heavily engaged in the tax area other than in supporting policy development work.

B. Co-operation

There is, despite the risks of fragmentation just described, extensive cooperation among the major organizations active in the tax area, to help address these issues. Some current examples include:

- **The OECD and UNDP** have recently launched *Tax Inspectors Without Borders* (TWIB), which deploys tax audit experts to work directly under the management and supervision of local officials in developing country tax administrations on audits, with a particular emphasis on international tax matters, including those covered in the BEPS Action Plan (Box 2).

[28] Afghanistan, Tanzania, Mozambique – See Ifan and Strawson (2016)

Box 2. Tax Inspectors Without Borders

Tax Inspectors Without Borders (TIWB) is a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP), which was launched during the Third International Conference on Financing for Development (Addis Ababa, 13-16 July 2015). The initiative is designed to support developing countries in building tax audit capacity. It complements the broader efforts of the international community to strengthen international cooperation on tax matters and will make a significant contribution to the domestic resource mobilization efforts of developing countries.

TIWB facilitates well-targeted, specialized tax audit assistance in developing countries. Under TIWB, tax audit experts work alongside local officials of developing country tax administrations. In this way, TIWB aims to build the capacity of and transfer technical know-how and skills to tax auditors of developing countries, as well as to share general audit practices.

There is evidence of revenue increases gathered through the pilot implementation of the TIWB programme, including increases in tax collection in Colombia, Kenya, Senegal, Vietnam and Zimbabwe. In total well over $200m of extra revenue has been achieved through the program so far.

- **The IMF and WBG** have long cooperated in tax projects, typically with the IMF focused on strategic policy advice and support on policy and administration and the WBG taking the lead on implementation of large and usually loan-based projects. A reasonably typical experience is the work in Bulgaria described in Box 3.

Box 3. An Example of IMF-WBG Collaboration—Bulgaria

Gaps in management, human resources, business processes and IT systems identified in a joint IMF/World Bank mission were addressed through this project. The main objective was to implement a sustainable system through the establishment of an efficient public revenue collection system that facilitates private sector development and complies with requirements for EU accession.

Project objectives were achieved and results exceeded expectations. The Ministry of Finance executed a model change management plan to establish the National Revenue Authority (NRA). Strong coordination between donors resulted in complementarity – the IMF provided technical assistance, including for the legal framework, and—for example—the EU supported the NRA call center. Improvements in voluntary tax compliance and increased efficiency in revenue collection created the basis for Bulgaria to reduce its tax and social contribution rates in order to ensure competitiveness as an investment location in the region. Lower tax and social security rates helped reduce the share of the informal economy by 30 percent between 2002 and 2008.

- **A recent joint initiative of the IMF and WBG** includes the development of improved diagnostic frameworks for tax policy. This builds on their joint experience—together with donors and regional tax organizations—in developing TADAT, described in Box 4.

Box 4. Tax Administration Diagnostic Assessment Tool (TADAT)

TADAT is a standardized, evidence-based diagnostic tool for assessing the health of a country's system of tax administration. The July 2015 Addis Ababa Action Agenda encourages countries to undertake diagnostic assessments of their tax systems to identify key areas where capacity building and reform measures will be most effective; TADAT promotes that approach.

TADAT is the result of a *collaborative effort* by several partners—and now extends beyond the founding partners. This initiative, initially led by the IMF, at an early stage expanded to involve the WB, several RTOs, and contributing countries, and the framework is now being used by other agencies as well. Teams of qualified assessors are drawn from different agencies to conduct country assessments--which encourages collaboration between institutions and tax administration experts, enhances a common understanding by all stakeholders in a country, and minimizes duplication, promoting cost-effective delivery of support to reforms. To date, 30 countries have undertaken TADAT assessments.

TADAT enables better identification of tax administration strengths and weaknesses, by: promoting a shared view among all stakeholders; helping set the reform agenda (objectives, priorities, and implementation sequencing); facilitating the management and coordination of external support for reforms; and providing a basis for monitoring and evaluating progress.

- **CIAT, IMF, IOTA, and OECD** launched in 2016 ISORA (*the International Survey of Revenue Administrations*) to provide global, comparable information on revenue administrations' features and performance.

Box 5. International Survey on Revenue Administration (ISORA)

ISORA is an excellent example of international collaboration in tax administration. It was jointly developed by the IMF, CIAT, IOTA, and the OECD, and a memorandum of understanding was signed by the partner organizations in April 2016. Other regional organizations may also join the partnership.

ISORA is hosted on the IMF's RA-FIT Data Collection Platform. This is the first time all organizations have used an online platform, facilitating the automation of data gathering and allowing better analysis before data is disseminated. The 150 participating tax agencies will realize significant cost reduction through the ability to respond online to a single, common, standardized tax administration survey.

Benefits of ISORA include better benchmarking and performance analysis:

- Intensify the focus on performance measurement and reporting by revenue administrations;
- Develop data and analyses to improve cross-country comparisons, greatly valued by country officials;
- Provide a much larger set of comparable quantitative and qualitative tax administration information.

- **The EU, OECD, and WBG** began in 2011 a program of support for developing countries seeking to strengthen their transfer pricing rules and their implementation, and several country and regional projects are in the formative stages.

C. Principles for Effectiveness

Aid effectiveness principles can help in the design and evaluation of capacity development. The aid effectiveness principles as elaborated by the Paris, Accra and Busan communiqués provide a framework to help with the issues of coordination between development partners, as well as how to design support programs to deliver maximum impact. Ensuring adherence to

these principles in support for tax systems is therefore a necessary part of the design, implementation and evaluation of programs. The OECD's Task Force on Tax and Development has produced 10 Principles for International Engagement in Supporting Developing Countries in Tax Matters[29] (Box 6) that provide guidance to donors on how support for tax matters can be aligned to best practice.

Box 6. Ten Principles for International Engagement in Supporting Developing Countries in Tax Matters

- Follow the leadership of government and agree on country level co-ordination and mechanisms
- Do no harm
- Promote transparency in tax matters
- Balance revenue collection imperatives with governance and social objectives
- Encourage broad-based dialogue on tax matters that includes civil society, business, and other stakeholders
- Strengthen revenue and expenditure linkages
- Take account of international aspects of taxation
- Consider a range of assistance modalities
- Take a whole of government approach
- Measure progress and build the knowledge base on tax matters

As support for tax matters is due to increase substantially, it is important that the support aligns with such principles, and also that best practice is shared among development partners to aid the continuous evolution of support. The OECD members of the Addis Tax Initiative have already agreed to follow the Tax and Development Task Force Principles and the development of more detailed guidance is a logical next step.

SUCCESSFUL TAX CAPACITY DEVELOPMENT: LESSONS AND RECOMMENDATIONS

This section identifies key enablers for the successful development of tax capacity, and sets out recommendations for making external support more effective. The diverse experiences of the IOs, and the wider literature, make clear that success is reliant on some key enablers being in place. The following is structured around these, and on how development partners can ensure that the support they provide reinforces enablers and overcomes blockers. We begin with an overarching prerequisite:

Essential: Deep Country Commitment Within a Supportive Political Environment

Successful strengthening of tax capacity can only be country-driven, requiring continued energy, enthusiasm and commitment from the highest levels. External support can provide

[29] https://www.oecd.org/ctp/49836627.pdf

critical help, as will be seen. But ultimately it is the country itself that will determine success or failure. The initial motivation for reforms to strengthen revenue mobilization differ. They can reflect broader government reform programs (notably social programs in need of resources, but also whole-of-government modernization programs), societal pressure or political imperatives for change, changes to an economic context (be they cyclical or an external shock), technological progress, regional trends/commitments, peers' encouragement (pressure), and obligations arising from external assistance and borrowing. Whatever their origin, however,

what is needed for ultimate success is not a matter of passive 'ownership,' or of vague 'political will, but of very specific, lasting and energetic desire by senior political figures and officials to make a sea change in revenue mobilization methods and achievements. This can mean taking on formidable opposition—from powerful groups, whether quietly from the rich and influential or more noisily, and in the streets and courts, from discontented traders, officials and other pressure groups.

Illustrations of this abound. Box 7 reports the positive experience of Colombia, and there are many others. There are also negative examples. In one country, the Ministry of Finance and the Revenue Agency could not agree on the implementation plan for a WBG project, leading to its failure. In another, the Tax Department refused even to meet with the IMF/WBG team that was diagnosing the situation. Ultimately, in a show of real commitment, the Prime Minister established an entirely new revenue agency—with a much smaller staff and fewer decentralized offices—which had been identified as a locus of much corruption. The ministry and new agency worked enthusiastically together to implement the CD project, contributing fundamentally to its success.

Box 7. The Importance of Commitment

Colombia

A project was designed in 1998, while Colombia was suffering the effects of a sharp economic recession due to low oil and coffee prices and limited availability of international finance. To address a rising deficit, the government requested a three-year extended fund facility from the IMF. To implement the public financial management reforms targeted under this program, the authorities requested World Bank support to reinforce the institutional capacity of the tax and customs administration and strengthen public expenditure management at the central government level.

High-level commitment supported the achievement of project objectives. The initiative made a substantial contribution toward improving Colombia's revenue performance in terms of increasing tax revenues, decreasing the compliance gap and contraband, and improving the efficiency of the tax and customs administration, as measured by the cost-of-collection ratio. Colombia now has a modern and high performing tax administration. Its management system is comprehensive and closely aligns its structure and systems to agency and national goals; its performance ranks among the best in the Latin American region.

Energy and commitment can be hard to sustain, so that progress with reform programs is almost never linear—there will be setbacks. Much has been said of the importance of individual 'champions' for reform, but champions often move on. In one African country, the departure of a reform-minded head of the tax administration to become Minister of Finance, and

his replacement by a less reform-minded director, clearly slowed the implementation of key reform measures. Momentum was resumed after the head of the tax administration was again replaced. While it is true that in many countries relatively few people can make a real difference, commitment ultimately needs breadth and depth. Changes of government can clearly have an impact, including on administrative issues. And in some cases, reform is simply swept off course by political turmoil or conflict: as, currently, in another African country, where several important reforms had taken place as a result of the establishment of a new revenue agency, but a major political crisis has brought all reforms to a standstill.

Many of the recommendations in this report are intended to support a deep and lasting enabling in-country political environment…. These include, for instance, setting out clear medium term plans to anchor public debate, the nurturing of CSOs and the media in their roles in public debate and in holding government accountable, and the inclusion of developing countries in international discussions on tax norms and rules.

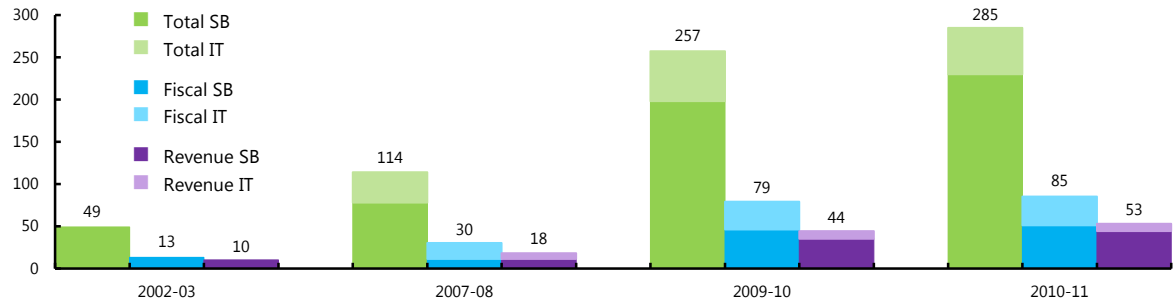
…. which development partners can be more active in stimulating. Achieving this requires a range of aid and support instruments to be utilized[30]. Beyond the provision of effective and timely technical support, this can be done in a variety of ways. By, for instance:

- ***Elevating DRM issues*** as a central element in high level political conversations.
- ***Designing support to include mutual accountability provisions*** such as those in the Addis Tax Initiative.
- ***A strong focus on taxation within wider initiatives to address corruption***. The need to develop a project with tax administration personnel makes it difficult to face the problem directly and to have the project focus on corruption problems. Indeed, there are several instances in which resistance by corrupt officials has derailed CD projects.
- ***The use of financial or other tangible incentives to reward progress***. Relatively little thought has been given to the ways in which incentive schemes might be used to stimulate and reward enthusiasm for strengthening fiscal capacity. There are many possibilities. One could conceive, for instance, of countries being offered a menu of choices among support schemes differing in the extent to which reaching milestones brings some additional budget or other support. The WBG has introduced mechanisms to link disbursements of funds for loan-based capacity building to delivery of specific outcomes and results (most notably in Program-for-Results loans). There is evidence from IMF programs that IMF loan conditionality in relation to strengthening DRM raises revenue performance (Box 8).[31] Contentious though the topic is, it is also unavoidable: in any program of support there may come a point at which, for instance, if progress is poor, continuing support should be reviewed. This report expresses no view on these

[30] For a fuller discussion on the role of different aid instruments in capacity development see OECD (2013a).
[31] There is a relation here with the literature on the impact of aid on domestic revenue collection. OECD (2010) concludes more optimistically, that conditionality and technical assistance, when applied carefully, can contribute to the emergence of tax systems that are likely to foster broader governance improvements.

issues—except to note that, with the stepping up of external support, now is a good time to consider these wider issues.

Box 8. Evidence of Effectiveness of IMF Program Revenue Related Conditionality



Source: Crivelli and Gupta (2014).
Note: Structural benchmarks (SB), indicative targets (IT).

Revenue-related conditionality in Fund-supported programs—which have become more extensive in recent years—appear when targets are met, to be associated with higher revenue collection. For a panel of 126 low-and middle-income countries over 1993–2013, Crivelli and Gupta (2014) find an overall impact on tax revenue collection in the period following the year in which revenue target was met of around 0.5 percentage points of GDP, with a long run effect of around 1.5 points. Half of this gain comes from an impact on receipts from taxes on goods and services.

The impact of revenue–related conditionality is: Stronger in low-income countries, especially over the longer-term; similar for policy and administrative measures (so far as they can be distinguished); insignificant where corruption is high.

<u>Recommendation 1</u>. G20, the international organizations (IOs) and development partners should encourage political support for tax systems development. Options include explicit requirements for financial support and mutual accountability provisions such as those in the Addis Tax Initiative.

With the precondition of enthusiastic commitment in place, five broad enablers can play a key role in building success—and can be enhanced by improvements in external support.

Enabler 1: A Coherent Revenue Strategy as Part of a Development Financing Plan

A Medium Term Perspective

Experience repeatedly points to the importance of sound and comprehensive reform strategies, with priorities and sequencing clearly identified. The example of Senegal is described in Box 9**.** Typical stages in such a strategy by the IMF are illustrated in Diagram 1[32] (in the context of revenue administration, with a similar structure applicable on the policy side).There is increasing experience with the formulation and implementation of strategies of this kind (for instance, within the multi-donor Tax Policy and Administration Trust Fund at the IMF and the Strategic Country Diagnostics and Country Program Frameworks as the organizing framework for WBG support to developing countries), pointing to clear scope to develop these as more explicit

[32] With a similar pattern followed in WBG projects.

instruments for combining and coordinating the efforts of all active providers, and engaging all key stakeholders.

Box 9. IMF TA Support for Tax Administration Reform in Senegal (2011-2014)

Context. Senegal was endorsed by the Tax Policy and Administration Topical Trust Fund (TPA-TTF) as a recipient for IMF technical assistance under the TTF, after a request for TA to reform the administration.

Diagnostic Phase. The first diagnostic mission under the TPA-TTF in September 2011 assessed tax administration TA needs and agreed that FAD could assist with developing and implementing the modernization program by focusing on the following key reform priorities: (1) administration organization, (2) tax procedures and core functions, and (3) enforcement.

- *Assessment approach*: Previous FAD reports, data and information provided by the tax department as well as other donors' reports were developed into a Strategy Note that was discussed with the senior tax administration staff, development partners and the ministry of Economy and Finance.
- *Main findings*: Three key issues were identified to establish a modern, service-oriented tax administration: (1) the excessively wide scope of responsibilities in the tax administration; (2) lack of flexibility to organize tasks; and (3) insufficient consideration of risks and priorities.

Strategy Design Phase. The 2011 mission proposed a three-point reform strategy: (1) reorganization of the tax department along functional lines, and taxpayer segmentation; (2) registration of the taxpayer population and the establishment of a system for processing tax payments through the banks; and (3) control and reduction of tax arrears, and establishment of risk-based audit.

Implementation Phase. During the first phase of the TA program (2012-2014), follow-up HQ-led missions and a number of short-term expert assignments supported implementation:

- *Reform ownership*. The reform strategy proposed a governance framework to implement the strategy, with a change management unit reporting to the General Director, a steering committee, and dedicated project teams.
- *Collaboration with other partners*. Activities under the program are systematically reported to the TTF's donors. The reform strategy also established better coordination of technical assistance with the WBG, the EU, and the French government, integrating work programs and sharing TA findings.

Monitoring and Evaluation Phase. IMF TA activities in Senegal are monitored under results-based management principles. The TTF integrates four core results-based monitoring principles: (1) clear linkage between country strategies and specific TA projects; (2) indicators at module/project level to track progress and identify results; (3) use of performance management tools e.g., RA-FIT to track and report on results; and (4) use of performance information for accountability and decision-making.

Impacts and Results. The Senegalese authorities laid a solid foundation for modernization:

- ✓ Revenue performance is above the results achieved in most other West African countries;
- ✓ Taxpayer segmentation principles have been implemented, including the launch of a pilot medium-sized taxpayer office in Dakar and the streamlining of several small tax offices;
- ✓ Electronic-procedures for returns filing and payment were introduced at the large taxpayer office. Recently, a new version of e-tax procedure has been introduced;
- ✓ Risk-based audit and an implementation plan to control tax arrears have been introduced;
- ✓ Technical solutions and operational procedures for reporting and analysis better management of taxpayers have been defined.

Diagram 1. IMF Revenue Administration Reform—TA Framework

Diagnostic of Current Situation	Reform Strategy Design	Reform Implementation	Monitoring & Evaluation
Main Government-Led Tasks • Review/understand RA current situation and performance • Conduct environmental scan, including of political commitment • Review trends and new developments (international and regional) • Review existing reform program and main achievements • Identify TA needs	Main Government Tasks • Define scope of reform (incremental or transformational) • Determine prioritization and sequencing • Develop reform program: - Identify areas for intervention (organization, core processes, etc.) - Define outcomes - Establish milestones and key indicators - Identify risk and mitigation strategies • Identify resource requirements, including TA needs	Main Government-Led Tasks • Establish reform governance framework • Design reform agenda and implementation calendar • Develop and implement communication plan • Assign and mobilize resources • Operationalize reform into daily business • Continue to carry out regular business • Identify TA needs	Main Government-Led Tasks • Prepare periodic progress reports • High level monitoring of reform execution and results • Continuous monitoring of strategic and operational performance • Prepare annual reports • Undertake internal reviews • Undertake taxpayer surveys • Conduct independent (external) reviews • Prepare final assessment
Key Inputs • Management report on need for change • RA annual reports • Senior management seminars on current performance and challenges • Key stakeholder consultations (internal and external) to identify change needs and areas for improvement • RA performance data • Reform strategy advice • Benchmarking studies, e.g., RA-FIT, TADAT • Data analysis, including tax gap study, e.g., RA-GAP, and cost-benefit analysis of tax expenditure	Key Inputs • Baseline diagnostic reports on current performance and areas for improvement • Senior management seminars on future strategy, objectives and outcomes • Key stakeholder consultations (internal and external) to identify strategic direction and ways to address areas for improvement	Key Inputs • Strategic reform plan • Medium-term reform plan • Key outcomes and indicators • Key stakeholder consultations on detailed action plans	Key Inputs • Reform governance framework • Action plans and timetables • Periodic external review • Independent (external) evaluation • Key stakeholder consultations
Key outputs • Baseline diagnostic reports on current performance and areas for improvement • Communication plan	Key outputs • Strategic reform plan • Medium-term reform plan • Resource requirements • Budget approval • Key outcomes and indicators • Communication plan	Key outputs • Reform governance framework • Detailed action plans and timetables • Allocated budget • Communication plan	Key outputs • Progress reports • Regular internal reviews by Steering Committee and RA agency reports • Updated action plans, timetable, communication plan and budget • Annual reports • Taxpayer survey reports • External review and evaluation reports
IMF TA • Conduct diagnostic, jointly with RA agencies • Dialogue with government; shared diagnostic and need to reform • Coordinate with donors, other TA providers, and TA agencies • Consult with stakeholders	IMF TA • Help design reform strategy, jointly with RA agencies • Seek government approval of reform strategy • Coordinate with donors on complementary TA • Consult with stakeholders	IMF TA • Financial and advisory support for investment in reform in reform areas such as business processes, ICT, organization, and HR • Appoint a lead (e.g., resident) advisor to assist RA agencies manage implementation • Assign peripatetic experts to assist on selected RA areas • Help mobilize/coordinate with other donors, TA providers, and tax agencies: complementary TA • Consult with stakeholders	IMF TA • Conduct reviews and project surveillance • "Backstopping" experts • Report to donors, coordinate with other TA providers, and tax agencies • Communicate with stakeholders • Inputs to external evaluations

The formulation of medium term plans is fully consistent with, and supportive of, the Addis Ababa Action Agenda. This affirms that ''cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts."[33]

All countries benefit from a medium-term perspective on their revenue strategies—and in many developing countries there is scope to formulate and implement nationally-owned plans – termed medium-term revenue strategies, or MTRSs in this paper. Even where capacity is very low, and/or political turmoil makes substantive reform unrealistic, it is important to have a vision of where the tax system is heading beyond immediate and possibly narrow concerns—otherwise short-term revenue imperatives dominate, with ultimately damaging effects. Alternatively where the tax system is instead seen as part of the state (re)building process, more positive results can be seen.[34] In many developing countries there is scope and need to be more ambitious, and shape efforts around an explicit multi-year plan within which support from differing providers, according to their resources and comparative advantage, is sequenced and coordinated. Without such a vision, not only will the ambition to reform be limited, at best, to marginal changes; worse, reforms may be ill-conceived and poorly implemented.

The core elements needed for an MTRS are becoming clear…. These are outlined in Box 10. At the outset, a clear revenue mobilization objective for the medium-term has to be determined. This needs to be driven by the country's own objectives, be compatible with achieving the SDGs, reflect the macro fiscal context, and be complementary to the other sources of available (projected) financing. Once the revenue goal is set, the tax system has to be reviewed and reforms in its three *core* dimensions—*policy*, *administration*, and *legal framework*. Steady and sustained implementation will be crucial for realization of the MTRS. This should include, importantly, "quick-win" measures that dovetail with medium-term reform strategies, as a way to demonstrate the value of reform and to sustain support and momentum.

Box 10. Core Elements of an MTRS

- ✓ A social contract on the level of revenue mobilization effort for the medium-term (5-10 years) with due consideration to the poverty and distributional implications of the associated measures
- ✓ A comprehensive reform plan for the tax system, reflecting country circumstances and the state of institutional capacity:
  - o A redesign of the policy setting to meet the revenue goal.
  - o A reform of the revenue agencies to properly administer the policy setting and to achieve a high level of taxpayers' compliance to meet the revenue goal.
  - o A strengthening of the legal framework to enable the policy redesign and administration reform, including by balancing revenue agencies' powers and taxpayers' rights.
- ✓ A country's commitment to a steady and sustained implementation, notably by securing political support and resourcing.
- ✓ Secured financing for the CD effort (technical assistance and training) to support the country in overcoming domestic constraints to formulate and implement an MTRS effectively.

[33] Paragraph 9 of Addis Ababa Action Agenda – available at http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf.
[34] See OECD (2014).

…though many details will require further thought. Country-specifics will be important, of course, but generic issues also arise, such as: the incentives for countries to commit to an MTRS; the involvement of non-state stakeholders; conditions for the withdrawal/expansion of support; building in sufficient flexibility to accommodate, for example, changes in government that may bring quite different views on tax policy design; and balancing the risks of over-reach in coverage and of taking too piecemeal an approach. [35]

An MTRS will require reforms to tax policy, administration, and the legal framework to be tightly coordinated. Ad-hoc tax policies that have fragmented objectives and dispersed policy aims can create incentives and opportunities for noncompliance and constrain improvement in tax administration. An inadequate legal framework creates uncertainties for taxpayers and does not properly balance tax administration's powers and taxpayers' rights. Lack of harmonization among these tax system components leads to poor revenue performance (high evasion and avoidance), higher collection cost, opportunistic behavior (frivolous disputes, harassment…), lack of integrity, and other adverse effects. A holistic approach to reforming the tax system and its three components should be an overarching objective.

Recommendation 1a: National authorities, with support from IOs who are active in a country, and development partners engaged in support on tax reform, to develop country specific MTRSs,[36] with a view to launching [3 to 5] pilot MTRSs by [July 2017]. Building on this experience Platform partners will draw and disseminate lessons for the development of further MTRSs, and revenue reform plans more generally.

All stakeholders need to be a part of creating country ownership of the tax system. Tax systems will only be viable, and result in positive development outcomes, if accepted as legitimate by society. As such it is necessary to include all stakeholders (businesses, parliamentarians, civil society, journalists) in the process of creating the enabling environment. Local stakeholders are key to shaping and informing public debate, and in holding governments to account; they can play a role in both supporting and unblocking tax reform efforts.

There are two complementary ways to get private sector involvement and support for a reform project. One is to have the private sector involved in the project steering committee. This happened in Kazakhstan, in the context of a WBG-supported program of tax reform. The WBG-supported Bulgaria project described in Box 3 included a consultative forum with external members. The second approach is to include project activities aimed at improving cooperation with the private sector, in particular taxpayer associations and tax intermediaries. The WBG-supported program of tax reform in Russia (TAMP II) had such an approach.

[35] As, for instance, whether or not to cover all revenue administration or differentiate between tax administration and customs.

[36] Issues to address include incentives for countries to participate, the phasing of implementation, building in flexibility to deal with potential policy changes as governments and circumstances change, stakeholder involvement, and modalities for support.

Similar approaches can be taken with other stakeholders, though in many cases their capacity (of journalists and civil society, for example) may need to be built to enable their effective engagement. The EU/OECD/WBG programs on transfer pricing in Colombia and Zambia are working with both business and civil society. G20 and other donor countries are well placed to support these efforts.

Recommendation 1b: Donor/G20 countries to encourage and facilitate capacity building of local stakeholders (business, CSOs, media) to engage in reforms and MTRS development.

Enabler 1.1: Adequate diagnosis of problems, risks and options

Good diagnosis is essential for successful tax reform—and so must be a key element of any MTRS, or medium term strategy more generally. In Myanmar, for instance, a thorough diagnosis of the situation led to the conclusion that the program's focus had to be on building a modern headquarters capacity with knowledge of the core tax administration functions, modernizing core functions and the IT system, and setting up a large taxpayer compliance operation that could begin to secure higher revenues. In the case of Senegal, identifying that the tax department had to divest itself of non-tax functions was one key element of the reform strategy. The aim, of course, is not diagnosis for its own sake, but rather as an anchor for a reform plan.

Evidence-based, objective diagnostics can also be a focal point for coordination among providers—and help assess progress. A shared understanding among providers facilitates the development of reform strategies that integrate their differing contributions. And, as discussed further below, repeat assessments—including potentially self-assessments, or assessment by peers—provide a natural metric of progress and, albeit indirectly, of the effectiveness of support.

Several new tools are coming on-stream, or are under development, to provide enhanced diagnostics and enable better-targeted support:

- **TADAT** is helping diagnose strengths and weaknesses in the performance of tax administrations;[37]
- **ISORA** (powered by RA-FIT) will gather tax administrations' performance indicators to facilitate benchmarking;
- The IMF and World Bank are working **on improved diagnostic frameworks for tax policies**; and
- The **Fiscal Analysis for Resource Industries (FARI) simulation tool** is supporting the assessment of fiscal regimes in the extractive industries.

[37] As an internationally-owned/accepted tool, TADAT helps all CD stakeholders focus on areas prioritized by the authorities, in a coordinated manner—exploiting complementarities and synergies, avoiding overlapping and sometimes competing activities.

A diagnostic that will help countries navigate the international tax issues could have significant impact. The international tax agenda—BEPS and Automatic Exchange of Information (AEOI), changing transparency concerns (as now with the focus on beneficial ownership)—is complex. The experience of the joint EU/OECD/WBG program on transfer pricing in over 20 developing countries shows the importance of making linkages between instruments. The success of the BEPS project's country-by-country reporting actions, for example, depends on the development of exchange of information tools. A simple tool enabling developing countries to make a comprehensive assessment of the full range of cross-border tax risks, challenges, and possible solutions could be extremely useful. This would not be intended to enforce standards, and might be supplemented by more detailed diagnostics within the areas covered. The aim rather would be to provide a broad picture that many countries lack.

Recommendation 1c: IOs to develop a diagnostic tool/framework for assessing cross-border tax issues, covering avoidance, evasion and tax crimes.

Enabler 1.2: A strong managerial and skills base to develop and implement reform strategies

Self-sustaining improvements in tax system performance, and effective reform programs, require assuring and maintaining high quality managerial skills. Progress can be marked when these are strong, but reform programs have often been blocked by weaknesses in senior management—with some recurrent problems.

One common difficulty is a rapid turnover of senior tax administration personnel, which can stall progress and reduce commitment. Typically, however, one must prepare for some turnover of political leadership and perhaps at the head of the revenue agency. To deal with this, it is important to develop a broad consensus for the CD project, particularly in the Ministry of Finance and the revenue agency. In Bulgaria, the project had strong support from the top technocrats in the National Revenue Administration; and when there was turnover at the top of the Ministry and the National Revenue Administration, technocrats worked with the World Bank team to prepare briefings for the new officials, assuring that the project moved forward despite changes at the top.

Another is inadequate attention to change management, which often requires a dedicated full-time team: without this, the demands of driving reform while maintaining routine business can prove overwhelming, to the detriment of both.

There is considerable potential for development partners to support improvement in this area, including by:

- A greater, explicit focus on encouraging and supporting the appointment of able senior managers;

- Providing specialist managerial training;[38]
- Mentoring arrangements with senior staff in advanced countries (with which there is some encouraging experience);
- In select cases, twinning arrangements with advanced tax agencies, across both functions and levels of seniority; and
- Better coordination of proliferating international meetings on tax issues, to reduce what has become a significant drain on the time of senior management.

Technical skills remain in many cases weak and shallow—even in many middle income countries. The ability to undertake even basic analysis of potential tax policy options is commonly poor, with similar weaknesses in administration and legal drafting. Here several actions can help. A greater focus on establishing and ensuring appropriate staffing of (and information flows to and from) tax policy units is clearly needed. The provision of scholarships for the increasing number of university-level courses in tax analysis can promote a promising stream of able staff. Peer-to-peer networks, such as that under the Public Expenditure Management Peer Assisted Learning (PEMPLA) initiatives, and TIWB, are showing the value of connecting officials across countries. Massive open online training courses have begun to show their value (in relation for instance to energy subsidy reform), and the TADAT experience is showing a strong demand for the acquisition of broad perspective and skills in relation to tax administration.

Recommendation 1d: As part of the efforts to build organizational capacity, G20 and development partners to encourage and support the development of high quality senior management, including in technical and management skills, in agencies that deal with taxation.

In addition, though, it is important not to lose sight of the more concrete aspects of support from donors and development partners that are needed to create *feasible* and successful medium term reforms—including hardware and software for the adoption of modern IT systems. Clearly this is a major problem for many developing countries.

Recommendation 1e: Platform partners will review and assess the use of diagnostic tools (such as TADAT) in informing the prioritization of reforms through MTRSs and the development of tax reform programs, and will consider, as a result of such assessments, what more if anything would be useful in this regard.

[38] Analogous, perhaps to the Toronto Centre for Global Leadership in Financial Supervision

Enabler 2: Strong coordination among well-informed and results-oriented providers

Co-ordinating programs and activities

With international support for building tax capacity increasing in both scale and ambition, coordination will need to be reinforced at all levels, not only to pre-empt risks of duplication, gaps and misalignment of support but, more positively, to ensure maximum effectiveness. Views may differ on the severity of coordination issues at present, but scaling-up of support of the magnitude in prospect would evidently require greater assurances of strong co-ordination. Some recent developments are helpful in this respect, such as the Addis Tax Initiative, the formation of the PCT and the introduction of TADAT as a common tool for developing a shared understanding of revenue administration reform priorities. There is a widespread recognition, however, that more systematic mechanisms will be needed.

Co-ordination among providers is currently extensive, facilitated by a broad consensus on the comparative advantages of the organizations involved—but is essentially ad hoc. It occurs within the co-operative programs mentioned above, for instance, as well as periodic meetings between agencies—between, for example, the IMF and WCO. The Forum on Tax Administration (FTA) has begun to seek ways to improve co-ordination and sharing of best practice among tax administrations providing capacity building. [39] IMF and WBG TA in-country missions routinely arrange to meet interested donors and providers as a core part of their visit. It is still the case, nonetheless, that information flows between potentially interested agencies, remain to a large degree matters of happenstance and personal contacts. Previous attempts to centralize information flows have not succeeded: the former International Tax Dialogue attempted to do this by providing a public website on which providers were invited to list past and upcoming activities, but this ultimately failed, reflecting some lack of pressure to provide regular updates on complex TA programs as well as remaining imperfections of information flows within some IOs (which have now eased).

Importantly, the recipient countries themselves rarely have dedicated counterparts aiming to coordinate incoming advice and support.

While it is important to be realistic in the extent of co-ordination that can be achieved, there is clear scope for improvement. Providers will wish to retain some discretion, including on the contraction/expansion of their activities and the modalities of their engagement; and their expertise and institutional priorities may change. Still more important, countries should have the opportunity to seek the best advice: if one provider fails to deliver useful support, it is reasonable to approach another—even, in some cases, simply to seek a second opinion. And overly

[39] The Forum on Tax Administration (FTA) brings together tax administrations from 47 countries; their 2016 report (OECD 2016) reflects the commitment of tax commissioners to improve their coordination as part of the wider CD efforts, and among its recommendations calls for further support and development of a Knowledge Sharing Platform.

burdensome reporting requirements are already a concern that coordination should aim to alleviate, but may risk aggravating. There are, however, evidently opportunities for improvement:

- **An MTRS provides a natural framework for explicit coordination** between providers, matching their resources and comparative advantages to a commonly endorsed and country-owned revenue strategy. This, indeed, is one of its primary benefits.

- There have been positive experiences with **in-country topic-based coordinating groups**, often catalyzed by development partners.

Recommendation 2a: IOs involved at the country level should facilitate explicit collaboration among providers and other stakeholders as a central part of the pilot MTRSs and, more broadly, facilitate the development of in-country coordination, by both donor groups and developing coordinating country counterparts.

Support for tax systems should adhere to aid effectiveness principles. Section 2 highlighted the need for assistance to meet aid effectiveness criteria to ensure the best results from capacity building. To further assist development partners in the development of their programs a manual should be developed to provide guidance on how the Task Force on Tax and Development principles (set out in Box 6) can be applied, showcasing best practice. Ideally this should be complemented by a voluntary peer review process among development partners to verify adherence to the principles and encourage sharing of best practice.

Recommendation 2b: To support country level cooperation, Platform partners to develop a manual for good practices building on the *Principles for International Engagement in Supporting Developing Countries in Tax Matters* and a voluntary peer review mechanism among development partners. This would include how to facilitate coordination among providers and different in-country stakeholders, such as business and CSOs.[40]

In the area of international taxation, there is an immediate need for the main providers to develop a comprehensive plan to support developing countries in responding to—and being part of—the fast moving agenda, including to safeguard the UN principle of 'no country left behind' that underpins the 2030 Agenda for Sustainable Development. The work on 'toolkits' and related outputs under the PCT is one element of such support, but a coherent approach on CD aspects is critically important.

Recommendation 2c: The Platform to develop mechanisms to support the development of coordinated plans for all development providers' work in relation to BEPS implementation and wider international tax issues.

[40] This would also support recommendation 2d through providing further details on several issues including: review of donor and partner coordination, which mechanisms appear to be least/most effective, pre-requisite factors/conditions for successful co-ordination, including the case for 'whole of government' approaches, and mechanisms to routinely embed co-ordination between all development providers.

Enabler 2.1: Avoiding fragmentation in the delivery and receipt of support

Effectiveness of support is blunted when providers interact with only a subset of actors in the tax area, and/or do not exploit their institutions' wider interactions with the recipient authorities. As stressed in Section 2, there are many relevant players in the tax area beyond the tax agencies. This makes it critical to adopt a comprehensive approach to CD that engages the full range of those who can play a direct, reinforcing or blocking role. As noted above, full involvement of CSOs and independent media can contribute importantly to improved governance, and acceptance of reforms by society as a whole. It is very important, too, to draw upon the knowledge and expertise of business. International taxation is an obvious example, and there is some experience to build on of companies providing CD through explaining from the corporate perspective how certain sectors and supply chains function and are structured. There is also a broader potential where the private sector can, for example, contribute expertise in change management, human resources, information technology integration, and similar management challenges.

A common difficulty in improving tax administration, for example, is a large backlog of appeals in the judicial system, addressing which requires interacting with the judiciary. While this to some considerable degree happens at present, more can be done. It is important that providers from institutions that interact with countries on a wide range of related areas—judicial and civil service reform, macroeconomic and financial policies, PFM etc. —ensure that tax CD issues are given appropriate attention at all entry points. And reform strategies clearly based on shared diagnostics and built around an MTRS will help identify the key agents with which it will be important to engage, and provide a framework for doing so.

A 'whole of government' approach is needed from both development partners and developing countries. For the former, this means—as identified by the Forum on Tax Administration[41]—aligning their tax administration, development agencies and finance departments, as some countries (such as the UK and Netherlands) are doing. Donor countries also need to increase the supply of experts with scarce skills and reduce the bureaucratic hurdles to their being used. Developing countries should seek to adopt a whole-of-government approach, to ensure that the full range of technical and capacity building needs are identified and addressed, and reduce the risk of excluded parts of government undermining reform efforts. This requires, not least, ensuring that all directly tax-relevant agencies are involved (including by sharing information with each other on support received); poor relations between ministries of finance and resource ministries, for instance, have been a repeated obstacle to progress in the design and implementation of improved fiscal regimes in the extractive industries. It is also necessary to ensure that all levels of taxation are included in CD programs: local/sub-national taxation, especially property taxes have a significant role to play, but are often neglected by both developing countries and development partners.

[41] See OECD (2016).

<u>Recommendation 2d:</u> Providers and recipients of CD support on tax matters should be well coordinated, including: effective coordination across different agencies active in tax reform in recipient countries, fully supported by providers of CD support ('*whole of government*' approach); while IOs should ensure internal coordination where they are active in different areas affecting the tax system, and across their different entry points into taxation ('*whole of institutions*' approach).

Initiative and meeting fatigue has become a significant risk. At the global/multilateral level a proliferation of new initiatives and processes, if not co-ordinated, can be counter-productive, increasing transaction costs, diverting scarce capacity and slowing the transmission of both funding and learning. Several developing countries have strongly raised this concern: new initiatives should not be launched without a clearly identified need.

<u>Recommendation 2e</u>: G20 and development partners should more effectively facilitate the participation of their serving tax officials in capacity building, including through the timely and efficient release of such officials to participate in capacity building efforts.

Enabler 2.2: Clear and common measures of the effectiveness of support

There are some broad signs—essentially case study evidence—that improved tax system performance has been associated with external support. The review[42] in OECD (2015), for instance, suggests that assistance: contributed to the marked resilience of tax ratios during the global financial crisis and a general improving trend; supported trade liberalization (with the contribution of import duties to tax revenues declining in some countries during the reform period); and reduced transaction costs for the public and for business in several countries; and that even in fragile environments revenues increased significantly. The TIWB program has shown how bringing specific skills (such as in transfer pricing) in to support committed governments can realize significant revenue gains. For example, Kenya has seen its transfer pricing adjustments double in two years from US$54 to US$107 million. Further cases of apparently successful interventions are described in IMF (2015). But there are, of course, also cases in which interventions have evidently failed—for reasons taken up below.

In some cases, interventions can with reasonable confidence be associated with specific improvements—but this is difficult for broad-based reform programs. The TIWB program, for instance, has generated additional revenues to date of more than US$200 million. In the Philippines, IMF work in the context of an MCC program helped to collect US$196 million of outstanding arrears.[43] Such attribution is more difficult on larger, more complex programs with

[42] This is based on case studies from Asia (Bangladesh, Vietnam and Afghanistan), Europe (Bosnia and Herzegovina, and Georgia), Latin America (Paraguay), and sub-Saharan Africa (Rwanda). The cases and findings have been verified by the countries concerned.

[43] Other examples include concrete results from support provided by the Bank and OECD under the International Tax Transparency program, funded by Luxembourg, Switzerland and the UK: in Colombia transfer pricing adjustments made as a result of audits of multinational enterprises increased revenues ten-fold from US$3.3m in 2011 to over US$33m in 2014;; and in Vietnam enhanced audit efforts yielded transfer pricing adjustments of US$150m by the end of 2014.

large aims – most IMF and WBG engagements. In such programs, external factors outside the control of the program (and authorities) can have a significant impact, making reliable attribution and assessment of effectiveness of support in purely revenue raised terms difficult.

There is an increasing focus on developing indicators of impact, inferred from changes in measurable outcomes—but there is more to be done. The counterfactual issue still arises of course, since outcomes might have changed in the absence of support—indeed all success (and failures) are ultimately attributable to the recipient country itself. Nonetheless, indicators shaped to an appropriate set of principles, to ensure they are informative, acceptable and non-manipulable, can provide a critical aid in assessing the impact of support. The wide range of objectives requires a range of indicators to assess 'success,' with scope for both improving data and further conceptual development: Box 11 elaborates. Investments in complex evaluation tools, however, should not be allowed to detract from a focus on program delivery.

Box 11. Indicators for Assessing Progress in Strengthening DRM

Tools and/or information are available to assess several aspects of tax system performance, including:

- **Tax ratios** can provide useful targets within a fully specified reform strategy, but can be contaminated by errors and adjustments in GDP;
- **Compliance gaps** (the difference between tax legally due and that actually collected) go to the heart of the performance of the revenue administration, and their dissection can suggest areas for improvement. Relatively few low income countries, however, are able to routinely calculate these for a wide range of taxes;
- **TADAT assessment of tax administration performance** enable improvements to be tracked…
- **…while ISORA is increasingly enabling benchmarking of tax administrations** relative to peers.
- **Aspects of transparency** that can be fairly readily assessed include: compliance with international standards of information exchange, features covered by Fiscal Transparency Evaluations, and the regular publication of comprehensive tax expenditure budgets.

Some aspects of tax policy lend themselves to quantitative assessment, such as effects on incentives to invest. **In some areas, assessment is likely to remain largely judgmental, however:**

- **In relation to progressivity of tax systems,** views are likely to differ widely on its appropriate degree; in such cases, TADAT/PEFA-like scoring is unlikely to be appropriate. There is more--though not universal--consensus on other issues (such as that a shift from tariffs to VAT is generally desirable).
- **Surveys can be helpful—**but can be expensive and not always reliable. Innovative survey methods, for instance crowd-sourced data on tobacco prices in the Philippines to assess compliance with excises, suggest that lower-priced alternatives exist for detailed and real-time data collection.[44]
- **Tax morale issues** will always be subjective to those responding, but greater understanding of the taxpayers views of the system can help in tax system design[45]

In other areas, there is scope to do more in building effective indicators:

[44] Kaiser, Bredenkamp, and Glesias (2016).
[45] See http://www.oecd.org/ctp/tax-global/TaxMorale_march13.pdf

- **Some aspects of tax policy-making** —in terms of analytical basis, consultation and other dimensions—may lend themselves to assessment;
- **Compliance costs to tax payers**, for instance, are much less understood than are administrative costs and should be better assessed;
- **Developing fairly simple methods for assessing compliance gaps** for personal and corporate income taxes is important;
- **Tools and metrics are needed** for tracking results and evaluation of outcomes of specific tax administration capacity building programs (as a part of the FTA Capacity Building work program).
- **Simple but analytically-based rules of thumb** can be further developed on such practical issues as the appropriate levels of VAT refunds and of thresholds under the VAT and personal income tax;
- **Information sharing and effective reporting can be improved—**for instance, between tax administrations and financial intelligence units (for international tax avoidance and evasion), and tax administrations and ministries collecting extractive royalties and other nontax revenues (for uniform treatment of revenue collection from taxpayers); and
- **The links between tax systems, effective institutions, and development outcomes** are currently poorly tracked and understood; further consideration is needed as to both indicators and methods to track and monitor the wider impacts of tax system reform.

Recommendation 2f: The Platform will review[46] the range of results indicators currently used with a view to establishing sound-practice results frameworks and guidance to track progress in ongoing reforms of the tax system (policies and administration) against a broad range of indicators, taking account of the need to ensure a proper balance between the needs of development partners and reporting burdens and the appropriateness of fit within the country context.

Enabler 3: A Strong Knowledge and Evidence Base

To inform both national actions and external support for CD, data collection and analytical research can have a major impact. A strong evidence base is important for:

- ***Enabling tax administrations and policy makers to assess their own situation and performance, including relative to peers***. Here the various diagnostic tools referred to above—current and potential—can play a key role, not least in identifying countries' own weaknesses in the information currently assembled. ISORA can allow tax administrations to place their own performance in context—for which purpose it is important to encourage full participation from as many countries as possible, including those G20 members who do not yet do so.
- ***Drawing lessons from the experiences of others.*** The last few years have seen something of a revolution in the application of modern empirical methods to tax issues in developing countries, especially by using taxpayer-level administrative data. This work

[46] Subject to additional resourcing.

has cast new light, for instance, on the operation of VAT compliance chains[47] and on the possibility that improved third party reporting may be undone by taxpayers' adjustment on other, less closely monitored margins.[48] Much more can be expected in the coming years—and developing the skills to undertake and understand such work will need to be a core part of the development of tax policy skills highlighted above. And, though in some respects more difficult, it will be important too to take forward research that seeks to tease out the links between the development of tax capacity and state building/good governance more generally.

One area in which progress is needed is in the collection of reliable, comparable revenue data. This is critical to tax analysis, and to the SDG monitoring process. The emerging risk is now not that of no data—other than in relation to the extractives, where initiatives are in progress[49]—but of multiple, slightly different datasets. What is needed is for the IOs and others active in the area to share information and co-ordinate their efforts and exploit their differing comparative advantages—with ISORA as a good precedent for such collaboration and cooperation.

Recommendation 3a: Platform partners and others to intensify their collaborative work to produce comparable, reliable data on revenue statistics, and intensify efforts to build statistical capacity in the tax area (including in revenue administrations), —while avoiding unnecessary duplication.

Recommendation 3b: G20 to encourage full participation in the International Survey of Revenue Administrations (ISORA), leading by example.[50]

Enabler 4: Strong Regional Co-operation and Support

The regional tax organizations already play a unique role in strengthening tax capacity in developing countries… The RTOs differ quite widely in their maturity and the extent and nature of their functions and activities. All, however, bring a deep knowledge of regional traditions and practices, and a network of contacts and interactions, that can lend particular effectiveness and credibility to the support they provide to their members.

…and still have untapped potential. There is widely recognized to be scope and need, for instance, to strengthen the RTO presence in South East Asia: the contribution already made by ATAF, over a relatively short period, suggests how valuable this could be. In other cases, opportunities for expanded activities are severely limited by resources. Among the many aspects of CD to which they can contribute, the RTOs are particularly well-placed to provide enhanced support for building tax capacity in several targeted areas, such as in the critical area of change management highlighted above. They are also well-positioned to provide an important link and aggregating function in ensuring that developing countries fully participate in the wider international tax architecture and the global discussion of tax issues more generally; the RTOs will

[47] Pomeranz (2015).
[48] Carillo, Pomeranz and Singhal (2014).
[49] With the support of donors under the IMF's Managing Natural Resource Wealth trust fund.
[50] An initiative of CIAT, the IMF, IOTA and the OECD to collect comparable, global data on revenue administration.

be vital, for example, in facilitating the engagement of developing countries in the Inclusive Framework for BEPS Implementation. It is important that they be closely involved in the work of the PCT. There is also significant untapped potential in South-South co-operation in capacity development. RTOs are already playing a significant role in this regard, and should be encouraged and supported to help develop, design and implement further South-South co-operation.

Recommendation 4: G20 countries and development partners to continue to work in close partnership with RTOs and provide support for; increasing their strength and coverage, in fostering local networks and exchange of experiences, supporting CD in targeted areas, and in influencing and implementing of international rule setting.

Enabler 5: Strengthened Participation of Developing Countries in International Rule Setting

The international tax landscape is changing rapidly, and developing countries have much to gain. Recent years have seen significant and rapid changes in the international tax landscape, especially the move to AEOI and the BEPS Project. Developing countries have been estimated to suffer, in relative terms, the largest revenue losses from cross-border corporate tax avoidance;[51] they also have the most, in proportional terms, to gain through new approaches to access to information on offshore accounts[52] .

Including developing countries in this process has been a priority for the G20 for the last five years, and there has been rapid progress. The Global Forum on Transparency and Exchange of Information for Tax Purposes has seen its membership expand with a significant number of developing countries among its 135 members. Most recently, as part of the **Inclusive Framework on BEPS**, 85 countries, including 39 developing countries (of which 16 are African), are working on an equal footing on implementation and further standard setting on BEPS related international tax issues. Following the inaugural meeting held in Kyoto in July 2016, it is expected that more developing countries will join the Inclusive Framework and through their participation in the decision-making process, they will have a direct influence in shaping international tax rules to tackle BEPS and ensuring a level playing field**.**

For several years, the **UN Committee of Experts on International Cooperation in Tax Matters**, which is a subsidiary body of the UN Economic and Social Council (ECOSOC), has provided an inclusive venue for cooperation and standard setting on international taxation by giving special attention to developing countries. In recognizing the importance of its work, the Addis Agenda provided for increasing the frequency of its meetings and its engagement with ECOSOC, and called for supporting increased participation of developing country experts at sub-committee meetings, with a view to strengthening the Committee's effectiveness and operational capacity.

[51] IMF (2014).
[52] Global Forum (2014)

Making these structures work effectively requires more than just membership. Developing countries need to be supported and empowered to make the most of their membership in these structures. This requires a commitment from all relevant actors to make relevant institutional structures work and to accommodate countries with varying capacities, including in the tailoring of rules and standards to their circumstances.

More support must be provided to equip developing countries to participate in global discussions and decision-making, and to enable the lessons learned from technical assistance programs to feed through to the international tax policy discussions. Box 12 below shows how these elements have come together in Kenya, enabling a world class approach to international tax.

Box 12. Kenya: Engaging in International Rule Setting and Using Coordinated Technical Support a to Address International Tax Challenges.

In 2014, the IMF reported[53] that Kenya's capacity to address international tax issues was world class. A combination of sustained commitment and leadership, engaging in international standard setting fora and making effective use of coordinated technical support from the Global Forum on Tax Transparency, the OECD and the WBG have been key:

- Kenya has engaged in International tax co-operation and in actions to improve domestic capacity. Kenya has influenced the revisions of the international tax rules through participating in the OECD/G20 BEPS project and by mobilizing African countries through chairing the African Tax Administration Forum Cross-Border Taxation Technical Committee.
- In early 2016, Kenya signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, providing a powerful new instrument to fight tax evasion and avoidance, building on its membership in the Global Forum on Transparency and Exchange of Information for Tax Purposes, which it joined in 2010.
- To support its international efforts, Kenya operationalized a transfer pricing capacity development program with support from the OECD and the WBG in 2012, financed by several G20 partners. A review of transfer pricing legislation has been completed and the steps towards implementing an Advanced Pricing Agreement program are underway.
- Kenya is also participating in the OECD/UN TIWB: having previously received assistance, Kenya is now keen to assist other African countries to build their international taxation audit expertise through South-South TIWB deployments.

<u>Recommendation 5</u>: IOs, RTOs and development partners to support developing countries to participate effectively in international tax policy discussions and institutions. Good experiences would be disseminated with a view to scaling them up.

Enabler 6: Learning from Experience

The agenda and recommendations set out above are ambitious—appropriately so, given the commitment to substantially step up support for CD in the tax area. It will be important to take stock of their implementation and effectiveness.

[53] *"Enhancing Border Protection, Facilitating Trade and Increasing Revenues,"* IMF, January 2014.

<u>Recommendation 6a:</u> Working with other stakeholders, the Platform will gather and disseminate experiences to further understand what has worked and not worked in tax development programs, including by measuring the impact of different interventions.

<u>Recommendation 6b:</u> IOs to produce a follow-up report to this report within [3] years to reflect lessons learnt on effective support for CD in the tax area including on the development and implementation of proposals covered in this report.

The recommendations in this section are summarized in Appendix 4.

Appendix 1. Status of Recommendations in the IOs' 2011 Report

Summary of Recommendations		
MAIN POLITICAL MESSAGES	**SUPPORTING G-20 ACTIONS**	**DEVELOPMENTS SINCE 2011**
Message 1. Deepening International Co-operation. *We commit to deepening international co-operation and strengthening long term support to developing countries to help them mobilize domestic tax resources fairly and effectively, as the cornerstone of statebuilding, social inclusiveness and better governance.*	We will: • Review the level of our assistance dedicated to supporting tax systems in developing countries. • Undertake 'spill over' analyses of the impact of any significant changes in our own tax systems on those of developing countries, and support efforts to develop tools to counter tax evasion and avoidance in developing countries. • Share our efforts to identify, quantify and make more transparent tax expenditures and request the international organizations to develop an analytical framework to assess the cost & benefits of special tax treatments and develop guidance for countries using tax incentives to attract FDI. • Make transparent our exemptions on ODA funded goods and services, and encourage other donors to follow. • Link tax and expenditure in our assistance programs, ensuring taxation promotes statebuilding, accountability and equity, encouraging other donors to do likewise.	Commitments made to increased support, including in ATI Important progress (notably Ireland and Netherlands), but more to be done. Incentives report, with tools, produced: IMF, OECD, UN and World Bank (2015). Tools implemented by IMF, WBG, and others. Limited progress, some countries (notably Denmark, Netherlands, Sweden and Poland) have called for a review and end to exemptions Continuing, but significant scope for more

Message 2. Multinational Enterprise transparency and compliance. *We will require Multinational Enterprises to improve tax transparency and compliance in developing countries and place good tax compliance more firmly at the centre of their corporate governance and risk assessment systems.*	We will: • Promote the Multilateral Convention on Administrative Assistance in Tax Matters, support spontaneous information sharing in international tax fraud cases and include anti treaty shopping provisions in our tax treaties with developing countries. • Request international organizations to advise G-20 leaders on how to make improvements in the transparency in the operations of MNEs in developing countries, taking into account the current debate on country- by-country reporting, best practice in business, and developments in national legislation (*e.g.,* Dodd Frank in the US). • Strongly encourage MNEs to provide the relevant and necessary information to developing countries in which they operate, and apply domestic rules to ensure that the transfer pricing practices of any particular entity do not result in a misallocation of profit out of its jurisdiction. • Urge international organizations and other donors to strengthen their programs to assist developing countries to effectively implement transfer pricing rules, in the context of their broader tax administration capacity development efforts.	98 countries are signatory to the Multilateral Convention, including over 30 developing countries BEPS Action 13 provides for Country by Country reporting to tax authorities. This is one of the four BEPS minimum standards. Many countries have/are in the process of legislation and preparing for exchange of information, including 44 through the MCAA 20+ countries have received training programmes BEPS Actions 8-10 and forthcoming toolkits on comparables and documentation
Message 3. Measuring progress. *We commit to working with developing countries to track results from their own revenue raising efforts and the efforts of their international partners.*	We will: • Encourage international organizations to map assistance programmes on an ongoing basis, improve the reporting of those programs, and develop dedicated knowledge management platforms. • Share our own benchmarking of performance and structure of our tax administrations; support international and regional organizations (e.g., ATAF) to benchmark tax administrations and to develop a core set of indicators to monitor and assess capacity improvement in tax administrations and other revenue related areas. • Urge international and regional organizations to improve the quality and consistency of statistics on tax systems of developing countries.	Continuing Launch of TADAT in 2015 Inauguration of ISORA, 2016 Progress: Publication of IMF WoRLD data set; IMF-based ICTD dataset OECD Revenue statistics expanding scope, 54 countries, new Africa report

Appendix 2. Common Elements of Strategies for Tax Reform in Developing Countries

Advice to developing countries has commonly stressed:

- Establishing effective revenue administrations making proper use of withholding and third-party information, and capable of building on these to implement voluntary compliance and self-assessment—taxpayers calculating and remitting tax themselves, subject to audit and penalties—both as a prerequisite for expanding the tax base and to help address corruption.
- Assuring strong control of the largest taxpayers, in a dedicated office (and with specialized units for the most critical sectors), as a key step towards introducing risk assessment and fuller taxpayer segmentation.
- Implementing policies and procedures that limit opportunities for rent seeking and help identify and punish inappropriate behavior in the revenue administration.
- Designing and applying forceful and efficient strategies to deal with non-compliance.
- Ensuring that laws and regulations are reasonably simple, readily available, coherent across taxes, and provide good taxpayer protection (including effective appeals procedures).
- Replacing inefficient production or sales taxes, after adequate preparation of both the administration and taxpayers, by a simple VAT—including to catalyze administrative reforms.
- Levying a VAT on a broad base, with a high threshold (the level of turnover at which registering for the tax becomes compulsory) and avoiding multiple rates, to realize its potential as a reasonably efficient source of government finance.
- Coordinating any prospective loss of trade tax revenue with measures to replace it from domestic sources.
- Avoiding exemptions—under all taxes—that jeopardize revenue and good governance, are hard to reverse, and generate no clearly offsetting social benefit.
- Removing minor taxes and fees that are inordinately costly to comply with and administer.
- Building CITs that are simple (in their depreciation and carry forward provisions, for instance) and sufficiently broad-based to allow statutory rates competitive by international standards, with effective tax rates that are reasonably low and uniform across investments.

- Strengthening capacity to deal with profit-shifting by multinationals, while recognizing the extreme difficulty of doing so.
- Extending the coverage of the PIT (particularly through inclusion of smaller businesses and professionals) and establishing coherent taxation of capital income, with an effective rate structure consistent with the authorities' distributional preferences.
- Exploiting the potential for regional cooperation, in both policy and administration—particularly on business taxation and excises—to limit mutually damaging competition.
- Balancing royalties, auctioning and profit-related charges in taxing natural resources.

Appendix 3. The Work of the IOs on Tax Capacity Development

IMF

Scope of activities in tax development for lower income countries; methods of assistance delivery

Technical assistance in taxation is one of the core functions of the IMF. Bi-lateral assistance on tax policy, revenue administration design, tax law drafting and capacity building has been provided to the Fund's member countries on demand for over 50 years, through a headquarters staff that has grown to now total approximately 60 professionals split between administration, policy and legal experts. This expertise is supplemented by professional staff located in 9 IMF regional technical assistance centers, covering the vast majority of low income countries; and other short term experts drawn from governments and academia, working under close supervision of headquarters staff. Staff assist approximately 100 countries annually on aspects of tax policy, tax legislation and revenue administration. For lower income countries, such assistance frequently takes the form of comprehensive multi-year programs of reform.

IMF TA is closely tied to the IMF's surveillance and lending programs, with design based in part upon the staff's deep connection to the member countries' macroeconomic frameworks, with the overarching discussions of reform taking place at the level of Ministers/Deputy Ministers of Finance and Commissioners of Revenue, based upon detailed technical work with their staffs. ***Headquarters tax staff provide regular support to the IMF's country teams*** in their assessments of fiscal situations, in addition to providing direct TA. Staff also engage in ***extensive analytic work*** drawing on information gained and problems observed in TA, which in turn supports the development of solutions to problems regularly encountered in the field.

Recent tools and developments

(i) ***Diagnostic tools for revenue administration and compliance include***: **TADAT**, the tax administration diagnostic assessment tool, developed by the IMF and now operated through an independent secretariat housed there; **ISORA,** a revenue administration benchmarking methodology for measuring performance on a variety of relevant metrics, now used for this by a number of international organizations; and **RA-GAP**, a standardized methodology for measuring compliance gaps in specific taxes at countries' requests.

(ii) ***Further integration of tax policy and administration issues into IMF surveillance for all member countries***, in a pilot project with specific focus on lower income countries and on international tax issues.

(iii) ***The first (of eight) BEPS toolkits*** has been published (with the OECD, UN and World Bank) on Effective and Efficient Use of Tax Incentives for Investment

OECD

Scope of activities in tax development for lower income countries; methods of assistance delivery

The OECD seeks to improve global tax systems through the *development of standards and norms* and their effective implementation. Capacity building is an integral part of this work, and information sharing and problem analysis from that work in turn feeds back into further refinement and development of standards. The OECD also produces internationally comparable statistics on both development assistance and taxation.

The primary methods by which the OECD contributes to capacity building are through:

(i) ***Bringing experts together to share experience and practices***--the *Global Relations Program* holds over 60 multilateral and bilateral events each year with some 2000 tax officials from over 100 countries; the *International Academy for Tax Crime Investigation* brings together officials from tax and other agencies, promoting both international and inter-agency cooperation on tax crimes; the *Forum on Tax Administration* enables revenue agencies to work together toward increasing the efficiency, effectiveness and fairness of tax administration, as well as producing comparative data on 56 tax administrations.

(ii) ***Building technical capacity through practical instruments and mechanisms***—the Taskforce on Tax and Development works with the European Commission and World Bank to deliver intensive support on relevant tax matters to over 20 countries; the Tax Inspectors Without Borders project, in collaboration with UNDP, provides experts to work on international tax audits and its pilot phase between 2012 and 2014 assisted in the collection of an extra $185million in revenue; the Global Forum on Transparency and Exchange of Information for Tax Purposes (to which the OECD serves as secretariat) provides guidance and training to developing countries in adopting international standards in exchange of information.

(iii) **Integrating developing countries into international processes** – Over 80 developing countries and other non-OECD/non-G20 countries to participated in the BEPS process through a combination of direct engagement in technical working groups, regional consultations and thematic global fora, this engagement shaped the outcomes, and increased awareness and understanding by developed countries of developing countries' issues; the Inclusive Framework on BEPS takes this integration further and is open for all interested countries to join on an equal footing.

Recent Tools and Developments

(i) A new purpose code has been introduced to DAC ODA reporting to enable *donor support on tax projects to be tracked* in the OECD's regular development statistical collection. Donors are now using this coding for 2015 spending, and the first reports will be available next year.

(ii) Developing countries are being supported to *produce revenue statistics* in an internationally comparable basis, in a long term project. 2016 saw the first publication of Revenue Statistics in Africa, covering 8 countries in Africa, joining comparable publications for OECD, Latin American and Caribbean, and Asian economies.

(iii) Extractive industries case studies on mineral product pricing practices are being produced to assist developing countries improve their understanding of mineral product transactions and pricing. The first three drafts were provided for public consultation with several more to come.

The World Bank

WBG support for client countries to build the capacity of their tax systems is provided through a range of instruments, which ensures support throughout their lifecycle, from **diagnosis** to **analysis** of causes ad solutions of tax issues, **design** of a program of capacity building, **implementation**, and, finally, **evaluation**. Specifically, WBG provides **financial support** in the form of loans to IBRD countries and IDA credits and grants, including: (i) **Investment Project Financing** for building physical and social infrastructure, such as Information Management Information Systems and business process re-engineering for tax administrations; (ii) **Development Policy Financing** for a program of policy and institutional actions, such as changes in tax laws and arrangements for providing tax incentives to foreign investors; and (iii) **Program-for-Results** operations that link disbursements directly to the delivery of defined results. Presently, some 9 countries have lending projects with significant tax components, adding to about $400 million in support, including $50 million for technical assistance. In addition, **Advisory Services and Analytics** (ASA) provide WBG clients with customized expertise and analytics, either as stand-alone services or as a complement to financial support programs. This includes **Economic Sector Work**, involving diagnostic and analytical reports aiming to influence policy choices and programs; **Non-Lending Technical Assistance** to assist clients building capacities or strengthening institutions through events and reports; and **impact evaluation** and **training**. On-going ASA support is provided to some 39 countries. Funding for these activities is through WBG's own resources, including from the International Development Association, donor-provided trust funds, and clients themselves may also reimburse the WBG for advisory services.

Expertise on tax is mostly focused in the **Equitable Growth, Finance and Institutions** (EFI) Vice Presidency. EFI has some 30 tax experts on staff, and an additional 80 or so staff members who are substantially involved with tax in their work programs. EFI's 9-member **Global Tax Team** is responsible for global engagement on tax issues, contributing guidance, tools and research, and supporting country engagement on tax issues. Other tax experts are in regional units, and provide direct support for capacity building in client countries. Other WBG units work on specific tax issues, including extractives revenue management, and carbon and sin taxes among others.

WBG support for capacity building in the area of taxation covers tax administration, tax policy and international tax issues. This support is provided within the context of country programs, reflecting local circumstances and needs. **Tax administration** reforms addressed through WBG

engagements include reform of laws and regulations; organizational reform, such as shifting from an organizational structure by tax type to a function-based structure, and reform of large taxpayer offices; functional review and reforms, such as improvements in arrangements for taxpayer registration and audit business; process re-engineering and improving IT systems; and human resources training and reform (including in Afghanistan, Colombia, Ghana, Pakistan, Peru, Vietnam). In **tax policy**, on-going and recent work includes support to comprehensive tax reforms (Armenia and Colombia), natural resource tax reforms (Burkina Faso), tobacco excise reform (Ghana and Botswana), technical dialogue (Philippines), equity impact scenarios for tax reform (Chile), tax incentives rationalization and simplification (Gabon), and revenue forecasting (Pakistan). The **international tax** work stream supports countries to design and implement instruments and administrative procedures to address key sources of base erosion, such as transfer mis-pricing, tax treaty application issues, detecting and adjudicating aggressive tax planning structures and other methods of profit shifting, and tax transparency through exchange of information. Examples of support include Vietnam recovering over $150 million in the first two years of doing transfer pricing audits and the Philippines recovering over $1 million through its first two requests for information.

Recent tools and developments

(i) During the first six months of 2016, consultations on transfer pricing (with the IMF) and on proprieties for tax CD in Africa (in Tanzania) and East Asia and the Pacific (in Korea).
(ii) Publications on 'Transfer Pricing and Developing Economies: From Implementation to Application' and 'Transfer Pricing in the African Mining Industry' (both forthcoming).
(iii) Modular tools for detailed assessment of tax administration.[54]

UN

Scope of activities on tax and development: methods of assistance delivery

The UN capacity development programme on international tax cooperation is focused on the needs and priorities of developing countries, especially least developed ones. It is carried out through a collaborative engagement of tax officials from developing countries, members of the Committee of Experts on International Cooperation in Tax Matters (the Committee), relevant international and regional organizations and prominent academics. This **multi-stakeholder approach** aims at ensuring that all activities are demand-driven and effectively address the needs of developing countries.

The programme consists of **training activities**, delivery of **technical assistance**, and production of **publications** and **other capacity development tools**. Presently, the work focuses on three main areas: **double tax treaties**; **transfer pricing**; and **tax base protection for developing countries.** The programme largely draws on the outputs of the Committee, with a view to disseminating and operationalizing them for the benefit of developing countries. These include

[54] Available at http://www.iamtax.org/.

the *United Nations Model Double Taxation Convention between Developed and Developing Countries*, the *United Nations Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries*, and the *United Nations Practical Manual on Transfer Pricing for Developing Countries*.

Courses on both double tax treaties and transfer pricing are normally delivered in regional settings, in cooperation with regional organizations of tax administrations. These courses combine theoretical and practical aspects and feature small-group discussions of real-life examples and case studies. In addition, regional and country experts are invited to provide practical insights and share relevant experiences from their country practice, with a view to facilitating South-South collaboration. In order to allow for broader accessibility to training materials, online courses are also being developed to complement the offering of face-to-face training.

Recent tools and publications

(i) The *United Nations Handbook on Selected Issues in Administration of Double Tax Treaties for Developing Countries* and *Papers on Selected Topics in Negotiation of Tax Treaties for Developing Countries* are two recent publications aimed at strengthening the capacity of developing countries to negotiate and apply double tax treaties.

(ii) The main tool in the area of tax base protection for developing countries is the *United Nations Handbook on Selected Issues in Protecting the Tax Base of Developing Countries*, which is intended to support developing countries in increasing their potential for domestic revenue mobilization. In order to complement and further operationalize this Handbook through more in-depth and hands-on practical guidance, a series of *Practical Portfolios on Protecting the Tax Base of Developing Countries* is now being developed, including on base-eroding payments for services, interest, rents and royalties.

(iii) The joint UN-CIAT publication entitled *Measuring Tax Transaction Costs in Small and Medium Enterprises* presents an empirical methodology to assess the costs borne by taxpayers when complying with their obligations, as well as the costs faced by the tax administration for ensuring compliance by taxpayers, with a view to identifying potential measures to reduce these costs and achieve greater compliance, while realizing sustainable increases in government revenues.

Appendix 4. Summary of Recommendations

The Essential: Deep Country Commitment Within a Supportive Political Environment

Recommendation 1. G20, the international organizations (IOs) and development partners should encourage political support for tax systems development. Options include explicit requirements for financial support and mutual accountability provisions such as those in the Addis Tax Initiative.

Enabler 1: A coherent revenue strategy as part of development financing plan

Recommendation 1a: National authorities, with support from IOs that are active in a country, and development partners engaged in support on tax reform, to develop country specific MTRSs,[55] with a view to launching [3 to 5] pilot MTRSs by [July 2017]. Building on this experience Platform partners will draw and disseminate lessons for the development of further MTRSs, and revenue reform plans more generally.

Recommendation 1b: Donor/G20 countries to encourage and facilitate capacity building of local stakeholders (business, CSOs, media) to engage in reforms and MTRS development.

Enabler 1.1: Adequate diagnosis of problems, risks and options for revenue strategy development

Recommendation 1c: IOs to develop a diagnostic tool/framework for assessing cross-border tax issues, covering avoidance, evasion and tax crimes.

Enabler 1.2: A strong managerial and skills base to develop and implement reform strategies

Recommendation 1d: As part of the efforts to build organizational capacity, G20 and development partners to encourage and support the development of high quality senior management, including in technical and management skills, in agencies that deal with taxation.

Recommendation 1e: Platform partners will review and assess the use of diagnostic tools (such as TADAT) in informing the prioritization of reforms through MTRSs and the development of tax reform programs, and will consider as a result of such assessments, what more if anything would be useful in this regard.

Enabler 2: Strong coordination among well-informed and results-oriented providers

Recommendation 2a: IOs involved at the country level should facilitate explicit collaboration among providers and other stakeholders as a central part of the pilot MTRSs

[55] Issues to address include incentives for countries to participate, the phasing of implementation, building in flexibility to deal with potential policy changes as governments and circumstances change, stakeholder involvement, and modalities for support.

and, more broadly, facilitate the development of in-country coordination, by both donor groups and developing coordinating country counterparts.

Recommendation 2b: To support country level cooperation, Platform partners to develop a manual for good practices building on the *Principles for International Engagement in Supporting Developing Countries in Tax Matters* and a voluntary peer review mechanism among development partners. This would include how to facilitate coordination among providers and different in-country stakeholders, such as business and CSOs.

Recommendation 2c: The Platform to develop mechanisms to support the development of coordinated plans for all development providers' work in relation to BEPS implementation and wider international tax issues.

Enabler 2.1: Avoiding fragmentation in the delivery and receipt of support is avoided

Recommendation 2d: Providers and recipients of CB support on tax matters should be well coordinated, including: effective coordination across different agencies active in tax reform in recipient countries, fully supported by providers of CB support ('*whole of government*' approach); while IOs should ensure internal coordination where they are active in different areas affecting the tax system, and across their different entry points into taxation ('*whole of institutions*' approach).

Recommendation 2e: G20 and development partners should more effectively facilitate the participation of their serving tax officials in capacity building, including through the timely and efficient release of such official to participate in capacity building efforts.

Enabler 2.2: Clear and common measures of the effectiveness of support

Recommendation 2f: The Platform will review the range of results indicators currently used with a view to establishing sound-practice results frameworks and guidance to track progress in ongoing reforms of the tax system (policies and administration) against a broad range of indicators, taking account of the need to ensure a proper balance between the needs of development partners and reporting burdens and the appropriateness of fit within the country context.

Enabler 3: A strong knowledge and evidence base

Recommendation 3a: Platform partners and others to intensify their collaborative work to produce comparable, reliable data on revenue statistics and key tax policy parameters, and intensify efforts to build statistical capacity in the tax area (including in revenue administrations)—while avoiding unnecessary duplication.

Recommendation 3b: G20 to encourage full participation in the International Survey of Revenue Administrations (ISORA), leading by example.[56]

[56] An initiative of CIAT, the IMF, IOTA and the OECD to collect comparable, global data on revenue administration.

Enabler 4: A strong regional co-operation and support

Recommendation 4: G20 countries and development partners to continue to work in close partnership with RTOs and provide support for; increasing their strength and coverage, in fostering local networks and exchange of experiences, supporting CD in targeted areas, and in influencing and implementing of international rule setting.

Enabler 5: Strengthened participation of developing countries in international rule setting

Recommendation 5: IOs, RTOs and development partners to support developing countries to participate effectively in international tax policy discussions and institutions. Good experiences would be disseminated with a view to scaling them up.

Enabler 6: Learning from experience

Recommendation 6a: Working with other stakeholders, the Platform will gather and disseminate experiences to further understand what has worked and not worked in tax development programs, including by measuring the impact of different interventions.

Recommendation 6b: IOs will produce a follow-up report to this report within [3] years to reflect lessons learnt on effective support for CB in the tax area including on the development and implementation of proposals covered in this report.

References

Acosta-Ormaechea, Santiago and Jiae Yoo, 2012, "Tax Composition and Growth: A Broad Cross-Country Perspective," IMF Working Paper /12/257.

Adhikari, Bibek, 2014, "Does Introducing a VAT Increase Efficiency? Evidence from Synthetic Control Methods," Unpublished paper (New Orleans: Tulane University).

Ali, Merima, Odd-Helge Fjeldstad and Ingrid Hoem Sjursen, 2014, "To Pay or Not to Pay? Citizens' Attitudes Toward Taxation in Kenya, Tanzania, Uganda and South Africa", *World Developme*nt, vol. 64, pp. 828-842.

Arnold, Jens B., Bert Brys, Christopher Heady, Åsa Johansson, Cyrille Schwellnus and Laura Vartia, 2011, "Tax Policy for Economic Recovery and Growth,'" *Economic Journal*, Vol. 121, pp. F59-F80.

Besley, Timothy and Torsten Persson, 2011, *Pillars of Prosperity: The Political Economics of Development Clusters* (Princeton: Princeton University Press).

Carillo, Paul, Dina Pomeranz and Monica Singhal, 2014, "Dodging the Taxman: Firm Misreporting and the Limits to Tax Enforcement," National Bureau of Economic Research Working Paper No. 20624.

Crivelli, Ernesto, and Sanjeev Gupta, 2014, "Does Conditionality in IMF-Supported Programs Promote Revenue Reform?" IMF Working Paper 14/26 (Washington: International Monetary Fund).

Fjeldstad, Odd-Helge, and Mick Moore, 2009. "Revenue authorities and public authority in sub-Saharan Africa," Journal of Modern African Studies, 47, 1, pp. 1–18.

Gaspar, Vitor, Laura Jaramillo and Philippe Wingender, 2016, "Tax Capacity and Growth: Is there a Tipping Point?" forthcoming IMF Working Paper.

Global Forum on Transparency and Exchange of Information for Tax Purposes, 2014, "Automatic Exchange of Information: A Roadmap for Developing Country Participation", available at http://www.oecd.org/tax/transparency/global-forum-AEOI-roadmap-for-developing-countries.pdf

Ifan, Guto and Tim Strawson, 2016, Aiding Domestic Revenue Mobilisation, a Development Initiatives report, available at http://devinit.org/wp-content/uploads/2016/04/Aiding-domestic-revenue-mobilisation_report.pdf

International Centre for Tax and Development, 2015, "Making VAT More Visible Can Be an Efficient Tool in Building a Tax-Paying Culture", at http://www.ictd.ac/blogs/entry/making-vat-more-visible-can-be-an-efficient-tool-in-building-a-tax-paying-culture

International Monetary Fund, 2011, "Revenue Mobilization in Developing Countries", available at http://www.imf.org/external/np/pp/eng/2011/030811.pdf

International Monetary Fund, 2014a, "Fiscal Policy and Income Inequality," Available at https://www.imf.org/external/np/pp/eng/2014/012314.pdf.

International Monetary Fund, 2014b, "Spillovers in International Corporate Taxation," available at https://www.imf.org/external/np/pp/eng/2014/050914.pdf.

International Monetary Fund, 2015, "Current Challenges in Revenue Mobilization: Improving Tax Compliance", available at https://www.imf.org/external/np/pp/eng/2015/020215a.pdf

International Monetary Fund, Organisation for Economic Cooperation and Development, United Nations and World Bank, 2011," Supporting the development of More Effective Tax Systems," available at https://www.imf.org/external/np/g20/pdf/110311.pdf

International Monetary Fund, 2014, "Enhancing Border Protection, Facilitating Trade and Increasing Revenues."

International Monetary Fund, Organisation for Economic Cooperation and Development, United Nations and World Bank, 2015,"Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment," available at https://www.imf.org/external/np/g20/pdf/101515.pdf

International Monetary Fund, Organisation for Economic Cooperation and Development, United Nations and World Bank, 2016, "The Platform for Collaboration on Tax," Concept Note available on all four organizations' websites.

Kaiser, Kai, Caryn Bredenkamp, and Roberto Iglesias (2016), *Sin Tax Reform in the Philippines: Transforming Public Finance, Health, and Governance for More Inclusive Development* (Washington DC: World Bank).

Keen, Michael, 2013, "Taxation and Development—Again," pp.13-41 in Clemens Fuest and George Zodrow (eds), *Studies of Critical Issues in Taxation and Development* (Cambridge: MIT Press)

Keen, Michael, and Ben Lockwood, 2010, "The Value-Added Tax: Its Causes and Consequences," *Journal of Development Economics*, Vol. 92, pp. 138–51.

Khan, Adnan Q., Asim Khwaja and Benjamin Olken, 2014, "Tax Farming Redux: Experimental Evidence on Performance Pay for Tax Collectors," Unpublished paper, Massachusetts Institute of Technology.

Köhnen, Daniel, Thorben Kundt and Christian Schuppert, 2010 "Mapping Survey, Taxation and Development" an International Tax Compact Report for GTZ (Eschborn: GTZ)

Naritomi, Joana, 2013, "Consumers as Tax Auditors," Unpublished paper, Harvard University.

Organisation for Economic Cooperation and Development, 2006, *The Challenge of Capacity Development – Working Towards Good Practice,* (Paris: OECD).

Organisation for Economic Cooperation and Development, 2010, *From Citizen-State Relations, Improving Governance Through Tax Reform* (Paris: OECD). Available at https://www.oecd.org/dac/governance-peace/governance/docs/46008596.pdf

Organisation for Economic Cooperation and Development, 2013a *Tax and Development: Aid Modalities for Strengthening Tax Systems,* (Paris: OECD). Available at http://www.oecd.org/fr/publications/tax-and-development-9789264177581-en.htm

Organisation for Economic Cooperation and Development, 2013b, "What Drives Tax Morale" Tax and Development working paper (Paris: OECD) Available at http://www.oecd.org/ctp/tax-global/TaxMorale_march13.pdf

Organisation for Economic Cooperation and Development, 2014, "Domestic Revenue Mobilization in Fragile States. (Paris: OECD). Available at http://www.oecd.org/dac/governance-peace/conflictfragilityandresilience/docs/FSR-2014.pdf

Organisation for Economic Cooperation and Development, 2015, *Examples of Successful DRM Reforms and the Role of International Cooperation* (Paris: OECD). Available at https://www.oecd.org/ctp/tax-global/examples-of-successful-DRM-reforms-and-the-role-of-international-co-operation.pdf

Organisation for Economic Cooperation and Development, 2016, *Tax Administrations and Capacity Building: A Collective Challenge,* (Paris: OECD). Available at http://www.oecd.org/ctp/tax-administrations-and-capacity-building-9789264256637-en.htm

Pomeranz, Dina, 2015, "No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax," *American Economic Review*, Vol. 105, pp. 2539-2569.

Ufier, Alex, 2014, "Quasi-experimental Analysis of the Effects of Adoption of a Value Added Tax," *Economic Inquiry*, Vol. 52, pp. 1364–79.

World Bank Group and others, 2015, "From Billions to Trillions: Transforming Development Finance," available at http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf