

**FOR
INFORMATION**

EBS/19/43
Revision 1

June 11, 2019

To: Members of the Executive Board

From: The Secretary

Subject: **Platform for Collaboration on Tax Progress Report 2018–2019—G20 Finance Ministers and Central Bank Governors’ Meeting, June 8–9, 2019, Fukuoka, Japan**

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| Board Action: | Executive Directors’ information |
| Prepared By: | The staffs of the Fund, the Organisation of Economic Cooperation and Development, the United Nations, and the World Bank Group |
| Additional Information: | <p>This document is being reissued to incorporate minor wording changes which were agreed with OECD, UN and the World Bank following the issuance of EBS/19/43 (6/3/19).</p> <p>A redlined version is also provided for Executive Directors’ convenience.</p> |
| Publication: | Yes, after Tuesday, June 11, 2019. |
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OECD



WORLD BANK GROUP

PCT Progress Report 2018 - 2019

This report is prepared under the responsibility of the Secretariats and Staff of the four organizations. It reflects a broad consensus among these staff, but should not necessarily be regarded as the officially-endorsed views of those organizations or their member states.

ACRONYMS

| | |
|---------|---|
| ADB | Asian Development Bank |
| AfDB | African Development Bank |
| ATAF | African Tax Administration Forum |
| ATI | Addis Tax Initiative |
| BEPS | Base Erosion and Profit Sharing |
| CD | Capacity Development |
| CFA | Committee on Fiscal Affairs |
| CIAT | Inter-American Center of Tax Administrations |
| DFAT | Department of Foreign Affairs and Trade (Australia) |
| CREDAF | Center for Meetings and Studies of Tax Administration Leaders |
| CRS | Common Reporting Standard |
| DFID | Department for International Development (UK) |
| DIAMOND | Development of Implementation and Monitoring Directives |
| DRM | Domestic Resource Mobilization |
| DRMS | DRM Strategy (Uganda) |
| DP | Development partners |
| ECOSOC | United Nations Economic and Social Council |
| EPRC | European Policy Research Centre |
| FARI | Fiscal Analysis of Resource Industries |
| FfD | Financing for Development |
| FSDR | Financing for Sustainable Development Report |
| FTA | Forum on Tax Administration |
| GDP | Gross Domestic Product |
| GIZ | German International Cooperation Agency |
| IADB | Inter-American Development Bank |
| ICT | Information and Communication Technologies |
| IDA | International Development Association |
| IMF | International Monetary Fund |
| IOTA | Intra-European Organization of Tax Administrations |
| IRD | Internal Revenue Department |
| IGC | International Growth Centre |
| ISORA | International Survey on Revenue Administration |
| ITAS | Integrated Tax Administration System |
| KfW | German Development Bank (Kreditanstalt für Wiederaufbau) |
| KSP | Knowledge Sharing Platform |
| LTO | Large Taxpayer Office |
| MDTF | Multi-Donor Trust Fund |

| | |
|---------|---|
| MFPED | Ministry of Finance, Planning and Economic Development |
| MOF | Ministry of Finance |
| MOU | Memorandum of Understanding |
| MTRS | Medium-Term Revenue Strategy |
| NSEDP | National Socio-Economic Development Plan (Lao PDR) |
| ODA | Official Development Assistance |
| ODI | Overseas Development Institute |
| OECD | Organisation for Economic Co-operation and Development |
| OIP | Online Integrated Platform |
| OTA | Office of Technical Assistance |
| PCT | Platform for Collaboration on Tax |
| PEFA | Public Expenditure and Financial Accountability Framework |
| PFDS | Public Financial Management Development Strategy (Lao PDR) |
| PITAA | Pacific Islands Tax Administrators Association |
| PNG | Papua New Guinea |
| RCI | Internal Revenue Commission (PNG) |
| RA-GAP | Revenue Administration Gap Analysis Program |
| RMTF | Revenue Mobilization Thematic Fund (IMF) |
| SAS | Self-Assessment System (Myanmar) |
| SAT | Superintendencia de Administración Tributaria (Guatemalan Revenue Administration) |
| SDGs | Sustainable Development Goals |
| SME | Small and Medium Sized Enterprises |
| TA | Technical Assistance |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| TEA | Tax Expenditure Analysis |
| TF | Trust Fund |
| TIWB | Tax Inspector Without Borders |
| TPAF | Tax Policy Assessment Framework |
| TSR | Tax system reform |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| UNECLAC | United Nations Economic Commission for Latin America and the Caribbean |
| UNDP | United Nations Development Programme |
| URA | Uganda Revenue Authority |
| USAID | United States Agency for International Development |
| VAT | Value-added Tax |
| WBG | World Bank Group |
| WCO | World Customs Organization |

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I. Introduction

The adoption of the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda in 2015 has prompted multilateral organizations to expand their work on domestic revenue mobilization (DRM) in countries, particularly developing countries,¹ including through rapidly growing portfolios of tax-related activities. In this context, the Platform for Collaboration on Tax (PCT) was established in 2016 to bring together the experiences and expertise of the four largest multilateral organizations active in tax matters (International Monetary Fund [IMF], Organization for Economic Co-operation and Development [OECD], United Nations [UN], and World Bank Group [WBG]) to enhance cooperation on domestic revenue issues. Over the last three years, the Platform has helped exploit complementarities and synergies among its Partners in their work on tax, while fully respecting the governance mandates and policy positions of each organization.

This report provides an update of the work of the PCT during 2018-19. The PCT previously reported on its progress in 2017.² Going forward, the PCT plans to provide updates on an annual basis to its governing bodies and interested stakeholders.³ Section II of this report provides an update of the PCT work plan. In February 2018, the PCT held its first global conference on taxation and the SDGs. In their closing statement, Partners committed to 14 actions for enhancing coordination, cooperation and collaboration in their work on tax in support of the SDGs (Box 1). To meet the commitments set out in the 14 Action Items, the PCT has begun with the implementation of a comprehensive work plan. The work plan consists of three main work streams: (1) coordination of DRM capacity development activities; (2) analytical activities; and (3) outreach activities. Then, Section III of the report discusses the early experience with Medium-Term Revenue Strategies (MTRS) and draws preliminary lessons. A brief overview of DRM-related activities of PCT Partners is provided in Section IV.

As support for capacity development is scaled up, efficiency and effectiveness only gain more importance. Risks of redundancy, as well as support that outpaces countries' absorption capacity, need to be managed. By collaborating, synergies in support for capacity development can be exploited and comparative advantages leveraged. Partners have identified complementarities in their mandates, tools and ways of working, which are presented in the Note on Complementarities between the Platform Partners, included as Annex 1. Next steps for strengthening collaboration between Partners are included in Section V of this progress report.

¹For the purpose of this report, the term "developing countries" refers to all countries that are not high-income countries.

² See: <http://documents.worldbank.org/curated/en/487521499660856455/Update-on-activities-of-the-platform-for-collaboration-on-tax>.

³The current progress report was specifically requested by the G20 Finance Ministers and Central Bank Governors during their meeting in July 2018, see: <http://www.g20.utoronto.ca/2018/2018-07-22-finance.html>.

Box 1. PCT Actions to Take the Tax Agenda Forward

1. On a regular basis, working with others including the Addis Tax Initiative, we will help to give a comprehensive picture of the total effort of international, regional and bilateral partners in supporting developing countries on tax matters.
2. We will integrate and aim for the highest possible standards of transparency in the provision of information about our capacity development activities in developing countries through the PCT website.
3. On international tax we will scale-up our joint work to support developing countries to address tax transparency and base erosion and profit shifting, including on treaties.
4. Working together with other stakeholders, we will seek to provide coherent and consistent international tax policy advice.
5. We will complete the PCT Toolkits to help countries address challenges in international taxation, and launch an expanded outreach program to support the development and use of the Toolkits. We will respond to additional concerns raised by countries with analytical work, recommendations and guidance.
6. We will provide, in mid-2018, an update to the G20 on tax certainty and developing countries.⁴
7. We will analyze and report on the spillovers and opportunities from changes in the international tax environment on and for developing countries.
8. We will work together to support the development of country-led MTRs, including through the involvement of bilateral partners, and report on outcomes. We will align our support according to the plans set out by governments.
9. We will help developing countries access the knowledge, experience and good practices in tax administration, starting with the use of technology, working with the Forum on Tax Administration, regional tax organizations and other partners.
10. We will support the participation of developing countries in tax policy discussions at international fora.
11. We will launch a multi-year Tax and SDGs Program, that will include components on taxation and health, education, gender, inequality, environment, and infrastructure.
12. We will establish a regular dialogue between the PCT and stakeholders—most importantly developing country governments.
13. We will review current practice, and provide guidance and recommendations, on the tax treatment of ODA funded goods and services.
14. To help deliver this agenda we will seek to secure donor funding for the expanded work program, supported by a strengthened PCT Secretariat.

Source: PCT Partners' Statement at the Closing of the Conference on Taxation and the SDGs, February 16, 2018, at: <http://www.worldbank.org/en/news/statement/2018/02/16/platform-for-collaboration-on-tax-first-global-conference-on-taxation-and-sdgs>.

⁴ The report is available at: <http://www.oecd.org/tax/g20-report-on-tax-certainty.htm>. A further update is to be delivered by the IMF and OECD in June 2019.

II. Work Streams

To meet the commitments set out in the 14 Action items, the PCT has developed activities under three work streams:

- **Work stream 1 - Coordination of DRM capacity development activities:** provide comprehensive and easily accessible information about PCT Partners' support for capacity development on tax, with a view to facilitating and strengthening coordination among PCT partners and other stakeholders on country-related support and with a particular focus on helping developing countries organize their reform efforts into MTRs.
- **Work stream 2 – Analytical activities:** provide high-quality analytical tools and consistent guidance and recommendations for countries on a range of issues to further help them understand and address contemporary issues in taxation, with a specific but not exclusive focus on issues of importance for developing countries.
- **Work stream 3 – Outreach activities:** foster informed and effective participation of all stakeholders, especially developing countries, in international tax cooperation.

Work Stream 1. Coordination of Capacity Development Activities (actions 1, 2, 3, 8 and 9)⁵

a) Objective

Provide comprehensive and easily accessible public information about PCT Partners' support for capacity development (CD), in order to contribute to more effective and better coordinated support to countries in revenue mobilization, including through facilitating coordination of MTRs.

b) Context

Effective coordination of support to developing countries on DRM is a core objective of the PCT. More systematic, timely and comprehensive information on technical assistance (TA) and other CD activities would:

- facilitate coordination among the IMF, OECD, UN and WBG;
- enable PCT Partner organizations and development partners to identify synergies and avoid redundancies;
- allow for better coordination with country recipients as well as non-PCT providers of CD support, including bilateral donors and regional organizations;
- strengthen ownership of the developing countries in preparing and implementing MTRs; and
- fill missing gaps in information available (e.g., in the Addis Tax Initiative Monitoring Report) to a wide range of stakeholders with an interest in the tax and the Financing for Sustainable Development agenda.

Since the implementation of the Platform, and the publication of the PCT report on enhancing the effectiveness of external support in building tax capacity in developing countries,⁶ there has been strong demand by some stakeholders for the PCT to play a role in facilitating the coordination of TA to developing countries in general, and in particular the preparation and implementation of MTRs.

⁵ Work streams and activities are mapped to the work plan and actions identified in Box 1 throughout this Section.

⁶ See: <http://documents.worldbank.org/curated/en/337691503666961906/Enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries-prepared-for-submission-to-G20-finance-ministers>.

Activities, and achievements, of the PCT fall into two categories: (1) those undertaken by the PCT Partners themselves, individually or collaboratively that are directly linked to the PCT program; and (2) activities undertaken by the PCT Secretariat/staff, including fostering information exchange. In regard to the former, even where the Secretariat is not directly involved or plays only a minor role, the simple existence of the PCT as an informal arrangement serves to facilitate collaboration through nearly constant contact among senior tax staffs of the Partners. It thus makes more efficient the Partners' own activities. Indeed, this was a primary impetus for creating the PCT three years ago. This contact is one of the important coordination mechanisms for Partners—along with on-the-ground coordination in recipient countries.

While the PCT itself does not have the mandate for direct provision or coordination of capacity building activities at the country level, there are steps, outlined below, which the PCT can take to promote and facilitate the effective provision of CD activities by Partners and other providers.

c) Activities

In support of the actions outlined above, the PCT proposes the following activities to promote information sharing to assist in facilitating better coordination in capacity development:

- ***The development of an improved PCT website and a new Online Integrated Platform (OIP)*** (actions 1 and 2). The Platform currently has a website, hosted by the WBG⁷, that has been used to disseminate PCT work. Given the nature of the PCT and the growing interest in its products and activities, PCT Partners identified the need to establish a new website hosted outside the World Bank's system and administered by the PCT Secretariat. This external web site will also provide access to the OIP. The PCT Secretariat will have responsibility for the overall development and maintenance of the OIP, while PCT Partners are responsible for providing the data that will feed the OIP (consistent with their policy frameworks for access to information). The OIP will also comprise information on MTRs.
- ***Annual reporting on activities of the PCT*** including a summary of Partners' support for capacity development on tax, including the experience with the implementation of the MTRs (actions 1 and 2). This report will be drafted by Partner organizations, with support of the PCT Secretariat for consolidation of inputs, publication and dissemination.
- ***Helping developing countries to access good tax administration practices*** (action 9). The PCT will reach out to the Forum on Tax Administration (FTA), and Regional Tax Organizations, to work toward stock taking of good practices, starting with technology; the PCT will focus on dissemination.
- ***Supporting developing countries to address international tax issues*** (action 3). PCT Partners continue to focus on the development of toolkits on Base Erosion and Profit Sharing (BEPS) and related international tax matters as mandated by the G20. They also build on existing good practices (e.g. OECD/WB collaboration on BEPS/Transfer Pricing and Exchange of Information) to leverage the Partners' skills and knowledge to help with: exchange of information; provision and use of the information; capacity development in implementing BEPS actions as appropriate and providing analysis of cross border implications.

⁷ See: <http://www.worldbank.org/en/programs/platform-for-tax-collaboration>.

The OIP and PCT report are designed to supplement and not duplicate related initiatives such as the annual ATI (Addis Tax Initiative) monitoring report and the Knowledge Sharing Platform (KSP). PCT partners understand the importance of working with the ATI to make sure that all the relevant data on capacity development supported by bilateral donors and multilateral agencies are consistent.

d) Deliverables

- Online Integrated Platform (OIP)
- Annual Progress Report
- Exchange of information among Partners on country engagement
- Exchange of information and dialogue on MTRSs among Partners and other relevant stakeholders

e) Expected Results and Outcomes

- Stakeholders' access to information on PCT activities
- Enhanced coordination of capacity development activities
- Evolution of a global MTRS community of practice

f) Progress

- **Website and OIP:** Partner organizations and the Secretariat are fine tuning data collection needs, establishing mechanisms for the frequent updates, and determining the level of detail of the information that ultimately could be displayed on a site planned to go live by end-June 2019. In due course, Partners would like to enable integration with the datasets of other providers (e.g. ATI dataset).
- **Exchange of information on country activities.** The Technical Working Group meets at least every two weeks to discuss a range of issues, including Partners' country activities. The IMF and WBG are instituting formats and protocols for continuous exchange of information on support for tax systems in developing countries.
- **MTRS dialogues.** Intensive discussions on MTRSs take place at the country level with those involved in their design and implementation. Further details can be found in Section 3.

Work Stream 2. Analytical Work (actions 4, 5, 6, 7, 11 and 13)

a) Objective

To provide clear, coherent and practical tools and consistent guidance to address a range of tax issues in support of developing countries.

b) Context

Countries need high-quality yet practical guidance to help address complex and rapidly changing tax challenges, especially in the international tax area. PCT Partners have been seeking to address this need individually for many years.

There is clear added value from increased collaboration by the PCT Partners in this area. Joint analytical work and guidance drawing on the expertise from across the Partners can reduce incoherence (both real and perceived), provide common frameworks for countries to address issues, and provide common tools to

draw on in Partners' individual CD activities. The potential of this approach has also been recognized by the G20, which called on the PCT to produce a series of joint toolkits, as appropriate, on BEPS and related international tax matters.

Furthermore, the increased reach of the PCT enables wider engagement both in the development and dissemination of analytical work, for both Platform and, where appropriate, individual Partner products.

c) Activities

The PCT has identified a number of areas where there is a demand for analytical work. This covers areas in which work is already well advanced, as well as new areas that were highlighted at the global PCT conference in 2018. These include the toolkits, the tax treatment of Official Development Assistance (ODA) funded goods and services, as well as analytical work on tax and the SDGs. The Platform will also explore where it may play a useful role in supporting the use and discussion of analytical work undertaken by individual PCT Partners.

- G-20 mandated toolkits on BEPS and related international tax matters** (actions 4 and 5). The PCT will continue to develop joint toolkits, as appropriate, according to the timeline in Table 1. The toolkits are a valuable resource that provide a single point of reference for developing countries on complex issues, thereby reducing the risk of incoherency in advice and guidance. The toolkits also provide a basis for PCT Partners (either individually or collectively) to use in their own capacity building efforts and training. The development of each toolkit will include public consultation and direct dialogue facilitated by the PCT with interested developing countries. Each will be translated into French and Spanish. The development and dissemination of the toolkits will be an integral part of the PCT outreach program (see the section on outreach below). The Platform will continue to engage in dialogue with developing countries and review the issues on which there is highest demand for joint guidance from the PCT.
- Tax treatment of ODA funded goods and services** (action 13). This work is currently taking place through the UN Committee of Experts. PCT Partners agreed to provide guidance and recommendations on the tax treatment of ODA funded goods and services, on the basis of the work in this field by the UN Tax Committee. A number of development partners have changed their approach in recent years, and no longer request and/or require tax exemptions on ODA projects. At the same time, further information about the prevalence and impact of such exemptions has been produced by the African Tax Administration Forum (ATAF), in collaboration with the Overseas Development Institute (ODI). These developments highlight the increased interest in this area, and the potential value of guidelines to help all countries develop and implement an appropriate and effective policy in this area.
- Tax and the SDGs** (action 11). The global PCT conference in 2018 highlighted how many sectors are increasingly looking at taxation as an important factor in delivering the SDGs (e.g. in health, inequality and environment). There are numerous challenges in developing effective tax policies in these areas, from balancing revenue generation against behavioral change to understanding the wider impact on the tax system of narrow sectoral policies. The conference report⁸ provides further articulation of these challenges and highlights the benefits of the development of a framework on

⁸ Available at: <http://documents.worldbank.org/curated/en/860581538762337418/Taxation-and-the-Sustainable-Development-Goals-Conference-Report>.

how to approach them. This will provide the basis for further work in this area, which will be developed further in future years.

- **Analytical work undertaken by PCT Partners** (action 6 and 7). PCT Partners are involved in producing a range of valuable analytical work, for example on tax certainty (with updates delivered to the G20 in July 2018 and June 2019), and the work of the IMF on spillovers (March 2019). The PCT will support in-depth dialogue and discussion in these areas where there is clear demand and value for the PCT to do so.

Table 1. Anticipated date for draft toolkits on BEPS and related international tax matters for public consultations

| Toolkit | Timeline |
|--|---|
| <u>Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment</u> | Completed October 2015 |
| <u>Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analyses</u> | Completed June 2017 |
| <u>Taxation of Offshore Indirect Transfers</u> | Discussion draft released for second round of public consultation July 2018. Final version to be published imminently |
| Implementing Efficient and Effective Transfer Pricing Documentation Regimes | Discussion draft to be released for public consultation Q2 2019 |
| Tax Treaty Negotiation | Discussion draft to be released for public consultation by Q3 2019 |
| BEPS Risk Assessment | Discussion draft to be released for public consultation by Q4 2019 |
| Toolkit on base eroding payments | Discussion draft to be released for public consultations by Q2 2020 |

d) Deliverables

These will primarily be reports/toolkits detailed in the activities section above, which will be complemented by further resources that will be developed for the dissemination and outreach work of the PCT.

e) Expected Results and Outcomes

The specific results and outcomes will vary somewhat depending on the specific focus of each piece of analytical work. Aggregate expected results and outcomes can be summarized as:

- Improved analytical capacity on international tax issues
- Increased coherence of PCT Partners CD activities

f) Progress

- **Toolkits on BEPS and related international tax matters.** The Platform has continued to develop the toolkits on issues that are of particular importance for developing countries. As the toolkits deal with often complex issues for which an agreed standard approach does not necessarily exist, their

production is challenging and requires substantial discussion among PCT Partners and extensive consultation with other stakeholders. Early on, Partners decided that in cases where no agreement can be found the toolkit will clearly state the different policy position of PCT Partners. All this has made producing the toolkits more challenging than expected, delaying their production beyond the original schedule, but is ensuring the final products are of maximum utility.

- *Offshore Indirect Transfers.* The Offshore Indirect Transfers toolkit was published for public consultation in September 2017, producing significant interest and a number of detailed comments from a range of groups representing country authorities, civil society organization and the private sector. Given the volume of comments, and the wide diversity of concerns raised, and the fact that the toolkit addresses a number of difficult international tax issues on which there is limited existing practical guidance, the Platform partners decided to provide for a second public consultation once the toolkit had been revised. The second consultation was launched in July 2018 and ran until September 2018. This was accompanied by a document systematically detailing the comments received and describing how the revised toolkit responds to the comments.⁹ The PCT received a range of further comments in response to this second consultation, requiring further reflection and review of the toolkit. The final version will be published shortly.
- *Remaining Toolkits.* A further five toolkits were originally planned. During 2018 the Platform partners reviewed both the demand and production schedule for the remaining toolkits. In response to feedback, including from developing countries, the planned toolkit on Supply Chain Restructuring has been dropped, not least as many of the issues that would have been addressed in this toolkit have already been addressed elsewhere, including through the BEPS Actions.

Platform partners have integrated the toolkits into their technical assistance at the country level and the guidance and training provided by PCT Partners. The OECD has incorporated the toolkits into its Global Relations Program of multilateral training. The approaches discussed in the toolkit on *Difficulties in Accessing Comparables Data for Transfer Pricing Analyses* will also be considered in the revision of the UN Practical Manual on Transfer Pricing for Developing Countries and are regularly addressed at UN training courses on transfer pricing.

- **Tax treatment of ODA.** All PCT Partners are participating in the work of the relevant subcommittee, alongside Committee members and other stakeholders. The work is focused on revising and updating the 2007 draft guidelines prepared by the International Tax Dialogue Steering Group. The first meeting of the subcommittee took place on 10-12 March 2019, and an update was provided to the Committee of Experts in their April meeting. The guidelines are continuing to be revised, with the intention of adoption by the Committee of Experts before the end of 2020.

⁹ <http://www.oecd.org/ctp/PCT-offshore-indirect-transfers-draft-toolkit-version-1-responses.pdf>

- **Analytical work of Partners.** Outside of the joint products of the Platform detailed above the Platform partners also collaborate and coordinate on the design and delivery of a range of other tools.
- *Revenue Statistics.* The IMF and OECD have increased their collaboration in this area by establishing a Working Group on Government Revenue Data which comprises senior and technical officials from the OECD's Centre for Tax Policy and Administration and the IMF's departments of Fiscal Affairs and Statistics. This working group was established following a meeting in Paris in September 2018 and has since been considering several issues of mutual interest via email, telephone calls, and a second meeting in Washington. The group is exploring areas including further harmonization of the classifications, understanding differences in certain countries via in-depth comparison of the data and sources, communication around the dissemination of the classification and statistics, and mutual involvement in regional workshops. Work is underway on a joint paper delineating the differences between the two datasets. Another example exists in the Pacific region where the IMF regional training center has collaborated with the OECD in a regional workshop with Pacific countries on revenue statistics.

In addition to the collaboration between the IMF and OECD, there is strong collaboration with a range of other regional and international organizations which are partners in the development of high quality, comparable, revenue statistics. These include the African Union, ATAF, Center for Meetings and Studies of Tax Administration Leaders (CREDAF), World Customs Organization (WCO), African Development Bank (AfDB), Asian Development Bank (ADB), Pacific Islands Tax Administrators Association (PITAA), Pacific Community, Inter-American Development Bank (IADB), UN Economic Commission for Latin America and the Caribbean (UNECLAC) and Inter-American Center of tax administrations (CIAT). The OECD works bilaterally with a number of countries to support the development of the capacity in revenue statistics, while the IMF works directly with all the authorities of all its member countries in the production of revenue statistics.

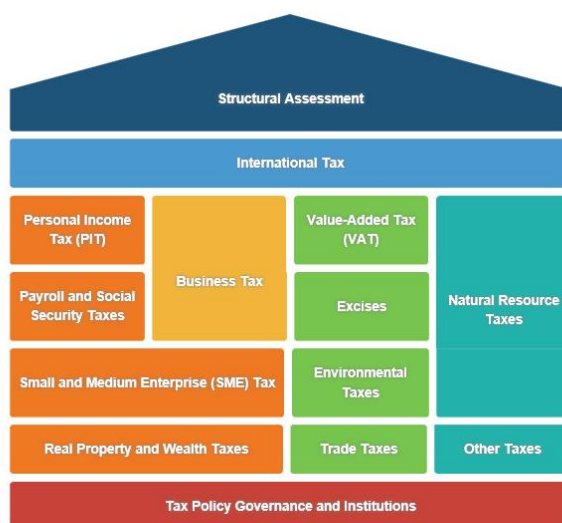
- *Tax Policy Assessment Framework (TPAF).* The IMF and WBG continue to work together on the development of TPAF. Intended as a successor to the IMF's Tax Policy Handbook, TPAF is an online tool that aims to provide a framework for systematic and consistent assessment of tax design. Unlike Tax Administration Diagnostic Assessment Tool (TADAT), for instance, it does not score dimensions of country performance.

TPAF has a modular structure (Figure 1), enabling a sequential and transparent process of development. The first completed module on value-added tax (VAT), is now available online.¹⁰ Modules on personal income tax and excise are in an advanced stage of development. The IMF and WBG provide updates and seek feedback on modules under development at the tax events

¹⁰Available at: <https://www.imf.org/en/Data/TPAF>.

they organize at every Annual and Spring Meetings.¹¹ As was the case with the VAT module, there will be an online consultation process before finalization.

Figure 1. TPAF Modules



- *Tax Administration Tools.* There has been increased focus in recent years on new tools to assist with tax administration development and reform. As the process of tax administration reform consists of multiple stages (diagnostic, design, implementation, and monitoring and evaluation), different tools have been developed to assist at different stages of the process. Given the broad scope of tax system reform, and the capacity building support available, tools also vary in terms of the level of specificity they provide, and to the extent to which they are designed to integrate with capacity building programs. These tools are universal in approach seeking to address the needs of all countries to continue to improve and strengthen their tax systems. Section 3 in the Note on Complementarities (Annex 1) provides an overview of the range of most common tools and frameworks to strengthen tax system provided by the Platform partners, and others. Taken together these provide a powerful range of tools, approaches, and data to support tax system reform.

Work Stream 3. Outreach and Engagement (actions 5, 10 and 12)

a) Objective

Foster informed and effective participation of all stakeholders, especially developing countries, in international tax discussions, as well as help developing countries access knowledge, experience and good practice in tax policy and administration (including legal aspects).

¹¹For practical reasons, this event did not take place at the Bali meetings in October 2018.

b) Context

Effective outreach of PCT work will be an ongoing cross-cutting effort that supports all major activities of the Platform. In particular, effective outreach supports greater transparency of the work and, as such, complements and leverages activities described under work stream 1. Outreach—in which terms we include not only dissemination but also dialogue that provides input to the work of the PCT—is also vital to ensuring both the quality of and a significant impact from the analytical work stream, enabling countries to access and use guidance developed by the Platform that is sensitive to their needs and circumstances. Dissemination activities will allow the PCT to bring to a wider audience the lessons learned from country-led MTRS implementation and other CD activities, as well as, to ensure the usefulness and dissemination of the practical tools and consistent guidance for developing countries derived from work stream 2.

Ultimately, effective outreach activities should enable relevant stakeholders, especially developing countries, to provide substantive input into, and feedback on, international tax policy discussions. In this context, outreach efforts must address the need for partnership and dialogue with a wide range of stakeholders, as well as the importance of strengthening the capacity of developing countries to effectively engage in relevant international tax policy discussions and institutions.

c) Activities

- The PCT will seek inputs from developing countries and relevant stakeholders in the development of its toolkits through targeted events and dialogue as well as broad-based online consultations (action 10).
- The PCT will organize targeted 1-2-day workshops at the regional level for covering relevant issues for developing countries, including to support the development of toolkits, experiences with MTRSs, and dissemination of the finalized toolkits and other PCT products to ensure their effective dissemination and implementation through training and knowledge-sharing. In addition, other development partners will be encouraged and supported to make full use the toolkits in their CD activities (actions 5 and 10).
- The PCT and its Partners will hold occasional side events in the margins of official events to consult with individual and groups of stakeholders (action 12).
- The PCT will transmit regionally, or more broadly, lessons from TA including the implementation of country-led MTRSs, thereby supplementing the efforts of the Partner themselves (action 12).

d) Deliverables

- At least two 1-2 day workshops at the regional level for developing countries per year to develop and disseminate toolkits.
- Online consultation for each toolkit.
- Regular communication and dialogue on lessons from CD activities, especially MTRS.

e) Expected Results and Outcomes

- Greater and more effective participation of developing countries in the global forums that discuss issues of international tax standard setting and implementation issues on tax policy priorities, through the G20, and other key meetings of the partners.
- Development of toolkits that reflect the distinct concerns and circumstances of low-income countries.

- Wide use of PCT toolkits, including in developing countries, especially low-income countries.
- International tax policies and standards that duly reflect the inputs of a diverse group of stakeholders, especially those of developing countries.
- Strengthened capacity of developing countries to address international tax issues, including by making use of the toolkits and other substantive guidance provided by Platform partners.

f) Progress

Outreach activities have included: i) briefings in the margins of Partner activities; ii) training on the application of PCT toolkits; as well as iii) the electronic dissemination of PCT activities through its website.

- **Briefings.** On 9 October 2018, the Partners of the PCT held a panel discussion in Bali, Indonesia. The event titled “Stepping up to the Challenges on Domestic Resource Mobilization – the Power of Cooperation”, was open to all registered participants in the 2018 IMF-WBG annual meetings. PCT representatives addressed the challenges that countries face to mobilize taxes and other domestic resources for meeting their national development goals, particularly in an increasingly digital economy. Speakers highlighted that each of the four PCT organizations have different mandates, instruments, membership and relative strengths that they bring to the table. The discussions also ventured into the opportunities and challenges related to the digital economy. The digital economy is hard to tax because digital technology has allowed multinational enterprises to conduct some of their core business activities without having a physical presence in the market country, thereby avoiding payment of any tax in that jurisdiction. At the same time, participants emphasized that digitalization also offered opportunities to tax administrations, as it unlocked new ways of gathering, analyzing and sharing of information.

On 26 April 2019, senior officials of the four PCT Partners, as well as the PCT Secretariat, briefed government officials and external stakeholders at the UN Headquarters in New York on recent activities of the PCT and its work program for 2019-2020. The meeting was open to all Member States and other interested stakeholders. Short presentations by PCT members on PCT activities to implement the work program were followed by a lively debate among panelists and participants. During the discussion, several participants welcomed the increased collaboration. Others highlighted the need to ensure that the PCT Secretariat does not overreach its mandate and to clearly delineate areas where there are policy differences when summarizing public discussions organized by the PCT. Representatives of PCT Partners reaffirmed that the primary purpose of the PCT was to enhance the exchange of institutional information, particularly on capacity development activities, with the objective to avoid duplication of efforts and forge synergies between the Partners. Governance structures and policy positions of its member organizations are fully respected and the guiding principles of the work of the PCT remain the landmark agreements of 2015, including the Addis Ababa Action Agenda, the 2030 Agenda and the Paris Agreement.

Updates on the work of the PCT are a regular feature of meetings of the OECD’s Inclusive Framework and Committee on Fiscal Affairs (CFA), where the IMF, UN and WBG are observers. Each plenary meeting of the Inclusive Framework features an item on the PCT as part of the agenda. This provides a forum for dialogue between the Inclusive Framework and PCT.

Partners continue to take advantage of other events to inform participants of, and disseminate, the work of the PCT. The IMF, for example, invited all Partners to its annual regional tax event in Tokyo (organized jointly with the Ministry of Finance [MOF] of Japan), at which a presentation was made to update on the work of the PCT.

- **Training workshops.** The OECD held training workshops on the toolkit on “Addressing Comparable Data for Transfer Pricing” on 24-28 September 2018 in Malaysia and on 13-15 November 2018 in Russia. The training addressed some of the challenges associated with difficulties in accessing comparables data. It focused on making the best use of available data and discussed the sources of data and how the use of available data may be optimized through widening the criteria for data-selection and the use of comparability adjustments. It also stressed that the selection of the most appropriate transfer pricing method, on the basis of a detailed factual analysis, is central to the application of the arm’s length principle. It further emphasized issues that arise, and solutions that may be available, where adequate data on transactions between independent parties are not available. Further training workshops on comparables are planned for the second half of 2019 in Hungary, Mexico, Turkey and Republic of Korea.¹²

A 1-week outreach event on the draft toolkit on Offshore Indirect Transfers of Interest was also delivered at the OECD’s Policy Center in Seoul, Korea in October 2018. The outreach event was co-facilitated by OECD, IMF and WBG staff, and brought together policy makers (22 participants from 12 countries) to discuss the draft toolkit as part of the broader commitment of the PCT to enhance tax cooperation and increase engagement with countries on international taxation issues. Future outreach in respect of other toolkits is also being planned.

- **MTRS workshops.** The PCT is planning several regional workshops in which the concepts of, progress with and lessons learned from MTRS design and implementation can be discussed through facilitated interaction of interested countries at different stages of revenue reform. The organization of these is a key task of the PCT Secretariat—with the main substantive inputs drawing on the Partners’ experiences, and the Secretariat providing materials as well as logistical support.

III. Medium-Term Revenue Strategies: Status and Lessons

Status

As set out in the PCT’s 2016 report, an MTRS provides a comprehensive approach to boosting tax revenues over the medium term, while supporting efficiency and equity objectives, by aligning tax policy, revenue administration and legal reforms around (i) a coherent plan embraced by all of government, as well as other stakeholders. A key feature of an MTRS is (ii) high-level political support over an extended period, with (iii) revenue goals being aligned with spending/development needs. It also serves as (iv) a vehicle to align the efforts of multiple capacity building partners active in the reforming country—though it is important to note that this is by no means its only function, nor perhaps its most important one. These four components are interdependent.

¹²See OECD Global Relations Programme Calendar of events for details - <http://www.oecd.org/ctp/tax-global/global-relations-calendar-of-events.htm>.

The MTRS provides a comprehensive framework for undertaking long term tax reform—for countries that are ready and able to commit to such a framework. So far, the IMF and WBG have been most involved in supporting the design and implementation of the MTRS, given their typically larger presence in country. The OECD and UN are currently not involved in the design or implementation of the MTRS the country level. Many countries are fully engaged in tax administration, law and/or policy reforms that provide a basis for at developing a broader framework—particularly one integrated with and based upon an analysis of development spending needs. In some cases, these ongoing reforms are taking place through “intensive engagements” financed under the IMF’s Revenue Mobilization Thematic Fund or WBG’s trust funded Global Tax Program, for example.

Almost twenty countries are presently engaged with Partners in discussing, designing or implementing an MTRS:

- *Early implementation:* Papua New Guinea (PNG).
- *Formulation support:* Egypt, Indonesia, Lao PDR, Pakistan, Thailand, Uganda.
- *Dialogue pre-formulation:* Albania, Bangladesh, Benin, Ethiopia, Georgia, Honduras, Jordan, Mongolia, Myanmar, Senegal, Uzbekistan, Vietnam.

A description of progress in each of the countries is provided in Appendix A of the Note on Complementarities. Published plans are available for PNG¹³ and Indonesia—an important facet of generating stakeholder engagement in the MTRS process. Experiences in Myanmar, Uganda and Uzbekistan are described in Appendix C.

An MTRS is not appropriate in all circumstances. For example, where states are fragile, or in post-conflict situations, advice and collaboration with the country government may begin best with more targeted, stabilizing, initial interventions. As discussed in a 2017 IMF Policy Paper, based on IMF experience in technical assistance in fragile states and post conflict countries, there is a need to start with first stage tax system reforms to build basic capacity to mobilize revenues—this is particularly so in post-conflict countries. This stage normally requires substantial external support and could take several years, depending on the situation of the country. When some capacity has been created and reforms have progressed well countries could embark on second stage tax system reforms, leading at some point into an MTRS.¹⁴

Lessons learned

Even at this relatively early stage, some lessons can be drawn from these experiences:

- First, it is crucial that the government (pursuing country-based objectives) triggers the need for an MTRS, either by wanting to expand narrowly focused tax changes or transition ongoing tax system reform efforts into an MTRS. Country ownership and government’s lead role are critical to success.

¹³Papua New Guinea’s MTRS document is at:

https://www.treasury.gov.pg/html/media_releases/files/2018/MTRS%202018-2022.pdf.

¹⁴ For more discussion, see IMF Policy Paper *Building Fiscal Capacity in Fragile States*, June 2017. See: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/06/14/pp041817building-fiscal-capacity-in-fragile-state>.

- Second, tying the revenue mobilization goals of an MTRS to a careful analysis and assessment of development spending needs over the longer term—that is, to the financing frameworks needed to support progress towards the SDGs—is critical not only to motivating but to designing the revenue strategy. The IMF and the UN, especially, are working on analysis and tools to make this feasible.¹⁵
- Third, it is crucial that the authorities develop the right understanding on the medium-term horizon an MTRS entails, notably to commit the political support during the span of the formulation phase, and subsequently during the implementation phase. Though shorter, the formulation does take some time, particularly in: conducting spending needs vis-à-vis revenue mobilization analysis, preparing initial drafts, and then engaging in public consultation to develop country ownership.¹⁶ Implementation is certainly longer, and the political support is even more critical, notably to stay the course when the MTRS demands: improving the tax policy setting, pursuing institutional reforms, and aiming to substantially improve taxpayers' compliance.
- Fourth, not every MTRS process will look the same. There is no “cookie cutter” approach. Both the development and the design of an MTRS will start from the individual country's position at the time and reflect its own distinct circumstances and political realities.
- Fifth, establishing strong and stable MTRS governance arrangements to guide and provide the political support at the highest level is crucial. They must be sustained during the span of the MTRS horizon and established at the ministry of finance and revenue agency levels. These arrangements will enable translating formulated MTRS into full implementation.
- Sixth, a very helpful approach in achieving effective coordination and thus efficient and effective design, analysis and implementation, is the creation of a local on-the-ground working group comprised most importantly of quite senior level authorities from all relevant ministries and agencies, and all CD providers engaged in the reform. Such a committee or group should meet regularly. Ideally, the authorities will take the lead—but experience shows that support from a lead provider may be needed, depending upon the situation.

IV. PCT Partners' Support to Capacity Development in Developing Countries

The four PCT Partners undertake CD activities through different modalities to support country efforts on tax issues (see Section 3 of the Note on Complementarities in Annex 1). Where Partners provide support to the same country, they use different modalities or cover different aspects to complement each other's efforts.

¹⁵See for instance Vitor Gaspar and others, 2019, *Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs* SDN/19/03, at: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444>. This staff discussion notes highlights how challenging it will be in some countries to meet the SDGs from the financing needs perspective; which in some cases (notably fragile states) would require increasing the tax-to-GDP level by around 15 points of GDP. In these countries, the time horizon of the revenue mobilization challenge may extend well after 2030.

¹⁶Based on work with several countries, the IMF is preparing a *How-to Note* on MTRS formulation. Subsequently, a *How-to Note* on MTRS implementation will with also be prepared building on implementation cases.

This section provides an overview of Partners' activities across countries with an explanation of complementarities in the provision of support.

International Monetary Fund (IMF)

The IMF supports DRM efforts in more than 90 countries per year:

- Its support is built on technical assistance aimed at providing comprehensive support to tax system modernization, following the several phases of tax system reform—diagnostic, design, implementation, and monitoring and evaluation.
- This support is provided through: around 200 HQ-led missions; 550 short-term expert assignments; 30 long-term expert assignments (including around 13 through the IMF Regional CD centers—which cover 110 countries); as well as targeted workshops, research and analytical papers, and policy dialogue and advice.
- IMF efforts take place in the context of regular assessments of countries' taxation frameworks through its bilateral surveillance function as well as IMF supported programs. The focus is on macroeconomic aspects and the need to improve growth, economic equity and stability.

Organisation for Economic Co-operation and Development (OECD)

The OECD is currently providing support on tax issues to over 100 countries:

- OECD efforts largely take place in the context of its role as standard setter in international tax through the Global Forum for Exchange of Information for Tax Purposes and the Inclusive Framework on Base Erosion and Profit Shifting – though membership of either forum is not a pre-requisite for support.
- This support is provided through: Peer Review for countries that commit to international tax standards, bilateral capacity building activities on BEPS/Transfer Pricing and Exchange of Information (in over 50 countries);¹⁷ implementation of the Tax Inspectors Without Borders (TIWB) program in partnership with UNDP (in 42 countries); and Multilateral Training through the Global Relations Program (events hosted in 17 countries) and regional Tax and Crime Academies, including e-learning.

United Nations (UN)

Currently, the UN provides support on tax issues in over 47 countries:

- Its support is built on its principal institutional goal to support Member States and other stakeholders in efforts to strengthen domestic resource mobilization for sustainable development.
- The UN provides support through: training activities, delivery of bilateral technical assistance (in five countries) and implementing the TIWB program together with the OECD (in 42 countries), and

¹⁷These are frequently provided in partnership with others, including Regional Tax Organizations and other international organizations.

production of publications and other capacity development tools, such as online courses. Publication and handbooks provide concrete guidance to developing countries in designing effective and efficient tax systems, including on double tax treaties, double taxation, transfer pricing, and tax incentives among other areas.

- UN efforts take place in the context of UNDESA's role as focal point for the overall follow up on the intergovernmental commitments made on DRM in the 2002 Monterrey Consensus, the 2008 Doha Declaration on Financing for Development, and the 2015 Addis Ababa Action Agenda. Its capacity development program on international tax cooperation draws on and provides input to the works of the UN Tax Committee, with a view to widely disseminating and operationalizing the Committee's outputs as capacity development tools for the benefit of developing countries.

WBG Group (WBG)

As of May 2019, the WBG provides on-going CD support in 91 countries with 295 DRM-related lending operations and other activities:

- Its support is built on the Twin Goals of ending extreme poverty and boosting shared prosperity, with commitments to the Sustainable Development Goals and Finance for Development agendas, with the aim to help countries tax better, more fairly and equitably.
- This support is provided through: a strong in-country presence (45 percent of WBG staff is located in countries); analytical work and technical assistance (in more than 50 countries); and investment and policy lending to DRM projects (in 52 countries with total loan commitments for DRM of US\$1.3 billion).
- WBG efforts take place in the context of Strategic Country Diagnostics and Country Partnership Frameworks that guide identification of reform priorities, project design, and financing options to address country needs.

V. PCT Partner Collaboration: Steps for Further Improvement

The Note on Complementarities in Annex 1 details how PCT Partners are working together. But there are opportunities for continuing to improve the efficiency and effectiveness of that collaboration for the benefit of countries. The idea is not to replicate any existing functions of the PCT Partners, or to shift functions from the Partners to the Platform Secretariat, but rather to propose a range of activities that will complement the work already being undertaken and enhance its impact.

Identifying DRM country contact points

To further enhance information flows and cooperation, the PCT Secretariat will consolidate a list of DRM Partners' contacts by country. This information will ensure PCT Partners can easily connect to other DRM experts and build a DRM community of practice on a country-by-country basis. In most cases, DRM country leads will be familiar with their counterparts in other international organizations, but an up-to-date contact list by organization will assist with the transition of personnel and provide clear guidance on the primary contact for coordination of DRM country activities across PCT Partners.

Next step (i): PCT Partners will provide a list of DRM partners' contacts by country. The contact lists will be shared among Partners through the PCT Secretariat. The information will be available to PCT Partners only and updated as required.

Clarifying collaboration on in-country DRM activities

For effective collaboration in cases where two or more PCT Partners are engaged in the delivery of support to a country, PCT Partners will ensure effective internal communication through the use of the OIP and communication between DRM country focal points within each Partner organization.

Next step (ii): PCT Partners will provide guidance on the use of OIP data and focal points list to their staff and provide updates, through the PCT Secretariat, on key aspects of country-level collaboration, including agreement on work programs.

Enhancing PCT information exchange with other stakeholders

In due course, Partners aim to integrate OIP information with complementary datasets. In particular, there may be benefits in seeking integration with the Database on DRM engagements developed by the ATI.¹⁸

Next Step (iii): The PCT Partners will seek to help facilitate integration with the ATI's database on DRM engagements.

Collaboration on MTRS

PCT Partners will continue their collaboration in support of country-led MTRSs. PCT Partners that work on an MTRS will share draft MTRS documents throughout the design process, subject to the agreement of the country authorities who lead the process. PCT Partners are well placed to have a specific role in supporting and participating in country-level consultative groups, which may include government agencies, donors and other national stakeholders. Such consultative mechanisms are critical for balanced and coordinated technical support for the MTRS, promoting political commitment, and coordination of efforts across government and providers of financial and technical support.

The development of an MTRS will take time and may look very different in different countries. Thus, none of this should be taken as indicating that there is a bright line between "an MTRS" and the development of a reform plan more generally. An MTRS is not only, or even mostly, about coordination of development partners. Nor should collaboration depend upon such a distinction.

¹⁸The ATI DRM Database is available at <https://drm.taxcompact.net/>. Three of the PCT Partners are observers of ATI.

Next step (iv): With the country in the overall lead on the MTRS process, PCT Partners will share information on MTRS engagements directly with each other and through the PCT Secretariat. Partners will also promote country-led consultative groups on the MTRS and use these as a mechanism for coordination advice and support with all stakeholders, including PCT Partners. Collaboration would be similar on reform plans which are close to, but not formally recognized as, MTRSs.

Next step (v): PCT Partners to incorporate an assessment of collaboration into the PCT Results Framework and PCT activity monitoring and evaluation.

Annex 1. Note on Complementarities between the Platform Partners

Strengthening tax systems – policy, administration and legal framework—is a key development priority and a part of the Sustainable Development Goals (SDG) and the Financing for Development (FfD) agenda. Multilateral organizations are providing substantial and increased support to developing countries for their domestic revenue mobilization (DRM) efforts.

The Platform for Collaboration on Tax (PCT) was established in 2016 to bring together the experiences and expertise of the four largest multilateral organizations active in tax matters, reflecting the organizations' different priorities and roles. The PCT is increasingly becoming a central vehicle for enhanced cooperation on revenue issues among the IMF, OECD, UN and WBG, and for fuller exploitation of their complementarities and synergies among them, while fully respecting the governance mandates and policy positions of the partner organization.

The emphasis on strengthening domestic revenue mobilization in developing countries in response to the adoption of the SDGs and the Addis Ababa Action Agenda in 2015 has prompted each of the PCT Partners to expand their work in developing countries and to undertake increasingly large portfolios of tax-related activities. This is a welcome development, but it has also increased the risk of duplication and the potential for confusion over roles and accountabilities.

PCT Partners recognize the impact this could have on recipient countries, donors and other stakeholders, and Partners' responsibility to mitigate these risks. To this end, PCT Partners are working to better harness their complementarities, deepening and strengthening their collaboration in the areas where it already takes place and filling any gaps where it may not. Building up from the mandates and activities of each of the Platform partners this information note sets out the principles on which collaboration between them is based. Through a number of examples, it illustrates how the PCT partners are finding and leveraging complementarities between them in various ways, a process that is continually evolving.

1. Foundations of Collaboration

The four PCT Partners are multilateral international organizations, but with different institutional mandates, governance structures and memberships. Their work on taxation fits within the framework of each of those mandates, with all committed to alignment with the agendas for SDGs and FfD. This means that their contributions should to a large degree be intrinsically complementary.

Since its inception in 2016, the PCT has identified the ambition to:¹⁹

- Systematically share information, including on country-level engagements;
- Produce concrete joint outputs and deliverables under an agreed work plan, implemented in collaboration by all or selected PCT Partners and leveraging each institution's own work program and comparative advantage. The outputs cover a variety of domestic and international tax matters;

¹⁹See the 2016 Concept Note of the PCT: <http://documents.worldbank.org/curated/en/801891468196141038/The-platform-for-collaboration-on-tax-concept-note>.

- Strengthen dynamic interactions between standard setting, capacity building and technical assistance, with experience and knowledge from capacity building work feeding into standard setting and vice versa; and
- In addition, the development of the MTRS both conceptually (by all Partners) and in implementation (thus far by the IMF and WBG) has identified further potential benefits in deeper collaboration among the Partners (and other stakeholders).²⁰

The establishment of the PCT Secretariat has a key role to play in facilitating this collaboration. It is evolving into a central hub for information (through the Online Integrated Platform [OIP]) and will be a vital resource for organizing the various processes that are vital to enable successful collaboration.

2. PCT Partner engagement on DRM

Collaboration takes place across the work programs of PCT Partners, and opportunities to extend this in new ways are being pursued, as discussed further below. To provide background, this section briefly describes each Partner's mandates, areas of focus, and means of delivery—and sums up each with one key area that characterizes the Partner's work on DRM.

International Monetary Fund (IMF)

IMF member countries' taxation frameworks are regularly assessed in the context of the Fund's bilateral surveillance, monitoring members' economic—including fiscal—policies under their commitments under Article IV of the Fund's Articles of Agreement. Strengthening taxation frameworks and administration are almost always key objectives of IMF supported programs, including through conditionality. In addition, under Article V of the Fund's Articles of Agreement member countries may seek capacity development assistance from the Fund, which it may provide in its areas of expertise. In line with the Fund's overall objective to contribute to the promotion of high levels of employment and real income of all member countries, the Fund's capacity development work in taxation is structured in close synergy with expenditure analysis and support, and is tailored to members' overall macroeconomic situations and need to improve growth, economic equity and stability.

IMF staff also carries out analytic work in the broad area of taxation, both domestic and, increasingly (responding to member countries' demand) cross border—including cross-country spillovers. This work ranges from technical notes to cutting-edge research, with some focus on economic and quantitative analysis. The IMF also provides targeted training and is developing online courses in tax policy and administration.

The IMF provides advice and analysis on the overall structure of tax and customs systems as well as their administration, with additional areas of expertise in both natural resource and environmental/climate fiscal issues. And the IMF also provides legal drafting advice in all main areas of tax law and administration.

²⁰ See the 2017 PCT paper on Enhancing the Effectiveness of External Support in Building Tax Capacity, <http://pubdocs.worldbank.org/en/858011469113510187/Enhancing-the-Effectiveness-of-External-Support-in-Building-Tax-Capacity>.

Taxation activities, as a core function, are financed in the same manner as IMF surveillance and program lending, from the financial resources provided by IMF member countries. In addition, now about half of all capacity development activities are financed through contributions from donor countries, bi-laterally or through multi-donor thematic funds, three²¹ of which finance revenue activities.

Fund resources are governed in accord with the general rules of IMF governance, by IMF Management and the Executive Board. In the case of donor thematic funds, formal donor steering committees meet twice yearly to provide high-level guidance and supervision over the expenditure of the funds.

The IMF provides tax capacity development each year to about 100 countries, by or under direct supervision of about 100 professional tax staff, all directly engaged in country support on tax matters. Of these around 30 are stationed in-country, including in the IMF's 10 regional technical assistance centers. In addition, dozens of short-term tax experts work closely and directly with IMF staff on missions and short-term country visits. All of these professionals are drawn from ministries of finance, tax and customs administrations, and academia around the world. (For example, in just one of the two revenue administration divisions, headquarters staff and long-term experts come from 21 different countries, with half of them from developing and emerging market countries). This work is closely integrated in the Fund's wider engagement with its members, including through more than 50 fiscal economists at headquarters embedded in country teams, and in-country resident representatives. The IMF also produces revenue and other tax statistics.

Summary point: Taxation issues are central to all of the core functions of the IMF—surveillance, lending and capacity development—further supported by staff's analytical work and embedded in the Fund's macroeconomic work—focusing on individual countries, on regions, and on international spillovers.

Organization for Economic Co-operation and Development (OECD)

The OECD's mandate on revenue mobilization is to contribute to the shaping of globalization through the promotion and development of sound tax policies, international tax standards and guidance that will help governments to maximize growth while achieving social objectives.²² The OECD's mandate also includes promoting development co-operation in support of Agenda 2030.²³

In line with its mandate the OECD's focus in revenue is primarily on international tax standards including: international corporate tax, exchange of information, revenue statistics, international aspects of VAT, sharing of best practices (including in approaches to tax and financial crimes); and on monitoring of development cooperation (largely in terms of OECD country financing). The business model is the creation of international standards, and associated instruments to support implementation (e.g. Multilateral Convention on Mutual Administrative Assistance in Tax Matters, Common Reporting Standard, and Multilateral Convention to Implement Tax Treaty Measures to Prevent BEPS). For countries committing to implementation, the OECD provides the framework for peer review to encourage consistent implementation, as well as capacity building for developing countries in regard to these standards. Funding is received from OECD members, from subscriptions to major programs (such as the BEPS project and the

²¹Including TADAT.

²²See Resolution of the Council [C(2018)72, Annex IV].

²³See Resolution of the Council [C(2017)134].

Global Forum) and from voluntary contributions for capacity building and outreach work. In-kind support is also provided in the form of staff secondments.

The Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) are responsible for agreeing and implementing the standards to tackle tax avoidance and evasion, including through a robust peer review mechanism. The member jurisdictions of the Inclusive Framework (129) and the Global Forum (154) work together on an equal footing. The remaining areas of work are governed by the Committee of Fiscal Affairs.

The OECD provides bi-lateral capacity building in the areas of its focus, frequently in partnership with others (e.g., regional tax organizations; the WBG; the UNDP in the case of Tax Inspectors without Borders), this has covered over 30 countries in transfer pricing and BEPS issues, and over 60 countries in respect to exchange of information. While the majority of capacity building is provided to countries that have joined the Inclusive Framework or Global Forum, and committed to implementation of standards, membership is not a prerequisite, and support has been, and is, provided to countries that are not members.

In addition to bi-lateral support, an extensive program of multilateral training has been provided for many years in these areas, primarily through a network of multilateral tax centers. This program has provided training to over 25,000 officials since 1992, and is currently training around 2000 officials from over 100 countries per year. This program is now being complemented with the development of e-learning programs. More recently the OECD has established principles and training to strengthen the capacity of criminal tax investigators to tackle tax crimes and other financial crimes. A network of Tax and Crime academies has been developed in Argentina, Italy, Japan, and Kenya.

The OECD also houses the Forum on Tax Administration (FTA), which brings together the Commissioners of 53 tax authorities from OECD and non-OECD countries. It creates a forum through which Commissioners can identify, discuss and influence relevant global trends and develop new ideas to enhance tax administration around the world. The FTA has established a capacity building network to help FTA members frame their capacity building contributions on a more coordinated, cost-effective and strategic way.

There are about 170 tax related staff, with around 44 working primarily on development issues. Many OECD staff are drawn from ministries of finance and tax administrations, some on secondment.

Summary point: OECD tax expertise has traditionally focused on international taxation issues, leading to its key role in standard setting in that area, and to the development and maintenance of instruments to enable implementation. This is supported by a robust peer review framework, and a range of capacity building and training.

United Nations (UN)

The UN mandate on domestic resource mobilization is embodied in the DRM commitments of the 2002 Monterrey Consensus, the 2008 Doha Declaration, and the 2015 Addis Ababa Action Agenda in support of the 2030 Agenda for Sustainable Development. Its overall mandate is to scale up international tax cooperation in a way that is universal in approach and scope and fully takes into account the different needs and capacities of all countries.

The primary vehicle through which the Economic and Social Council has worked to strengthen international tax cooperation is the Committee of Experts on International Cooperation on Tax Matters (the “Committee”), which includes 25 members nominated by governments but appointed by the Secretary-General and acting in their individual capacities. The Committee reviews and updates the UN Model Tax Treaty and the Manual for Negotiation of Double Tax Treaties between Developed and Developing Countries; provides a framework for dialogue; develops assessments and recommendations regarding new and emerging issues in international taxation; and makes recommendations on capacity development. There are a number of subcommittees for various topics within this, including transfer pricing, treaty issues, digitalization of the economy and natural resources. The UN including UNDP, United Nations Conference on Trade and Development (UNCTAD) and its regional economic commissions, develops and undertakes capacity development activities in developing countries, directly linked to the work of the Committee. The country level presence of the UN system is called on to support tax work. Tools include training activities, technical assistance delivery, and production of publications and handbooks. The International Tax Cooperation Unit and Capacity Development Unit in the UN Secretariat include 7 staff at UN Headquarters.

Summary point: The UN provides a principal venue for the development of international tax norms and policy guided by the work of its Committee. The UN’s capacity development programs in international tax cooperation are directly linked to the work of the Committee and aim at strengthening the capacity of the ministries of finance and the national tax authorities in developing countries to develop more effective and efficient tax systems, including in support of their national sustainable development strategies.

WBG Group (WBG)

WBG’s mandate is to promote long-term economic development and poverty reduction by providing technical and financial support to help countries reform and implement specific projects, including revenue mobilization. In 2013, the WBG Group adopted two new goals—the Twin Goals—to guide its work: ending extreme poverty and boosting shared prosperity.²⁴ As part of the 2018 round for replenishing resources to support development in the 75 lowest-income countries under the International Development Association (IDA), WBG adopted a goal of helping IDA countries achieve a share of revenue of at least 15 percent of GDP – considered a minimum threshold for a state to function effectively – while minimizing market distortions and ensuring equity.²⁵

WBG supports country-level programs through design and delivery of tax policy and tax administration technical assistance and lending projects, based on detailed analysis of DRM challenges and solutions. The engagement with countries responds to their needs and demand. WBG engagements on DRM work across sectors and link DRM solutions to macro-fiscal and debt concerns, equity, private sector development and jobs, climate and other issues by bringing in sectoral expertise from across WBG.

²⁴See WBG, 2013, A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals, <https://openknowledge.worldbank.org/handle/10986/20384>.

²⁵See WBG, 2016, International Development Association (IDA) 18 : special theme – governance and institutions, <http://documents.worldbank.org/curated/en/368341467989536274/International-Development-Association-IDA-18-special-theme-governance-and-institutions>.

The WBG has a range of instrument for supporting capacity development in client countries. Its Analytical Services and Advice comprises technical assistance and economic and sector work, which produces studies and analytical reports to support clients in planning and implementing effective programs and projects. WBG provides detailed technical support to member countries on delivery options for changes to the tax regime, including to address efficiency and equity issues, and implementation of technology solutions, organizational reform, business, process reengineering, and human resource management transformation of tax administrations. Donor Trust Funds support many of the Bank's activities on DRM, including the Global Tax Program with \$55 million in committed contributions from donors over the next four years. In addition, WBG deploys a variety of lending instruments to meet country needs, including Investment Project Financing for projects that have a long-term horizon (usually about 5) and that finance goods, works, and services; Development Policy Financing, which generally have a short-term focus (about one to three years) and provide quick-disbursing external financing to support policy and institutional reforms; and Programs-for Results, which link disbursement of funds directly to the achievement of specific program results.

Country needs and demand as expressed in Strategic Country Diagnostics and Country Partnership Frameworks guide WBG's activities, including in DRM. These involve identifying reform priorities, designing related projects and delivering financing options to address member country needs. Technical advice and lending solutions to implement country strategies are provided through Global Practice Groups, with approximately 100 staff involved with the delivery of support to countries in the area of DRM and technical expertise provided by the 25 staff in the Global DRM Unit. The WBG has an extensive presence in member countries, with about 45 percent of staff located in-country, where they interact with governments and other local stakeholders on a day-to-day basis.

In addition to delivering country-level programs, the Bank works to strengthen international collaboration, including on tax issues, ensuring the interests of developing countries are reflected. The Bank hosts the PCT Secretariat.

Summary point: WBG's direct support to member countries in the tax area largely comes in the context of its extensive program and project lending—entailing major spending which can finance short- and long-term reforms supplemented by technical assistance and advisory support and draw on cross-sectoral expertise and extensive on-the-ground presence in developing countries.

3. Tools and Delivery Models applied to DRM by PCT Partners

Given the diverse needs of member countries, a range of tools and delivery models are used by the PCT Partners in the delivery of their work. The following is a discussion of the tools currently being applied to support DRM, and the various delivery models utilized.

Tools and Frameworks

In recent years, the landscape of tools and frameworks to support countries in formulating and implementing tax system reforms, in its multiple stages, has changed significantly. As described in the PCT report on enhancing capacity building (see footnote 20), tax system reform (TSR) comprises four distinctive stages: diagnostic, design, implementation, and monitoring and evaluation. At the beginning of 2000, there were only a few tools and frameworks to support these phases. For example, for the diagnostic phase there

were the EU fiscal blueprints, the tax administration indicators of the Public Expenditure and Financial Accountability Framework (PEFA), with capacity development (CD) missions being the tools to assess tax system; and data on tax administration was gathered by multiple organizations in parallel exercises, imposing significant costs on countries.

Now, countries and development partners (DPs), can access a variety of tools and frameworks (hereafter simply 'tools') to inform aspects of, and assist with, the different TSR stages. Figure A-1 below provides a comprehensive view of the several tools supporting TSR in its four stages.

Some of these tools have been developed by individual PCT partners (e.g. the IMF's Revenue Administration Gap Analysis Program (RA-GAP), the WB's Doing Business); others in cooperation among PCT partners (e.g. UNDP/OECD's Tax Inspectors Without Borders (TIWB)); and others by PCT partners in collaboration with the broader community of DPs—for example the Tax Administration Diagnostic Assessment Tool (TADAT) and the International Survey on Revenue Administration (ISORA).

In supporting the different TSR stages, these tools serve different purposes and should be used in different ways. Besides, given the broad scope of TSR and the CD support available, the tools also vary in terms of the level of specificity they provide, and the extent to which they are designed to integrate with CD programs. Their functions are briefly explained in Figure A-1; a brief description of their interactions along the TSR stages follows.

- *TSR's Diagnostic stage tools*—In this stage, tools are of two natures: diagnostic assessment and data gathering.
 - The *diagnostic tools* aim to assess different components of the tax system in a country. Some are focused on assessing strengths and weaknesses of revenue administrations in either a targeted manner (e.g. RA-GAP, and CD missions), or comprehensively (TADAT, EU fiscal blueprints, and CD missions). Others are focused on assessing the tax policy setting in a targeted or comprehensive manner—Fiscal Analysis of Resource Industries (FARI), Tax Policy Assessment Framework (TPAF), Tax Expenditure Assessment (TEA), CD missions. In both cases, they are applied on a country-specific basis.
 - The *data gathering* tools aim to collect cross-country information of the tax system for a region (e.g. ATAF's Africa Tax Outlook), or worldwide (e.g. ISORA on tax administration, USAID's Collecting Taxes Database, WB's Doing Business, Revenue Statistics by IMF and OECD). Data from these tools feed into the application of diagnostic tools to inform the assessments (e.g. in conducting a TADAT in a country, data from ISORA for such country informs the TADAT assessment).²⁶ Similarly, information from ISORA and Revenue Statistics feed into CD missions conducting diagnostic assessment in policy and administration, the latter not necessarily using TADAT.

²⁶ISORA results have also been used to help calibrate the scoring for TADAT dimensions.

FIGURE A-1. MAPPING OF TOOLS AND FRAMEWORKS TO SUPPORT TAX SYSTEM REFORM

| Medium Term Revenue Strategies (MTRS) —An approach to comprehensive tax system reform—policy, administration, legal framework—recommended by the PCT (IMF, OECD, UN, WB) aiming to increase revenue-to-GDP ratio, improve system design, and enhance its performance and effectiveness. The MTRS approach anchors the TSR to (a) financing additional expenditure needs for growth and development, (b) sustained political commitment to reform formulation and implementation, and (c) coordinated CD support to reform by development partners. | TSR Phases | Mapping of Tools and Frameworks to Support Tax System Reform (TSR) | | | | | | | Tools / Frameworks | |
|---|---------------------------------|--|--|--|--|---|---|---|---|---|
| | Diagnostic of Current Situation | TADAT by multiple DPs—to assess tax administration performance from outcome perspective—nine (9) performance outcome areas. Secretariat hosted by the IMF. | IMF's RA-GAP—to estimate policy and compliance gaps in VAT, CIT, Excises, PIT (under development). | EC's FBs—to assess tax and customs administrations against EU best practice. | Micro simulation studies by multiple DPs—such as Commitment to Equity (CEQ), to assess distributional impact of fiscal reforms. | IMF/WB's TPAF—to analyze existing tax policies in accordance with good practices. | IMF's FARI—to model, evaluate, compare and design fiscal regimes for extractive industries. IMF's TEA—to estimate revenue forgone due to tax exemptions and special treatments | OECD/Global Forum Induction process—to identify current BEPS, transparency and Exchange of Information deficits and challenges, via on-site visits and high-level engagement. | CD missions to TS Diagnostic—an approach used by PCT partners (and other DPs) to assess strengths and weaknesses of policy and revenue agencies against international trends/good practice. | Diagnostic Tools/ Frameworks ¹ |
| | Reform Strategy Design | ISORA by CIAT/IMF/ IOTA/OECD—to collect tax administration data on operations and other characteristics. | USAID's CTD—to collect a broad array of quantitative and qualitative indicators of tax systems. | ATAF's ATO—a paper-based tax administration survey ATAF conducts with its member countries. | WB's DB—to collect perception indexes in some specific tax policy and administration topics. | Revenue Statistics by multiple DPs—key data on tax (and non-tax) revenues. | | ATI indicators—under consideration or alternatively using a subset of ISORA indicators. | ISOCA by IMF/WCO—to collect customs data on operations and other characteristics (to be launched). | Data gathering tools ² |
| | Reform Implementation | OECD's Maturity Models—to provide tax administrations with a pathway for improving maturity in specific tax administration processes/areas. | WB's DIAMOND—to conduct drill-down assessments on specific operations and support areas to complement outcome-based tools (e.g. TADAT) to guide implementation CD. | OECD/UN's TIWB—to strengthen skills of tax administration auditors to enhance audit function. | Papers, Toolkits & Technical Notes by multiple DPs—to systematize and disseminate international trends/good practice in policy and administration. | Training by multiple DPs—to strengthen skills of tax administration officials at managerial and operational levels. ⁴ | FTA's CBN—to coordinate CB programs provided by FTA agencies in specific areas of tax administration, under a common approach and coordinating framework. | OECD (and Partners) and Global Forum—to provide support on legislative / regulatory / administrative reform, organizational change, capacity building and training. | CD program to TSR implementation—an approach used by PCT Partners (and other DPs) to support implementation of reform strategies—comprehensive or topic-specific. | Drilldown tools for implementation ⁵ |
| | Monitoring & Evaluation | Various of the above diagnostic and data gathering tools—e.g. TADAT, ISORA. | Targeted assessment of TSR programs by multiple DPs—e.g. IMF's RMTF mid-term evaluation, targeted externally-financed CD projects (DFID, SECO, EC, etc.). | Analytical work by multiple DPs—to assess impact/results of tax policy and administration changes and draw lessons to support previous TRS phases. | Ongoing evaluation of CD programs to TSR implementation by multiple DPs—e.g. through Result-Based Management systems. | OECD (Inclusive Framework)/Global Forum Peer Reviews—to identify progress made on implementation of international standards and provide recommendations | | | | Evaluation/ Monitoring Tools/ Frameworks |

¹ PEFA framework considers three indicators in tax administration and the WCO is developing a diagnostic framework for customs administration. **Acronyms 1st row:** TADAT—Tax Administration Diagnostic Assessment Tool; RA-GAP—Revenue Administration Gap Analysis Program; EC's FBs—European Commission's Fiscal Blueprints; TPAF—Tax Policy Diagnostic Framework; FARI—Fiscal Analysis of Resource Industries; TEA—Tax Expenditure Assessment.

² **Acronyms 2nd row:** ISORA—International Survey on Revenue Administration; CTD—Collecting Taxes Database; DB—Doing Business; ATO—African Tax Outlook; ATI—Addis Tax Initiative; ISOCA—International Survey on Customs Administration.

³ An IMF's key priority is assisting its member countries in building efficient and effective tax system to promote sound public finances, which is a crucial condition to robust, inclusive and sustainable economic growth and development.

⁴ There are a range of training programs currently available, from both PCT Partners and others. The IMF is discussing with several partners (CIAT, IOTA, OECD-FTA, Canada Revenue Agency, ATAF) an on-line training curriculum for tax administration; it will build on existing programs by RTOs and tax administrations, and new developments under the IMF's RMTF.

⁵ **Acronyms 4th row:** DIAMOND—Development of Implementation and Monitoring Directives; TIWB—Tax Inspectors Without Borders; FTA—Forum on Tax Administration; CBN—Capacity Building Network.

- *TSR's Design stage tools*—In this stage, the main tools to design reform strategies, for the tax system as a whole or for its different elements (policy, administration, legal framework), are CD projects and missions. Strategy-design CD missions benefit from the assessments on the current situation from the several diagnostic tools to advise countries on a forward-looking reform strategy. The latter can be comprehensive, with a holistic approach of the main elements of the tax system. For example, from a TADAT assessment, which diagnoses strengths and weaknesses of a tax administration, a comprehensive reform strategy to address the weaknesses and consolidate the strengths can be designed to achieve enduring tax administration improvements. CD missions can also assist in designing targeted forward-looking reform strategies by focusing on certain aspects of the tax system (e.g. a modernization plan of specific tax and customs administration areas, a reform path to meet international standard commitments, a reform of an existing tax or the introduction of a new tax). Some diagnostic tools also support CD missions in the design of specific reform options. For example, the IMF/WB's TPAF helps identify design options for the different taxes and FARI helps assess and determine fiscal regimes option for extractive industries.

Analytical work also has a key role to play, for instance, in assessing the revenue, distributional and efficiency impacts of potential reforms. Microsimulation studies for example (for instance, Commitment to Equity analysis conducted by WBG and other researchers) can play an important role. Economic analysis, however, generally requires a country specificity that has limited the scope for standardized tools (though see TPAF below).

- *TSR's Implementation stage tools*—For this stage a wide variety of tools are now available, consistent with the complexity of implementing tax system reform, on a targeted or comprehensive manner.²⁷ From the TSR's design stage, which provides the forward-looking reform strategy, there is a need to translate this strategy into concrete implementation actions, normally embedded in a medium-term implementation plan. Tools like Maturity Models and DIAMOND help in this process by drilling down and deepening the understanding of a particular area (e.g. debt management, human resources, information technology systems, business processes) with the view to design or guide the changes to be undertaken to achieve the transformation. Considering the need for effective institutional changes, beyond just changes in systems and processes, training of revenue agencies and ministries of finance is a key enabler to success, and multiple DPs, in addition to PCT partners provide this implementation tools. OECD/UN's TIWB is a good example in this regard, which focuses on audit training in the workplace by providing to countries experienced auditors from other countries to elevate the skills of

²⁷The implementation stage is a medium-term endeavor with changes in multiple fronts that require sustained efforts, particularly when changes affect many stakeholders. For example, in introducing a new tax the design stage leads to several phases for the tax to enter into application: translate the policy design into a draft law, approve this draft law at the government level, approve the law in parliament to enter into force. In parallel, there are several phases and activities to undertake at the administrative level to apply the law: educating tax officials and taxpayer community, preparing taxpayers' compliance process, developing control and enforcement processes, among others. Similarly, reforming revenue agencies (in both tax or customs areas) has several dimensions: change institutional set up (organization, governance, management policies in key resource areas), or tax liability processes (registration, return filing, payment), or tax compliance enforcement processes (audit, debt collection, tax investigation), or adopting new international standards (e.g. the minimum standards in international taxation under the Inclusive Framework, or the Kyoto convention in the customs area).

auditors in the recipient countries. The analytical work, documenting international good practice and experience, is also a key implementation tool, which helps countries come to grips with international trends and emerging practices, tailoring them to their own realities. Networking and peer learning from other agencies is also an important implementation tool, the FTA in particular created a network of capacity building to share experience of tax administration agencies providing this support on a bilateral basis. Finally, a critical tool is the CD programs carried out by PCT partners and other DPs to support TSR implementation, which vary in modality and scope. The crucial feature of CD programs is their medium-term nature. This is particularly relevant in countries with low capacity, which require close support to develop their capacity for designing reform strategies, and to lead and manage them to successful implementation.

- *TSR's Evaluation and Monitoring stage tools*—This stage particularly benefits from previous stages. Thus, several of the diagnostic tools can also serve to evaluate progress. For example, a TADAT assessment takes a picture of the 'health' of a tax administration in a specific year. By conducting a TADAT some years later, after a reform strategy has been designed based on the initial TADAT and implemented to address the tax administration's weaknesses and consolidate the strengths, the repeated TADAT should provide a comparator of progress and the effectiveness of the reform strategy and its implementation. RA-GAP, ISORA, and other diagnostic and data gathering tools can serve a similar purpose. Analytical work can also be targeted to evaluate the effectiveness of TSR, and certainly to assess CD programs supporting the TSR. Peer reviews are another critical monitoring and evaluation tool, particularly used by OECD and the Global Forum to assess (and also assist) countries in meeting their commitments to international standards.²⁸ The FTA capacity building network is also a good example of peer learning and evaluation.

As the account makes clear, PCT Partners have been and are involved in the development of several of these tools. They collaborate in differing patterns and to different degrees across these tools, reflecting their different expertise and priorities. Some are joint products of multiple PCT partners (and many also include additional partners beyond the platform), while others are the product of individual Platform members. Regular discussion among the Platform members, and with other relevant partners, ensures that new tools and approaches developed by Platform partners are responding to genuine demand and gaps in current provision. Tools that have been developed among the Platform Partners include:

- **TADAT** (Tax Administration Diagnostic Assessment Tool) is perhaps the most well-known of the recent tools. A joint initiative of the IMF and the World Bank, in collaboration with a number of development partners, TADAT provides a standardized means of assessing the health of key components of a country's tax administration system. As such it plays a key role in the diagnostic phase of tax system reform. Nearly 80 TADAT assessment have now been completed (including subnational), and, following extensive consultation, a revised Field Guide was issued in 2019.

²⁸Conditionality of various kinds can also play a role. There is evidence, for instance, that conditionality in IMF-supported programs had a positive impact on tax revenue in a sample of 6 low- and middle-income countries during 1993-2013 (Sanjeev Gupta and Ernesto Crivelli. "Does conditionality in IMF-supported programs promote revenue reform?" IMF Working Paper 14/206.

- **Maturity Models** for tax administration functions and processes are being developed by tax administrations through the FTA. These self-assessment tools, designed for use by any tax administration, provide a way for tax administrations to understand their relative level of development in specific areas, and to *help* design and implement reform. In maturity models the focus is less on specific practices, but rather on the processes that need to be in place to facilitate a certain level of maturity in specific areas of tax administration. The development of Maturity Models is underway with two models to be published later this year and further models being developed in the future.
- **Tax DIAMOND** (Development of Implementation and Monitoring Directives for tax reform), a tool currently being developed by the World Bank is targeted, as its name suggests, towards the implementation and monitoring phases of tax system reform.²⁹ By drilling-down into detail in specific areas (each one has a specific module) it makes it easier to design and implement both strategic and action plans based on international best practice.

Taken together these new tools provide valuable new approaches for developing countries (and others) to diagnose, design, implement, and monitor their tax system reform. The utility of one tool or another will depend on the circumstances in a particular country, including where they are in the overall reform process, and the external support available for reform. TADAT is likely to be a starting point for many countries, while countries that identify internal processes as a significant challenge for reform may seek to use maturity model approaches to guide reform, others may benefit more from a more standardized approach to reform implementation through DIAMOND. Platform Partners work closely with countries to help identify the best tool(s) for their individual circumstances. If demand exists, the mapping in this section could continue to be elaborated to provide further support to countries in identifying the most appropriate tools, but such a mapping cannot, and should not, replace an effective dialogue at the country level.

Some tools are still in development. As described in work stream 2 of the PCT annual report, the Tax Policy Assessment Framework (TPAF) is being developed by the IMF and the WB. The application of RA-GAP for corporate income tax has been developed and is under piloting in several countries, and RA-GAP for personal income tax is in early stage of development.

Delivery models

Each of the PCT Partners adopt a range of delivery mechanisms to meet the needs of partner countries. This includes a combination of the following mechanisms for technical support, analysis and project management:

- **Resident advisers:** Long-term advisers are placed in partner countries to support DRM activities. The benefit of resident advisers includes the establishment of relationships with counterparts that enable regular and trusted partnerships for reform.

²⁹See <https://www.taxdiamond.org/Authentication/Login.aspx>.

- **Short-term experts:** Short term experts are deployed when specific DRM activities require particular skills and knowledge that can be delivered in a discrete, contracted period. Examples include audit experts provided under the OECD/UNDP Tax Inspectors Without Borders program.
- **Missions:** Missions made up of staff and technical experts are deployed to undertake diagnostic reviews, develop reform strategies and advise on on-going reforms and policy discussions, including in the context of regular surveillance activities. Missions are typically fielded in response to country requests (with the exception of surveillance) and inform individually and jointly implemented country-level support provided by PCT partners. The composition and nature of the missions tend to reflect the final deliverable. For instance, WBG missions will vary in size, duration, and staffing depending on whether the output is analytical, advisory, project preparation, supervision or evaluation.
- **Non-mission Technical Assistance:** Outside of missions, staff and technical experts from partner organizations provide direct support (when they are located in-country) and virtual advice and technical support when countries request it.
- **Knowledge transfer and peer learning:** Knowledge transfer and peer learning activities are delivered across a range of tax topics, including tax policy, administration and legal frameworks. Knowledge transfer activities can include training (for example on PCT toolkits on BEPS and related international tax matters), workshops, seminars, study visits, online primers and short and long-term courses, depending on the partner country needs. Activities can be delivered on a bilateral, regional or global basis.
- **Peer Review:** Peer reviews occur when countries commit to international standards subject to peer review, such as the BEPS Minimum Standards and the standards on transparency and exchange of information.
- **Research/Publications:** Research and publications are delivered to provide deeper insights and guidance to partner countries, inform bilateral, regional and global dialogue, and advance the DRM agenda.
- **Project finance:** Project financing is provided to support DRM reform efforts including procurement and installation of ICT systems, human resource and organizational reform, and business process re-engineering.
- **Policy loans:** Policy lending supports DRM and tax policy and administration reforms through conditionality of various kinds.

The type of delivery mode and the mix between these can vary significantly between the PCT partner organizations, reflecting the different mandates and priorities of the Partners as outlined in section 2. It is hoped that further analysis of the varying configurations in which the Partners use these delivery models will be possible as the OIP is developed.

4. How do we work together?

The PCT is a relatively new partnership, and continues to evolve. Collaboration among the PCT Partners occurs in a variety of ways, depending on the particular activity, teams, country need and available resourcing, and while maintaining the ability of each to respond to the needs of countries at very different levels of economic development in an agile and flexible way. The PCT also supports the work of other tax bodies (including the Global Forum, Inclusive Framework, and UN Tax Committee) by identifying and analyzing emerging international tax issues, drawing on the analytical and capacity development expertise of the Platform partners.

The organization of work between the four Partners is principally driven by their comparative advantages, as summarized in Section 2 on PCT Partner engagement on DRM. A key distinction between the organizations is the standard setting function of the OECD and UN, macroeconomic surveillance mandate of the IMF, and the broad sectoral responsibilities of the WBG. Differences in instruments and for country support and country-level presence also have an impact on how Partners engage. This is reflected in the mapping of tools and frameworks in Figure A-1.

The Partners see that they are currently working together increasingly closely, with commitment developing into more purposive coordination and then structured cooperation. These activities can be summarized by the partnership framework shown in Figure A-2. A more detailed explanation of the framework is provided in the section below.

Commitment

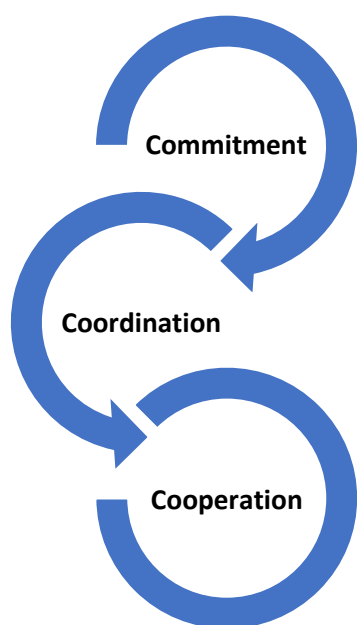
Commitment provides predictability, and so is the bedrock for long-term collaboration. Through increasing the flow of information and dialogue among the partners, on activities and future plans, the PCT is increasing the ability for the PCT Partners to identify and discuss any potential risks of unwarranted duplication, as well as opportunities for complementary activities, coordination and cooperation:

- Meetings of Principals and the PCT Technical Working Group³⁰ ensure regular communication and opportunities to expand and collaborative efforts, including agreement on the annual work program of the PCT.
- Commitment at the country level is achieved through information sharing, meetings of country teams, and mission coordination, where two or more PCT Partners are working in the same country but on different themes and/or different stages of the value chain and with different approaches (see Myanmar Case Study).

PCT Partners are increasingly sharing drafts of their work plans and including other Partners as observers in their steering group discussions.

³⁰Each Partner organization has assigned a senior staff member as Principal for oversight and strategic decision making, including approval of the PCT work program. The PCT Technical Working Group draws its members from all Partners and the PCT Secretariat with responsibility for preparing and implementing the work program.

FIGURE A-2. PCT PARTNERSHIP FRAMEWORK



Working together

- Agreed annual PCT work plan
- Regular meetings of PCT Principals and Technical Working Group
- Information sharing through the OIP, as well as through country team meetings

Improving outcomes

- Coordination in the implementation of capacity development programs, where appropriate
- Greater consideration of international tax developments in analytical and country level work

Adding value

- Publicly available information on capacity development activities of all Partner organization
- Enhanced synergies in the implementation of capacity development activities among Partners
- Jointly developed guidance on tax, where appropriate

Coordination

In the presence of broad complementarities, coordinated actions can lead to better outcomes for all. PCT partners therefore seek to identify such complementarities, and where they exist develop approaches that enable effective coordination. Given the range of complementarities, there is extensive coordination among the PCT Partners across a range of tax activities, going beyond country specific capacity development. Some current examples include:

- The IMF and WBG have long coordinated on 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 recent example includes the IMF and WBG's work in Uganda (see Uganda Case Study).
- Significant coordination has occurred throughout the BEPS process, including through feedback from PCT Partners to consultation documents. While the OECD leads work, other PCT Partners actively engage in related activities, including providing feedback from their own activities, and undertaking analysis. All partners are observers of the Inclusive Framework and participate in the meetings.
- The IMF and OECD have set up a Working Group on Government Revenue Data to facilitate coordination between the IMF and OECD on their respective datasets, to ensure transparency as to the differences between and guide users.

- All Partners participate in and attend the UN Committee of Experts twice yearly meetings, as well as relevant subcommittees.

Cooperation

Cooperation takes place on discrete activities where organizational mandates and country needs align, and often leads to joint outputs of all or a subset of PCT Partners:

- The PCT produces joint outputs and deliverables under an agreed work plan, implemented in collaboration by all or selected PCT Partners, including the toolkits on BEPs and related international tax matters.³¹
- The PCT held its first Global Conference in February 2018 at the UN Headquarters in New York, under the theme Taxation and the Sustainable Development Goals (SDGs)—a major effort of cooperation among all the Partners.
- The IMF and WBG continue to collaborate on the development of a framework for assessment of tax policy (TPAF).
- The OECD and WBG are working closely together in a number of countries on the implementation of Transfer Pricing, BEPS and Information Exchange policies and practices, especially in Africa. This has brought together the OECD's expertise and peer review processes in international standards, with the WBG's focus on the broader fiscal system in a country and lending instruments, to enable the implementation of international standards to be an integral part of reforms, with greater political support, with aligned monitoring and evaluation.
- The OECD and UNDP's Tax Inspectors Without Borders (TIWB) joint initiative, 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 (See TIWB case study in Annex B). This makes use of the complementarities between the OECD's expertise and networks in international tax, and UNDPs on the ground network to help countries identify where TIWB can support local priorities and provide practical support to the experts.
- Since 2016, the IMF and the OECD have been part of a four-member partnership (which also includes the Inter-American Center of Tax Administrations, or CIAT, and the Intra-European Organization of Tax Administrations, or IOTA) to collect and disseminate data on tax administration (ISORA)—for use by member countries to improve performance management and reporting, among other objectives. This makes use of the complementary networks of the participating organizations to provide for a broader coverage than would otherwise be possible, providing a

³¹See <http://documents.worldbank.org/curated/en/docsearch/collection-title/Platform%2520for%2520Collaboration%2520on%2520Tax?colt=Platform%2520for%2520Collaboration%2520on%2520Tax> for toolkits and other joint products.

much bigger, comparable, dataset than would otherwise be possible. The partnership will soon be joined by the World Customs Organization.

- A key outcome of PCT collaboration has been the development of the concept of Medium-Term Revenue Strategies (MTRS), and the design and development of these, led by PCT members (IMF, WBG) with a number of partner economies to date.³² Annex A further explains the role of PCTs Partners in the development of MTRSs.
- The PCT Secretariat will also organize workshops to: (i) provide a forum for highlighting various perspectives on MTRS design and implementation; and (ii) support the development and dissemination of toolkits and other products.

PCT Partners do not work jointly on every activity nor do they pursue the same approach. And it is not the intention that they do so. The goal is to ensure that PCT Partners have the information and opportunity to be able to coordinate and collaborate when necessary and value can be added to achieve agreed outcomes. Country-specific examples of coordination and collaboration are provided in Annex C (Box 1 to 5).

Where activities are being delivered jointly they can involve two, three or more partners working together in a given area, and may also involve non-partner organizations. For example, the PCT tries to facilitate cooperation with other relevant bodies such as the ATI, the FTA knowledge management project developed with the Canadian revenue service, and regional tax bodies (such as ATAF and CIAT). While joint outputs by all four partners require approval by partners at the principals' level, joint outputs that do not involve all PCT Partners do not require formal sign-off of Partners that are not involved.

The revenue mobilization landscape, and the scope for collaboration between the PCT partners is continuously evolving, new opportunities will continue to emerge, while the risks of confusion and duplication will remain. As such the PCT partners will continue to evolve their processes to facilitate collaboration, including through the further development of the PCT secretariat. The PCT will continue to outline these developments, and the activities that result, in the annual reporting of the PCT. This collaboration among the PCT partners will continue to be based on the principles outlined in the initial concept note, which we will implement, as described in this document, with a commitment to dialogue and sharing information, coordination based on complementarities, and deeper cooperation where mandates and demand align. To this end, we are taking specific steps to improve the exchange of information and collaboration at the country level and for MTRSs—these are detailed in Section V of the 2018-19 Progress Report.

³²For further information on MTRS activities, see Section III of the 2018-19 Progress Report 2019.

Appendix A. The MTRS Approach Strengthens Collaboration

The concept of the Medium-Term Revenue Strategy (MTRS) was developed in the paper that the PCT submitted in 2016 to the G20 Finance Ministers.³³ The core elements of an MTRS include a social contract in the country on revenue mobilization goals, a comprehensive reform plan for the tax system, domestic political commitment for sustained implementation of the reform plan, and secured support for capacity development to support the country in overcoming constraints in developing and implementing the MTRS.

The MTRS approach explicitly calls on external providers of support for capacity development, including PCT Partners, to coordinate their support for the government-led MTRS in a ‘subordinated’ manner that provides ‘assurance against pressures to prioritize the providers own agenda over the country-led effort.’ In particular, country recipients should designate one TA provider to take the lead in supporting the authorities, in close collaboration and consultation with other providers and conclude a formal agreement (e.g. Memorandum of Understanding [MOU]) with TA providers, with explicit recognition of the roles, contribution, sequencing, etc., on both sides: country and CD providers.

So far, the IMF and WBG have been most involved in supporting the design and implementation of the MTRS, given their typically larger presence in the countries. To avoid duplication of efforts, countries have agreed with the IMF and WBG on the principal agency that will engage with the government, with the other supporting design and implementation as required.³⁴ The IMF has taken the lead role in the seven countries with MTRSs at the early stages of implementation and those formulating their MTRSs, except for Pakistan where the WBG has taken the lead. Relationship with the country, existing engagements, and country presence are some of the factors that come into play when determining the principal agency.

The OECD and UN have not been involved in the design or implementation of the MTRS at the country-level. PCT partners realize the importance of strengthening collaboration on this front and have identified a number of areas where the OECD and UN are well-placed to support aspects of both the design and implementation of MTRSs.

³³PCT, Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries, July 2016. At: <http://documents.worldbank.org/curated/en/337691503666961906/Enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries-prepared-for-submission-to-G20-finance-ministers>. The MTRS concept was further developed in PCT, June 2017, Update on Activities of the Platform for Collaboration on Tax. At: <http://documents.worldbank.org/curated/en/487521499660856455/pdf/117317-WP-PUBLIC-Collaboration-on-Tax.pdf>.

³⁴In on-going MTRSs, the IMF has mostly focused on upstream support, including diagnostics and strategic design, with WBG support aimed at downstream activities, such as modernization of IT systems, human resources and business processes.

The OECD can assist on international tax issues, in particular integration of BEPS standards and peer reviews into an MTRS, as well as providing a range of capacity building tools and approaches to support implementation.

Further improvements in coordination between TA providers around the country-led MTRS would help ensure that the complementarities of PCT Partners and other TA providers can be fully utilized in MTRS process. Measures toward this end include formal agreements of MTRSs countries with TA providers, scheduled within-country coordination between providers of TA led by the government, regular updates on MTRS developments (channeled through the PCT Secretariat) and the organization of workshops to exchange information on the challenges of MTRS implementation and lessons learned.

Status of CD Support to MTRS Countries

As mentioned in Section III of the 2018-19 Progress Report, some 19 countries are presently engaged with Partners in discussing, formulating or implementing an MTRS:

- *Early implementation:* Papua New Guinea (PNG).
- *Formulation support:* Egypt, Indonesia, Lao PDR, Pakistan, Thailand, Uganda.
- *Dialogue pre-formulation:* Albania, Bangladesh, Benin, Ethiopia, Georgia, Honduras, Jordan, Mongolia, Myanmar, Senegal, Uzbekistan, Vietnam.

In the following paragraphs, a description of progress in each of the countries is provided.

Implementation support

Papua New Guinea (PNG)—PNG formulated its MTRS in 2017 with IMF CD support. Following the MTRS approach to tax system reform, PNG's MTRS develops the four interdependent components to guide and steer its TSR, namely: (1) a revenue mobilization objective of 14 percent of GDP by 2022 is set, along with other goals for the TSR; (2) a TSR plan for the period 2018-2022 is outlined, including concrete policy and administration reforms, and the corresponding legal changes; (3) a governance arrangement and whole-of-government approach to manage the TSR is committed for the reform period; (4) a framework for coordinating CD partners is set, entrusting the lead advisory role to the IMF. Several CD partners are supporting PNG in diverse areas. Along with the IMF, the WB is also providing CD in targeted tax policy and administration areas, including tax incentives review, the introduction of capital gains tax and small- and medium sized enterprise taxes, risk-based audit, and taxpayer communication and outreach.; the US Treasury Office of Technical Assistance on the implementation of the Large Taxpayer Office (LTO) within the Internal Revenue Commission (IRC); the Australian Taxation Office on data warehouse development and the Automatic Exchange of Information, compliance risk management, and disputes procedures; and the Australian Department of Foreign Affairs and Trade (DFAT) has been financing a resident modernization and strategy advisor within the IRC. Tax Inspectors Without Borders has been also active in PNG.

PNG's MTRS was formally launched in November 2017. At the government's request, IMF is providing implementation support through a 3-year, US\$4 million program financed by the Revenue Mobilization Thematic Fund (RMTF). In the first year of PNG's MTRS, there are signs that the downward trend in tax revenue is being arrested. TSR elements are also progressing – the Treasury is setting up a Revenue Policy Division to build fiscal planning capacity; the Treasury and the Internal Revenue Commission (IRC) have initiated the modernization and simplification of tax legislation; and the IRC and Customs Service have commenced core process improvements, which should lay the foundation for fundamental organizational and institutional reforms to support further sustainable improvements in public revenue. Governance and management arrangements, which were slow in being set up, have now been established and are exercising increasing oversight of the MTRS program; and the PNG government has committed to financing a new Integrated Tax Administration System.

Formulation support

Egypt—In 2018 the MOF sought IMF support on tax system reform. As part of the dialogue and advice, transitioning their reform effort into an MTRS was recommended. The minister that took office in mid-2018 embraced the idea and requested IMF support for its formulation. An ongoing CD dialogue has been taking place since then, including regular video conference and policy and administration missions, to help develop the MTRS four interdependent components. In this dialogue, engagement with PCT members (OECD and UN) and other DPs (AfDB, EU, UK, US and Switzerland) has been conducted. During the recent WB/IMF Spring Meetings, in IMF discussions with the Egyptian delegation, headed by the minister of finance, a work plan was agreed aiming to finalize the MTRS at government level during May/June 2019 to then go for public consultation before kicking off its implementation.

Indonesia and Thailand—Both countries received IMF advice for drafting the countries' MTRSs. Working jointly with teams from the respective ministries of finances, revenue agencies, and other relevant government entities, IMF teams involving staff and experts on policy, administration, and legal analyzed ongoing tax system reform efforts vis-a-vis the four MTRS interdependent components and conducted an MTRS gap analysis. This was the starting point to prepare a draft MTRS, which includes: (a) detailed analysis of the expenditure needs and revenues to mobilize to progress development, especially the SDGs; (b) comprehensive tax policy, administration, and legal reforms, including the quantification of revenue impact of recommended measures, to mobilize the needed revenues and improve the tax system overall; (c) the reform governance arrangement to ensure whole of government buy-in and effective reform management; and (d) the CD needs that need to be mobilized and a mechanism of coordination. In both countries, dialogue with other DPs was very important to make them aware of the MTRS work, notably in the case of Indonesia, which is receiving CD support from several DPs—Australia, Japan, OECD and WBG (including CD support on tax policy and administration covering compliance management, human resources, tax expenditure reform, VAT, and International taxation, with implementation supported by a World Bank policy loan and investment operation focused on information technology).

In both cases, the MTRS drafts have not been formally adopted, and only some elements have been progressed in a fragmented manner. Ongoing dialogue is being held with the authorities, including through

discussions by IMF area departments teams for both countries. In the case of Indonesia, the draft MTRS was published in the IMF book “Realizing Indonesia’s Economic Potential” published in October 2018.

Lao PDR—In May 2018, the MOF requested IMF assistance in developing an MTRS, covering the period 2021-2025 to support their 9th National Socio-Economic Development Plan (NSED). Lao PDR’s strategic agenda is contained in their Public Financial Management Development Strategy (PFDS) to 2025. The MTRS will support the goals contained in the PFDS and form the basis of the 9th NSED. Individual headquarter missions in tax policy, revenue administration and customs administration were undertaken, with the results being combined in a draft MTRS, which is now being finalized. Following the MTRS approach to tax system reform, Lao’s MTRS develops the four interdependent components to guide and steer its TSR, namely: (1) a revenue mobilization objective of between 18 and 20 percent of GDP by 2025 is set, along with other goals for the TSR; (2) a TSR plan for the period 2021-2025 outlines concrete policy and revenue and customs administration reforms, along with the corresponding legal changes which strengthen all aspects of the tax system; (3) a governance arrangement and whole-of-government approach to manage the TSR has been recommended through a Steering Committee reporting to the Minister of Finance; and (4) to date, the government has requested the IMF to lead the MTRS and assist in the coordination with CD partners.

A condensed version of the MTRS was also developed, along with an engagement strategy to assist officials in consulting with stakeholders. Development partners, including WB, EU, and JICA have been engaged throughout the development of the MTRS and will be key partners in its implementation. MOF officials intend to introduce the MTRS to the National Assembly in June 2019. Lao PDR is being supported by Japan-financed medium-term CD programs on tax administration (May 2018-April 2021), and customs administration (May 2017-April 2020). Both tax and customs have strategic plans for the period 2018-2020 which are intended to build the foundation for stronger results through the MTRS.

Pakistan—The government developed a MRTS with close support from the WBG. Drawing on comprehensive WBG analytical work funded by DFID, the WBG organized a number of workshops to help the Federal Board of Revenue develop a tax reform strategy that aims to address challenges with tax policy design, coordination between different levels of government, a narrow tax base, complexities in the tax system, compliance rates, the informal sector, and revenue administration efficiency. The WBG is working on providing a substantial loan to support reforms of the Federal Board of Revenue and MTRS implementation.

Uganda—Uganda has prepared a draft MTRS, which is called DRM Strategy (DRMS) that will be presented to its Cabinet soon. The draft DRMS was prepared through broad consultations, and with robust governance arrangements, including a technical working group and support by all partners with the IMF and UK’s DFID jointly taking the lead. Following the MTRS approach to TSR, the Uganda’s MTRS develops the four interdependent components to guide and steer its TSR: (1) it sets out medium-term objectives for the revenue system, including increasing the tax-to-GDP ratio by 0.5 percentage point of GDP per year, and several other objectives –enhancing fairness, transparency and accountability in the tax system and lifting the capacities of the revenue administration entities; (2) it considers a TSR agenda covering three key drivers of revenue performance: the political economy of DRM; tax policy, including the traditional tax handles and non-tax revenue; and the management and administration of domestic revenues–next steps in coming

months include costing of the various proposed initiatives, development of a comprehensive implementation plan and the overarching CD strategy; (3) a reform management arrangement for the formulation has been in place, which will have to be preserved for implementation; and (4) CD support worked effectively to support MTRS preparation. But they still need to develop the implementation plan which will be the basis for implementation CD support.

Dialogue pre-formulation

Albania—In discussions during 2018 with the IMF area department team for Albania, the minister of finance and economy expressed interest in learning more about the MTRS approach. A tax policy and administration CD activity from FAD overlapped with the IMF Article IV consultation mission to Albania in late-April 2019 and briefly explained the MTRS approach to the minister, who was enthusiastic to explore embarking on an MTRS formulation. The minister agreed to host a one-day MTRS workshop in June 2019. This workshop will comprise discussions on the four MTRS interdependent components, and an assessment of the ongoing tax system reform approach vis a vis the MTRS.

Bangladesh— The government has a vision to achieve middle income country status by 2021 and developed country by 2041. To contribute to the vision, the MTRS offers a pathway to mobilize more revenues for helping achieve the SDGs, and in doing so, address the growing need for investment in infrastructure, human resource development, and public services. The MTRS sets a revenue mobilization objective of increasing the tax-to-GDP ratio to 16% from currently less than 9%. The National Board of Revenue (NBR) initiated the MTRS dialogue in 2018 supported by the WBG, DFID, EU, and Canada. Following up, the NBR is leading to undertake key stakeholder consultations during 2019. In March 2019—in response to a request from the NBR—the IMF reviewed the structure, management, operations and performance of the NBR and advised on a NBR reform strategy to address the weaknesses diagnosed. In addition, consultations are expected to include the private sector; civil society; other government entities; and development partners, supported by the WBG trust fund for the Strengthening Public Expenditure Management Program.

Benin—The authorities are very interested in the MTRS approach, given revenue needs and their interest to increase tax-to-GDP ratio to WAEMU level (20 percent of GDP). The IMF is planning to organize a workshop on the MTRS in conjunction with an upcoming TADAT assessment that is scheduled for September 2019. WBG provides CD support on tax policy and international taxation and is in the process of preparing a budget support operation that will support envisaged policy reforms.

Ethiopia—The authorities have shown interest in the MTRS approach but have not yet fully (or publicly) committed to it. They prefer to take a gradual approach towards an MTRS. This includes undertaking more tax policy analysis—they are currently awaiting a forthcoming IMF tax policy mission which will review the tax policy setting comprehensively. The newly appointed minister of finance has been briefed on the MTRS approach by officials that participated in the July 2018 workshop on the MTRS approach. WBG provides CD support on tax policy and administration, including a cost-benefit analysis and governance of tax incentives; excise tax policy; and presumptive taxation as well as a diagnostic of information technology in the revenue administration.

Georgia— Georgia is receiving intensive CD support in the taxation area from the IMF, under its RMTF. The focus of the CD program has been mostly on tax administration, with targeted policy advice to address some issues. There has been good progress, though uneven, with compliance issues difficult to address and risks of sustainability of the administrative reform; the WBG is providing targeted support on tax compliance in the area of VAT. In addition, medium-term development goals and related expenditure needs are not fully linked to the need for TSR, beyond the budget exercise. Whole-of-government embracement of revenue administration reform needs to be enhanced to strengthen revenue mobilization capacity and address sustainability. Against this background, discussions with the authorities have been held to transition the ongoing tax system reform into an MTRS. This could help address the identified risks of sustainability of the ongoing reform effort, notably in revenue administration, and enhance coordination of CD providers supporting reform efforts to the tax system.

Honduras—During the recent WB/IMF Spring Meetings the representatives of the MOF and the minister of revenue both showed considerable interest in the MTRS (they referred to it as “*Pacto Fiscal*”). IMF will organize an initial workshop in Tegucigalpa with the MOF/ministry of revenue/customs administration (and other government agencies the authorities may want to include) to discuss the framework and see if the authorities would be interested in proceeding.

Jordan—During a recent IMF mission on revenue administration (April 2019), the minister of finance expressed interest in exploring the formulation of an MTRS. He first learnt about the MTRS from discussion with the IMF’s area department team during surveillance missions. The minister requested the IMF mission to provide more background information and share experience from other countries. As in the case of Egypt, an MTRS formulation workshop will be organized during 2019 with ministry of finance and revenue agencies officials. This workshop will comprise discussions on the four MTRS interdependent components, and an assessment of the ongoing TSR approach vis a vis the MTRS. In Jordan, other active DPs supporting different elements of tax system reform include UK and the US; they will be invited to the MTRS workshop.

Mongolia—Also a recipient of an intensive CD support in tax system reform areas, from the IMF under its RMTF; though, mostly in tax administration. In addition, WBG has provided CD support on tax expenditures and is preparing a policy that includes support for implementation of international tax standards. Tax administration reform is progressing well. However, Mongolia is heavily dependent on revenue from the mining sector, with a high volatility that also translates in high volatility on fiscal spending. In addition, RA-GAP estimates for VAT shows a large gap and a VAT design with serious complexities, also present in other taxes. Mongolia needs a thorough review of its tax system; framing it in the MTRS would allow taking a holistic approach, including a better connection between expenditure and revenue level needs. The IMF is planning a discussion with the MOF in late 2019, in anticipation of a possible renewal of the current CD program.

Myanmar—The government has launched an ambitious Myanmar Sustainable Development Plan 2018-2030 but its capacity to finance this plan is limited. The tax-to-GDP ratio at around 6-7 percent is very low by regional standards, and although Myanmar benefits from resource revenues, these have also been

declining. Myanmar has been undertaking a major tax reform program since 2012 but the starting point was very low (around 3-4 percent of GDP); thus, overall improvements in tax revenue though large are still very modest.³⁵ An MTRS approach is now being considered to place the TSR agenda within the broader context of national development aspirations; garner broad-based, whole-of-government commitment and public support for the program; and secure the financing required to support sustainable revenue increases from domestic and international sources. Accordingly, discussions with the authorities have been held to transition the ongoing tax system reform into an MTRS. This could also help address some risks of sustainability of the ongoing reform effort, make a clearer connection of the revenue mobilization to spending needs and consolidate and further steer progress on institutional reforms, particularly in tax administration.

Senegal—The authorities are interested in the MTRS approach given revenue needs and the consistency of this approach with the recently developed (long-term) national development plan (*Plan Senegal Emergent*). The IMF conducted a one-week seminar in April 2019, providing more details on the MTRS framework to a multi-agency audience of officials. The WBG also suggested pursuing a medium-term revenue strategy as part of its country dialogue. Receptivity was very good, and the government is aiming at pursuing an MTRS approach in the second half of 2019. The WBG is providing CD support in targeted tax policy and administration areas, including international taxation (transfer pricing, anti-abuse and treaty policy), risk-based audit selection, MSME taxation and excise taxation (tobacco).

Uzbekistan—Since 2018 the government is pursuing significant reforms of its tax system; a whole revamping of the policy setting, administration, and legal framework.³⁶ Already significant changes have taken place in tax policy, and there is also a comprehensive tax administration reform strategy. The IMF is providing an intensive CD program under its RMTF, working in collaboration with the WB and other DPs. The pace of tax system reform has been very hectic and has not allowed to organize the multiple reforms in a medium-term perspective; dialogue and CD work with the authorities is bearing fruit and a reform strategy is being developed. This will create the context for discussing the transition of the ongoing tax system reform into an MTRS in the second half of 2019.

Vietnam—In July 2018, the Minister of Finance requested WBG assistance to develop an MTRS for 2021-2025 as part of a broader request for assistance in the development of the fiscal plans to feed into the formulation of the medium-term socio-economic development plan for Vietnam in the next five-year planning cycle (2021-2025). WBG has secured funding from Switzerland to support the request for MTRS support. The MOF is in the process of assigning a focal agency to work with the WBG on the development of the MTRS. This work will build on the current Tax Reform Strategy 2010-2020 and other analytical reports. The next Financial Plan (2021-25), also supported by the WBG, will develop the baseline revenue objectives that will underpin the MTRS. In turn, the MTRS will inform the realistic setting of major fiscal parameters for

³⁵Box 3 described in detail the tax system reform in Myanmar and CD coordination among DPs supporting this reform.

³⁶Box 5 describes in detail the tax system reform in Uzbekistan and CD coordination among DPs supporting this reform.



such a plan. The development of an MTRS is a part of a larger tax engagement between WBG and Vietnam, including just-in-time TA for tax policy reform, international taxation and support for CD of the tax administration on risk management, business process re-engineering, and taxpayer services. And will also include partnership with other CD providers, including the IMF that has been also providing assistance in the area of taxation and is discussing with WB team on the approach to continue both institutions support. In 2017, the IMF provided CD support on streamlining and strengthening tax administration organization and in 2018 on the new Law on Tax Administration.

Appendix B. Tax Inspectors Without Borders³⁷

Tax Inspectors Without Borders (TIWB) is a joint initiative of the OECD and the United Nations Development Program (UNDP). The initiative supports the transfer of tax audit knowledge and skills to tax administrations in developing countries, through a real-time, “learning by doing” approach to handling audit cases. Qualified international audit experts are identified and deployed to work directly with tax officials of developing countries on current audits and audit-related issues in the field of international tax.

To date, USD 470 million in increased tax revenues is attributable to TIWB and TIWB-style assistance programs. On average, for every \$1 spent on all TIWB activities between 2013 and 2018, there was a more than \$100 increase in collected tax revenues.

Collaboration is evident across the entire TIWB initiative. At the most senior levels, the TIWB Governing Board is co-chaired by the OECD’s Secretary-General and UNDP’s Administrator, and also includes members from Host Administration and Partner Administration countries, civil society and academic institutions.

The TIWB Secretariat, based at the OECD headquarters in Paris, France, acts as the interface for all stakeholders and facilitates program implementation—from proposing qualified Experts to Host Administrations, to monitoring progress and evaluation impact. The Secretariat promotes transparency and shares information about audit assistance requests with its extensive network of potential Partner Administrations. A UNDP-managed Roster of Experts, with over 50 multilingual tax audit experts, complements the offer of Partner Administrations in deploying currently serving, as well as retired experts. The Secretariat is receiving support from a growing number of regional and multilateral partners, such as the African Tax Administration Forum, Cercle de Réflexion et d’Échange des Dirigeants des Administrations Fiscales, the Pacific Islands Tax Administrations Association and Inter-American Center of Tax Administrations, as well as the OECD’s Forum on Tax Administration.

The TIWB model relies on the complementary roles of the OECD and UNDP. The OECD’s Centre for Tax Policy and Administration provides the necessary technical expertise in taxation, combined with long-established networks with the revenue administrations deploying experts. The UNDP has established links with developing countries and ensures that TIWB programs become embedded in country-owned and country-led development strategies. This supports long-term, meaningful results for developing countries. The UNDP country offices help to raise awareness and build demand for TIWB programs with key decision-makers at the national level. Country offices also help provide TIWB Experts with an overview of the overall development landscape in a country.

TIWB is setting an example of what collaboration can achieve in support of domestic resource mobilization.

³⁷Source: <http://www.tiwb.org/>.

Appendix C. Country Case Studies

Box 1. Peru—Collaboration Improves Coherence of DRM Advice

In April 2016, Peru elected President Pedro Pablo Kuczynski with a mandate for changes to the tax regime. Within six months the government had enacted the first round of tax changes, with a conditional lowering of the VAT rate from 18 percent to 17 percent (subject to VAT revenue reaching 7.2 percent of GDP), and raising the corporate income tax rate from 28 percent to 29.5 percent, coupled with a reduction in the dividend tax from 6.8 to 5 percent. Reforms were also made to taxation of small and medium enterprises. Early results show the reforms are taking effect with higher domestic revenue and growth in private investment.

Supporting these efforts has been a number of donors and TA providers, working closely together since 2016. Donor and TA provider coordination has been achieved with limited resourcing or need for rigid structures, instead relying on periodic monthly calls and regular correspondence between the IMF, World Bank, the Global Forum/OECD, the IADB and CIAT. The result of coordination has been joint technical assistance missions, workshops, reports and recommendations. Close coordination and cooperation have avoided duplication of effort, while also improving the consistency of advice provided to the Peruvian government by donors.

The coordination has allowed for consistent, joint WB-OECD TA missions, recommendations and capacity building workshops (for example, on transfer pricing, exchange of information and information security management, IMF-IADB workshops (Digital Innovation in Public Finances, and e-invoices) and efficient division of labor, for instance, the IMF has been developing a compliance improvement program focused on VAT, large taxpayers, and customs; and the WB has been supporting the government on SME taxation reform. Where government has adopted donor recommendations, the TA providers then follow up with additional technical support for implementation, delivering action plans jointly agreed, for example with the Global Forum/OECD. In September 2018, the government amended a number of international tax rules including a new set of thin capitalization rules, new procedures and rules for the indirect transfer of shares, clarifying the definition of permanent establishment, establishing an indirect foreign tax credit and legislation on beneficial ownership and CRS.

Donor and TA providers collaboration on both tax policy and revenue administration issues, combined with the leadership of the government of Peru, is bearing results. A key lesson is the advantage of a national government with a clear reform agenda, behind which donors and TA providers are able to focus efforts.

Box 2. Uganda—Convening Power of the Uganda National Government

In 2016, despite two decades of sound macroeconomic performance, Uganda's tax effort remained around 13 percent of GDP, the lowest in the East African Community and below the government's own goal of 16 percent of GDP.

At the initiative of the Permanent Secretary/Secretary to the Treasury, a DRM Committee was established to guide the development of the DRM Strategy and coordinate interventions aiming to support revenue mobilization. The DRM Committee comprises representatives from the Ministry of Finance, Planning and Economic Development (MFPED), the Uganda Revenue Authority (URA), the World Bank, the IMF, DFID, USAID, the EU delegation, KfW, UNDP, European Policy Research Centre (EPRC), and the International Growth Centre (IGC).

The work of the Committee began with a comprehensive stock-take of existing DRM technical assistance reports, analytical work and reforms. This aided the identification of priorities for reform, as well as areas where further research was needed.

The World Bank delivered an assessment of Uganda's domestic revenue gaps, an excise duty diagnostic, and undertook a range of assessments on DRM institutional needs, customs and ICT, support on transfer pricing has also been provided in partnership with ATAF/OECD, there has also been collaboration with the Global Forum support on exchange of information, especially on beneficial ownership requirements. The IMF, which in recent years has provided significant assistance in tax policy (including for the Extractive Industries sector), tax administration, customs administration, and measuring the VAT gap, also developed a framework for preparing the MTRS and applied TADAT. The International Centre for Tax and Development reviewed Uganda's tax treaties and taxation of high net worth individuals, and is now working on tax incentives. USAID delivered technical assistance to address taxpayer registration issues identified by the TADAT. UNDP, in partnership with the OECD, has provided TIWB assistance.

The DRM Committee has led the development of a Medium-Term Revenue Strategy (MTRS) for Uganda.

A key takeaway from the DRM Committee has been the vital leadership role played by the Uganda government, committing to the long-term process of tax reform, and especially in promoting collaboration among the donor community. A further lesson was contained in feedback from the Uganda officials involved in the DRM Committee, who found the DRM Committee process improved the management of competing pressures in the reform process.

Sources: Uganda's MOF, Planning, and Economic Development, *Progress Report: Domestic Revenue Mobilization Strategy for Uganda*, 7 June 2018; Uganda Domestic Revenue Mobilization Co-ordination Strategy, 13 October 2016

Box 3. Myanmar—Collaborative Support of CD Partners: Key Factor for Progressing the Government’s Revenue Reform Strategy

Multi-phased approach to revenue reform

Transformational revenue reform journey began in 2012. The tax-to-GDP ratio was exceptionally low (3.5 percent) and the government wanted to increase it to 10 percent through rebuilding from scratch the entire tax system. In doing so, the authorities expected to create fiscal space that would promote growth and help achieve the sustainable development goals. The early reform years (Phase I: 2012–17) followed IMF advice and focused on structural design and capacity building: a new function-based large taxpayer office (LTO) was established, piloting a self-assessment system (SAS), and the Internal Revenue Department’s (IRD) headquarters was restructured along functional lines, with a fledgling program management and governance structure established. The success of the LTO pilot led to the medium taxpayer office 1 (MTO1) being established using the new SAS in 2017. Collectively these initiatives began a multi-phased journey to improve equity, efficiency and transparency of the tax system.

The second phase of the revenue reform is guided by the Reform Journey 2017–2022. This phase focuses on consolidating Phase 1 and introducing more features of a modern tax system: a tax procedures law, modernized income tax legislation and a new integrated tax administration system (ITAS), supporting more streamlined business processes and new compliance risk management concepts. These reforms, together with Customs administration and budgetary operations improvements are a precursor to a full-fledged medium-term revenue strategy (MTRS).

Tax collections have steadily increased during the reform period. The reforms now allow proactive management of approximately 3,000 corporate taxpayers and nearly 70 percent of tax revenue in the new large and medium taxpayer offices. With significant natural resource revenues, the revenue to GDP ratio is 17 percent in 2017/18. Nevertheless, the tax-to-GDP ratio remains low at 6.7 percent, less than half the regional average of around 18 percent, given widespread tax exemptions. The revenue reform program is thus expected to take several more years to reach the critical mass needed to supplement natural resource revenues and sustainably finance Myanmar’s development needs.

Coordination of Capacity Development Support

Aligning CD support to the government’s revenue reform strategy was critical to these early successes. From the outset the IMF, WB Myanmar team and United States Treasury Office of Technical Assistance (OTA) aligned their individual CD programs with clear and specific reform initiatives under the government-led reform journey. For example, the IMF was responsible for guiding the overarching reform strategy, reform management and governance, organizational design, and tax law design and drafting, OTA covered the LTO development and audit, and the WB supported audit and the ITAS procurement. These arrangements allowed support for key initiatives, recognized the geographic office separation challenges and enabled simultaneous CD support at headquarters and frontline offices. Subsequently, other agencies (NORAD, the EU, DFID and Japan) joined the reforms providing assistance in specific areas aligned to the reform strategy. The timing of each agency’s support has been closely aligned to key dates in the government’s revenue reform strategy.

A multi-tiered donor coordination approach enhanced the effectiveness of CD planning decisions. A three-tiered approach was adopted. First, day-to-day coordination between in-country advisors helped model new collaborative behaviors and resolve local issues quickly. Second, regular conference calls between in-country advisors and CD team leaders helped identify and manage CD gaps and potential overlaps. Third, a bi-annual in-country donor roundtable hosted by the IMF helped keep the wider donor group informed of progress and early identification of future CD needs to help ensure the right support was available at the right time from an appropriate CD partner. The IMF was instrumental in identifying CD needs and, with the IRD’s consent, liaised with CD partners to help them design targeted CD projects and identify experts to fill the gaps. This semi-structured approach to CD partners coordination should be consolidated and further developed when Myanmar ultimately transitions to the full MTRS approach.

BOX 4. Guatemala — Collaborative efforts among CD partners to revenue administration reform

Guatemala has historically shown low tax effort. While the tax to GDP ratio increased to 12.1 in the mid-2000s, tax revenue performance deteriorated after the 2008-09 financial crisis and has not returned to previous levels. In 2018 the tax revenue ratio fell to 10.0 percent of GDP. Reforms have failed for various reasons, including difficulties the authorities have faced in obtaining approval for proposed tax policy and administrative reforms from congress and the constitutional court. The tax and customs administration (SAT) has had periods in which it has been able to implement institutional reforms followed by others where reform progress has been weak. In addition, a 2015 corruption scandal that involved the highest levels of government further deepened the already complex situation the revenue agency faced.

The authorities are trying to address various weaknesses identified in revenue administration. Several IMF-led diagnostic assessments have found that the SAT suffers from: (i) disintegrated and inefficient processes; (ii) a dysfunctional governance structure that lacks transparency and is characterized by weak internal controls and ineffective information sharing between units; (iii) fragmented and vulnerable information systems; and (iv) lack of a modern human resource management strategy.

The new government that took office in early 2016 started to launch a new reform effort of the SAT. In the context of the new government's plan to overhaul governance and integrity of public institutions, and with the aim of rebuilding the public's trust, the SAT, with strong support from the MOF, spearheaded a reform plan with seven priorities: (i) strengthening the customs clearance process, (ii) improving import valuation, (iii) enhancing the control of special tax regimes, (iv) implementing a comprehensive VAT compliance plan, (v) updating the taxpayer register, (vi) establishing an effective segmentation of taxpayers, and (vii) strengthening the audit function. In July 2016, Congress approved a law to strengthen fiscal transparency and the SAT's governance.

Coordination of Capacity Development Support

Aligning CD support for the new reform effort was crucial to strengthen the road map for revenue administration reform. Several CD partners joined the new reform effort. The IMF, WB, IADB, and the U.S. Treasury's Office of Technical Assistance (OTA) collaborated closely to respond to the authorities' urgent request for assistance in the wake of institutional damage resulting from the 2015 corruption crisis. In early 2016, the IMF organized a series of donor meetings to coordinate a common response to the new authorities' call for support. The donors, which also included the German International Cooperation Agency (GIZ), agreed on a framework to align their individual CD programs with specific reform initiatives. USAID would join this group later. In 2017 and 2018, the IMF, the WB, and other donors participated in several joint meetings with the SAT to ensure that all technical assistance provided to the SAT was done in a coordinated manner.

Helping formulate and implement the SAT reform strategy in a collaborative manner. In May 2016, the IMF carried out a diagnostic mission, in collaboration with WB staff, which proposed a strategy to improve tax and customs compliance and strengthen the SAT. The WB then prepared a large project to support various aspects of the SAT's operations based on that mission's main conclusions and recommendations. Although the WB approved the project and the associated \$80 million loan, the Guatemalan congress did not authorize it, and it was withdrawn in 2018. The IADB also prepared a project loan that the authorities did not authorize. A TADAT mission lead by the IMF was carried out in September 2017 in collaboration with GIZ and OTA.

Despite the slow progress on the ground collaboration between CD partners has continued. In 2017 and 2018, the IMF, the WB, and other donors participated in several joint meetings with the SAT to ensure that all technical assistance provided to the SAT was done in a coordinated manner.

The IMF support was provided under the IMF's Revenue Mobilization Thematic Fund (RMTF). The RMTF project has supported improvements in key SAT operations such as VAT administration, large taxpayer compliance management, audit and enforcement. The IMF's CAPTAC-DR has also provided complementary technical assistance in specific areas of tax and customs administration. Although the more ambitious reforms have not been implemented and that compliance levels have fallen steadily, donors, including the IMF, have continued to be active providing assistance in key areas of tax and customs administration to support specific reforms. For example, despite the overall fall in the tax to GDP ratio, customs' revenue performance has shown an improvement relative to the tax administration, partly thanks to the implementation of IMF and OTA-recommended reform measures in customs.

Box 5. Uzbekistan— Collaborative Support of CD Partners for Revenue Administration Reform

Tax System Reform is a key component of the country's economic modernization. Following President Shavkat Mirziyoyev's election in December 2016, the government has embarked on a series of reforms to rapidly transform the economy. After public consultation, the "Strategy of action on five priority areas of development of the Republic of Uzbekistan for 2017–21" was adopted in February 2017. Reforming the tax system – policy, administration, and legal framework – is one of the priorities.

Reform commitment at the highest level is strong; and reform impetus is great. The Deputy Prime Minister (also Minister of Finance) is personally leading the effort and has been committed to involve external CD support to build on international experience. The aim is to comprehensively reform the country's fiscal framework, including the tax and expenditure systems. In June 2018, the government issued two presidential resolutions which set out significant tax policy changes and transformational reforms of the State Tax Service Authorities.

Reform needs are broad in policy and administration. IMF advice in April 2018 recommended an in-depth tax policy reform, notably to simplify, modernize, and improve the efficiency of the tax system. Recommendations focused on reducing the burden of taxation on labor and capital, improving the taxation of SMEs to reduce informality, and increasing VAT productivity. This is needed to restore tax neutrality across sectors and across organizational forms, while improving the investment climate by reducing the effective marginal tax rate on investment. IMF advice on revenue administration in July 2018 recommended structural changes in the organization, management, operations, and performance of the tax administration (State Tax Committee, STC); and advised on how to prioritize and sequence the reforms to reflect capacity to implement.

Reform is progressing, though due to rushed decisions some changes were less than optimal, and the reform strategy and management are yet to be consolidated. On the policy front, the June 2018 presidential resolutions incorporated parts of the April 2018 IMF advice. Progress in revenue administration has been slower, especially in strengthening STC headquarters and field structure. More progress has been made in establishing a large taxpayer office (LTO). To guide tax system modernization, the government is developing a reform strategy.

Coordination of Capacity Development Support – A challenging Start

With little experience with reforms of this scale, Uzbekistan sought external support; sometimes with overlapping CD requests. In early 2018, the government sought IMF CD support on taxation and expenditure; subsequently it also sought WB advice on taxation, as well as from Russia and Georgia.

Initial coordination of CD activities was challenging. By giving similar mandates for advice, notably to the IMF and WB, the government received overlapping and uncoordinated advice during 2018. CD providers asked the authorities to improve their coordination and in late 2018, the Deputy Prime Minister appointed the IMF as lead external CD advisor on tax system reform.

Since early 2019, IMF has provided support under the Revenue Mobilization Thematic Fund (RMTF). The RMTF Steering Committee approved an intensive CD project in late 2018, covering tax system reform including several modalities of CD, notably a resident expert installed in Tashkent in April 2019.

CD coordination is improving. The clearer division of CD responsibilities and enhanced relationship among the IMF and WB teams are enabling more collaborative and complementary CD support. Under the RMTF project, the IMF advises on strategic reform design (tax policy, institutional settings, organizational design, tax administration business strategy) and supports the governance of the reforms. The WB provides support focused on implementation in areas such as human resources, business process reengineering, and new information technology systems. IMF and WB teams are coordinating their field work closely. For example, an IMF team visited Tashkent in April 2019 to advise on structural issues in reform management, and to install the new resident advisor, liaised with the WB team which assessed the IT systems at a high level, and provided a process mapping. As agreed, the IMF resident advisor joined the WB mission. It is expected that collaboration will continue. Incorporating other CD providers will be required to ensure consistency.



PCT Progress Report 2018 - 2019

The views expressed in this Paper are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.



This report is prepared under the responsibility of the Secretariats and Staff of the four organizations. It reflects a broad consensus among these staff, but should not necessarily be regarded as the officially-endorsed views of those organizations or their member states.

ACRONYMS

| | |
|---------|--|
| ADB | Asian Development Bank |
| AfDB | African Development Bank |
| ATAF | African Tax Administration Forum |
| ATI | Addis Tax Initiative |
| BEPS | Base Erosion and Profit Sharing |
| CD | Capacity Development |
| CFA | Committee on Fiscal Affairs |
| CIAT | Inter-American Center of Tax Administrations |
| DFAT | Department of Foreign Affairs and Trade (Australia) |
| CREDAF | Center for Meetings and Studies of Tax Administration Leaders |
| CRS | Common Reporting Standard |
| DFID | Department for International Development (UK) |
| DIAMOND | Development of Implementation and Monitoring Directives DRM Domestic Resource |

Mobilization

| | |
|------------|---|
| <u>DRM</u> | <u>Domestic Resource Mobilization</u> |
| DRMS | DRM Strategy (Uganda) |
| DP | Development partners |
| ECOSOC | United Nations Economic and Social Council |
| EPRC | European Policy Research Centre |
| FARI | Fiscal Analysis of Resource Industries |
| FfD | Financing for Development |
| FSDR | Financing for Sustainable Development Report |
| FTA | Forum on Tax Administration |
| GDP | Gross Domestic Product |
| GIZ | German International Cooperation Agency |
| IADB | Inter-American Development Bank |
| ICT | Information and Communication Technologies |
| IDA | International Development Association |
| IMF | International Monetary Fund |
| IOTA | Intra-European Organization of Tax Administrations |
| IRD | Internal Revenue Department |
| IGC | International Growth Centre |
| ISORA | International Survey on Revenue Administration_ |
| ITAS | Integrated Tax Administration System |
| KfW | German Development Bank (Kreditanstalt Für Wiederaufbau) |
| KSP | Knowledge Sharing Platform |
| LTO | Large Taxpayer Office |
| MDTF | Multi-Donor Trust Fund |

| | |
|-------------|---|
| MPED | Ministry of Finance, Planning and Economic Development |
| MOF | Ministry of Finance |
| MOU | Memorandum of Understanding |
| MTRS | Medium-Term Revenue Strategy |
| NSEDP | National Socio-Economic Development Plan (Lao PDR) |
| ODA | Official Development Assistance |
| ODI | Overseas Development Institute |
| OECD | Organisation for Economic Co-operation and Development |
| OIP | Online Integrated Platform |
| OTA | Office of Technical Assistance |
| PCT | Platform for Collaboration on Tax |
| PEFA | Public Expenditure and Financial Accountability Framework |
| PFDS | Public Financial Management Development Strategy (Lao PDR) |
| PITAA | Pacific Islands Tax Administrators Association |
| PNG | Papua New Guinea |
| RCI | Internal Revenue Commission (PNG) |
| RA-GAP | Revenue Administration Gap Analysis Program |
| RMTF | Revenue Mobilization Thematic Fund (IMF) |
| SAS | Self-Assessment System (Myanmar) |
| SAT | Superintendencia de Administración Tributaria (Guatemalan Revenue Administration) |
| SDGs | Sustainable Development Goals |
| SME | Small and Medium Sized Enterprises |
| TA | Technical Assistance |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| TEA | Tax Expenditure Analysis |
| TF | Trust Fund |
| TIWB | Tax Inspector Without Borders |
| TPAF | Tax Policy Assessment Framework |
| TSR | Tax system reform |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| UNECLAC | United Nations Economic Commission for Latin America and the Caribbean- UNDP United Nations Development Programme |
| <u>UNDP</u> | <u>United Nations Development Programme</u> |
| URA | Uganda Revenue Authority |
| USAID | United States Agency for International Development |
| VAT | Value-added Tax |
| WBG | World Bank Group |
| WCO | World Customs Organization |

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I. Introduction

The adoption of the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda in 2015 has prompted multilateral organizations to expand their work on domestic revenue mobilization (DRM) in countries, particularly developing countries,¹ including through rapidly growing portfolios of tax-related activities. In this context, the Platform for Collaboration on Tax (PCT) was established in 2016 to bring together the experiences and expertise of the four largest multilateral organizations active in tax matters (International Monetary Fund [IMF], Organization for Economic Co-operation and Development [OECD], United Nations [UN], and World Bank Group [WBG]) to enhance cooperation on domestic revenue issues. Over the last three years, the Platform has helped exploit complementarities and synergies among its Partners in their work on tax, while fully respecting the governance mandates and policy positions of each organization.

This report provides an update of the work of the PCT during 2018-19. The PCT previously reported on its progress in 2017.² Going forward, the PCT plans to provide updates on an annual basis to its governing bodies and interested stakeholders.³ Section II of this report provides an update of the PCT work plan. In February 2018, the PCT held its first global conference on taxation and the SDGs. In their closing statement, Partners committed to 14 actions for enhancing coordination, cooperation and collaboration in their work on tax in support of the SDGs (Box 1). To meet the commitments set out in the 14 Action Items, the PCT has begun with the implementation of a comprehensive work plan. The work plan consists of three main work streams: (1) coordination of DRM capacity development activities; (2) analytical activities; and (3) outreach activities. Then, Section III of the report discusses the early experience with Medium-Term Revenue Strategies (MTRS) and draws preliminary lessons. A brief overview of DRM-related activities of PCT Partners is provided in Section IV.

As support for capacity development is scaled up, efficiency and effectiveness only gain more importance. Risks of redundancy, as well as support that outpaces countries' absorption capacity, need to be managed. By collaborating, synergies in support for capacity development can be exploited and comparative advantages leveraged. Partners have identified complementarities in their mandates, tools and ways of working, which are presented in the Note on Complementarities between the Platform Partners, included as Annex 1. Next steps for strengthening collaboration between Partners are included in Section V of this progress report.

¹For the purpose of this report, the term "developing countries" refers to all countries that are not high-income countries.

²See: <http://documents.worldbank.org/curated/en/487521499660856455/Update-on-activities-of-the-platform-for-collaboration-on-tax>.

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³The current progress report was specifically requested by the G20 Finance Ministers and Central Bank Governors during their meeting in July 2018, see: <http://www.g20.utoronto.ca/2018/2018-07-22-finance.html>.

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Box 1: PCT Actions to Take the Tax Agenda Forward

1. On a regular basis, working with others including the Addis Tax Initiative, we will help to give a comprehensive picture of the total effort of international, regional and bilateral partners in supporting developing countries on tax matters.
2. We will integrate and aim for the highest possible standards of transparency in the provision of information about our capacity development activities in developing countries through the PCT website.
3. On international tax we will scale up our joint work to support developing countries to address tax transparency and base erosion and profit shifting, including on treaties.
4. Working together with other stakeholders, we will seek to provide coherent and consistent international tax policy advice.
5. We will complete the PCT Toolkits to help countries address challenges in international taxation, and launch an expanded outreach program to support the development and use of the Toolkits. We will respond to additional concerns raised by countries with analytical work, recommendations and guidance.
6. We will provide, in mid-2018, an update to the G20 on tax certainty and developing countries.⁴
7. We will analyze and report on the spillovers and opportunities from changes in the international tax environment on and for developing countries.
8. We will work together to support the development of country-led MTRSs, including through the involvement of bilateral partners, and report on outcomes. We will align our support according to the plans set out by governments.
9. We will help developing countries access the knowledge, experience and good practices in tax administration, starting with the use of technology, working with the Forum on Tax Administration, regional tax organizations and other partners.
10. We will support the participation of developing countries in tax policy discussions at international fora.
11. We will launch a multi-year Tax and SDGs Program, that will include components on taxation and health, education, gender, inequality, environment, and infrastructure.
12. We will establish a regular dialogue between the PCT and stakeholders—most importantly developing country governments.
13. We will review current practice, and provide guidance and recommendations, on the tax treatment of ODA funded goods and services.
14. To help deliver this agenda we will seek to secure donor funding for the expanded work program, supported by a strengthened PCT Secretariat.

Source: PCT Partners' Statement at the Closing of the Conference on Taxation and the SDGs, February 16, 2018; at: <http://www.worldbank.org/en/news/statement/2018/02/16/platform-for-collaboration-on-tax-first-global-conference-on-taxation-and-sdgs>.

⁴The report is available at: <http://www.oecd.org/tax/g20-report-on-tax-certainty.htm>. A further update is to be delivered by the IMF and OECD in June 2019.

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⁴ The report is available at: <http://www.oecd.org/tax/g20-report-on-tax-certainty.htm>. A further update is to be delivered by the IMF and OECD in June 2019.

To meet the commitments set out in the 14 Action items, the PCT has developed activities under three work streams:

- **Work stream 1 - Coordination of DRM capacity development activities:** provide comprehensive and easily accessible information about PCT Partners' support for capacity development on tax, with a view to facilitating and strengthening coordination among PCT partners and other stakeholders on country-related support and with a particular focus on helping developing countries organize their reform efforts into MTRs.
- **Work stream 2 – Analytical activities:** provide high-quality analytical tools and consistent guidance and recommendations for countries on a range of issues to further help them understand and address contemporary issues in taxation, with a specific but not exclusive focus on issues of importance for developing countries.
- **Work stream 3 – Outreach activities:** foster informed and effective participation of all stakeholders, especially developing countries, in international tax cooperation.

Work Stream 1. Coordination of Capacity Development Activities (actions 1, 2, 3, 8 –and 9)⁵

9)⁵

a) Objective

Provide comprehensive and easily accessible public information about PCT Partners' support for capacity development (CD), in order to contribute to more effective and better coordinated support to countries in revenue mobilization, including through facilitating coordination of MTRs.

b) Context

Effective coordination of support to developing countries on DRM is a core objective of the PCT. More systematic, timely and comprehensive information on technical assistance (TA) and other CD activities would:

- facilitate coordination among the IMF, OECD, UN and WBG;
- enable PCT Partner organizations and development partners to identify synergies and avoid redundancies;
- allow for better coordination with country recipients as well as non-PCT providers of CD support, including bilateral donors and regional organizations;
- strengthen ownership of the developing countries in preparing and implementing MTRs; and
- fill missing gaps in information available (e.g., in the Addis Tax Initiative Monitoring Report) to a wide range of stakeholders with an interest in the tax and the Financing for Sustainable Development agenda.

Since the implementation of the Platform, and the publication of the PCT report on enhancing the effectiveness of external support in building tax capacity in developing countries,⁶ there has been –strong

⁵ Work streams and activities are mapped to the work plan and actions identified in Box 1 throughout this Section. ⁶ See: <http://documents.worldbank.org/curated/en/337691503666961906/Enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries-prepared-for-submission-to-G20-finance-ministers>.

⁵ Work streams and activities are mapped to the work plan and actions identified in Box 1 throughout this Section.

⁶ See: <http://documents.worldbank.org/curated/en/337691503666961906/Enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries-prepared-for-submission-to-G20-finance-ministers>.

demand by some stakeholders for the PCT to play a role in facilitating the coordination of TA to developing countries in general, and in particular the preparation and implementation of MTRs.

Activities, and achievements, of the PCT fall into two categories: (1) those undertaken by the PCT Partners themselves, individually or collaboratively that are directly linked to the PCT program; and (2) activities undertaken by the PCT Secretariat/staff, including fostering information exchange. In regard to the former, even where the Secretariat is not directly involved or plays only a minor role, the simple existence of the PCT as an informal arrangement serves to facilitate collaboration through nearly constant contact among senior tax staffs of the Partners. It thus makes more efficient the Partners' own activities. Indeed, this was a primary impetus for creating the PCT three years ago. This contact is one of the important coordination mechanisms for Partners—along with on-the-ground coordination in recipient countries.

While the PCT itself does not have the mandate for direct provision or coordination of capacity building activities at the country level, there are steps, outlined below, which the PCT can take to promote and facilitate the effective provision of CD activities by Partners and other providers.

c) Activities

In support of the actions outlined above, the PCT proposes the following activities to promote information sharing to assist in facilitating better coordination in capacity development:

- **The development of an improved PCT website and a new Online Integrated Platform (OIP)** (actions 1 and 2). The Platform currently has a website, hosted by the WBG^{7,7}, that has been used to disseminate PCT work. Given the nature of the PCT and the growing interest in its products and activities, PCT Partners identified the need to establish a new website hosted outside the World Bank's system and administered by the PCT Secretariat. This external web site will also provide access to the OIP. The PCT Secretariat will have responsibility for the overall development and maintenance of the OIP, while PCT Partners are responsible for providing the data that will feed the OIP (consistent with their policy frameworks for access to information). The OIP will also comprise information on MTRs.
- **Annual reporting on activities of the PCT** including a summary of Partners' support for capacity development on tax, including the experience with the implementation of the MTRs (actions 1 and 2). This report will be drafted by Partner organizations, with support of the PCT Secretariat for consolidation of inputs, publication and dissemination.
- **Helping developing countries to access good tax administration practices** (action 9). The PCT will reach out to the Forum on Tax Administration (FTA), and Regional Tax Organizations, to work toward stock taking of good practices, starting with technology; the PCT will focus on dissemination.
 - **Supporting developing countries to address international tax issues** (action 3). PCT Partners continue to focus on the development of toolkits on Base Erosion and Profit Sharing (BEPS) and related international tax matters, as mandated by the G20. They also build on existing good practices (e.g. OECD/WB collaboration on Base Erosion and Profit Sharing (BEPS) BEPS/Transfer Pricing and Exchange of Information) to leverage the Partners' skills and knowledge to

⁷ See: <http://www.worldbank.org/en/programs/platform-for-tax-collaboration>.

⁷ See: <http://www.worldbank.org/en/programs/platform-for-tax-collaboration>.

- help with: exchange of information; provision and use of the information; capacity development in implementing BEPS actions as appropriate and providing analysis of cross border implications.

The OIP and PCT report are designed to supplement and not duplicate related initiatives such as the annual ATI (Addis Tax Initiative) monitoring report and the Knowledge Sharing Platform (KSP). PCT partners understand the importance of working with the ATI to make sure that all the relevant data on capacity development supported by bilateral donors and multilateral agencies are consistent.

d) Deliverables

- Online Integrated Platform (OIP)
- Annual Progress Report
- Exchange of information among Partners on country engagement
- Exchange of information and dialogue on MTRSs among Partners and other relevant stakeholders

e) Expected Results and Outcomes

- Stakeholders' access to information on PCT activities
- Enhanced coordination of capacity development activities
- Evolution of a global MTRS community of practice

f) Progress

- **Website and OIP:** Partner organizations and the Secretariat are fine tuning data collection needs, establishing mechanisms for the frequent updates, and determining the level of detail of the information that ultimately could be displayed on a site planned to go live by end-June 2019. In due course, Partners would like to enable integration with the datasets of other providers (e.g. ATI dataset).
- **Exchange of information on country activities.** The Technical Working Group meets at least every two weeks to discuss a range of issues, including Partners' country activities. The IMF and WBG are instituting formats and protocols for continuous exchange of information on support for tax systems in developing countries.
- **MTRS dialogues.** Intensive discussions on MTRSs take place at the country level with those involved in their design and implementation. Further details can be found in Section 3.

Work Stream 2. Analytical Work (actions 4, 5, 6, 7, 11 and 13)

a) Objective

To provide clear, coherent and practical tools and consistent guidance to address a range of tax issues in support of developing countries.

b) Context

Countries need high-quality yet practical guidance to help address complex and rapidly changing tax challenges, especially in the international tax area. PCT Partners have been seeking to address this need individually for many years.

There is clear added value from increased collaboration by the PCT Partners in this area. Joint analytical work and guidance drawing on the expertise from across the Partners can reduce incoherence (both real and perceived), provide common frameworks for countries to address issues, and provide common tools to draw on in Partners' individual CD activities. The potential of this approach has also been recognized by the G20, which called on the PCT to produce a series of joint toolkits, as appropriate, on BEPS and related international tax issues/matters.

Furthermore, the increased reach of the PCT enables wider engagement both in the development and dissemination of analytical work, for both Platform and, where appropriate, individual Partner products.

c) Activities

The PCT has identified a number of areas where there is a demand for analytical work. This covers areas in which work is already well advanced, as well as new areas that were highlighted at the global PCT conference in 2018. These include the toolkits, the tax treatment of Official Development Assistance (ODA) funded goods and services, as well as analytical work on tax and the SDGs. The Platform will also explore where it may play a useful role in supporting the use and discussion of analytical work undertaken by individual PCT Partners.

- ~~Toolkits~~ **G-20 mandated toolkits on BEPS and related international tax matters** (actions 4 and 5). The PCT will continue to develop joint toolkits, as appropriate, according to the timeline in Table 1. The toolkits are a valuable resource that provide a single point of reference for developing countries on complex issues, thereby reducing the risk of incoherency in advice and guidance. The toolkits also provide a basis for PCT Partners (either individually or collectively) to use in their own capacity building efforts and training. The development of each toolkit will include public consultation and direct dialogue facilitated by the PCT with interested developing countries. Each will be translated into French and Spanish. The development and dissemination of the toolkits will be an integral part of the PCT outreach program (see the section on outreach below). The Platform will continue to engage in dialogue with developing countries and review the issues on which there is highest demand for joint guidance from the PCT.
- **Tax treatment of ODA funded goods and services** (action 13). This work is currently taking place through the UN Committee of Experts. PCT Partners agreed to ~~review current practice, and providing~~ provide guidance and recommendations, on the tax treatment of ODA funded goods and services, on the basis of the work in this field by the UN Tax Committee. A number of development partners have changed their approach in recent years, and no longer request and/or require tax exemptions on ODA projects. At the same time, further information about the prevalence and impact of such exemptions has been produced by the African Tax Administration Forum (ATAF), in collaboration with the Overseas Development Institute (ODI). These developments highlight the increased interest in this area, and the potential value of guidelines to help all countries develop and implement an appropriate and effective policy in this area.
 - **Tax and the SDGs** (action 11). The global PCT conference in 2018 highlighted how many sectors are increasingly looking at taxation as an important factor in delivering the SDGs (e.g. in health, inequality and environment). There are numerous challenges in developing effective tax policies in these areas, from balancing revenue generation against behavioral change to understanding the wider impact on the tax system of narrow sectoral policies. The conference report⁸⁸ provides further articulation of these challenges and highlights the benefits of the development of a framework on

⁸⁸ Available at: <http://documents.worldbank.org/curated/en/860581538762337418/Taxation-and-the-Sustainable-Development-Goals-Conference-Report>.

⁸ Available at: <http://documents.worldbank.org/curated/en/860581538762337418/Taxation-and-the-Sustainable-Development-Goals-Conference-Report>.

- how to approach them. This will provide the basis for further work in this area, which will be developed further in future years.
- **Analytical work undertaken by PCT Partners** (action 6 and 7). PCT Partners are involved in producing a range of valuable analytical work, for example on tax certainty (with updates delivered to the G20 in July 2018 and June 2019), and the work of the IMF on spillovers (March 2019). The PCT will support in-depth dialogue and discussion in these areas where there is clear demand and value for the PCT to do so.

Table 1. Anticipated date for draft ~~toolkit~~toolkits on BEPS and related international tax matters for public consultations

| Toolkit | Timeline |
|--|---|
| Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment | Completed October 2015 |
| Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analyses Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analyses | Completed June 2017 |
| Taxation of Offshore Indirect Transfers Taxation of Offshore Indirect Transfers | Discussion draft released for second round of public consultation July 2018. Final version to be published imminently |
| Implementing Efficient and Effective Transfer Pricing Documentation Regimes | Discussion draft to be released for public consultation Q2 2019 |
| Tax Treaty Negotiation | Discussion draft to be released for public consultation by Q3 2019 |
| BEPS Risk Assessment | Discussion draft to be released for public consultation by Q4 2019 |
| Toolkit on base eroding payments | Discussion draft to be released for public consultations by Q2 2020 |

d) Deliverables

These will primarily be reports/toolkits detailed in the activities section above, which will be complemented by further resources that will be developed for the dissemination and outreach work of the PCT.

e) Expected Results and Outcomes

The specific results and outcomes will vary somewhat depending on the specific focus of each piece of analytical work. Aggregate expected results and outcomes can be summarized as:

- Improved analytical capacity on international tax issues
- Increased coherence of PCT Partners CD activities

f) Progress

- **Toolkits on BEPS and related international tax matters.** The Platform has continued to develop the toolkits on issues that are of particular importance for developing countries. As the toolkits deal

with often complex issues for which an agreed standard approach does not necessarily exist, their production is challenging and requires substantial discussion among -PCT -Partners -and- extensive consultation with other stakeholders.

- ~~Early on, Partners decided that in cases where they disagree among themselves, they would aim to find agreed solutions rather than wordsmith around the issue. Where no agreement is can be~~ found the toolkit will clearly state the different policy position of PCT Partners. All this has made producing the toolkits more challenging than expected, delaying their production beyond the original schedule, but is ensuring the final products are of maximum utility.
- *Offshore Indirect Transfers.* The Offshore Indirect Transfers toolkit was published for public consultation in September 2017, producing significant interest and a number of detailed comments from a range of groups representing country authorities, civil society organization and the private sector. Given the volume of comments, and the wide diversity of concerns raised, and the fact that the toolkit addresses a number of difficult international tax issues on which there is limited existing practical guidance, the Platform partners decided to provide for a second public consultation once the toolkit had been revised. The second consultation was launched in July 2018 and ran until September 2018. This was accompanied by a document systematically detailing the comments received and describing how the revised toolkit responds to the comments.^{9 9} The PCT received a range of further comments in response to this second consultation, requiring further reflection and review of the toolkit. The final version will be published shortly.
- *Remaining Toolkits.* A further five toolkits were originally planned. During 2018 the Platform partners reviewed both the demand and production schedule for the remaining toolkits. In response to feedback, including from developing countries, the planned toolkit on Supply Chain Restructuring has been dropped, not least as many of the issues that would have been addressed in this toolkit have already been addressed elsewhere, including through the BEPS Actions.

Platform partners have integrated the toolkits into their technical assistance at the country level and the guidance and training provided by PCT Partners. The OECD has incorporated the toolkits into its Global Relations Program of multilateral training. The approaches discussed in the toolkit on *Difficulties in Accessing Comparables Data for Transfer Pricing Analyses* will also be considered in the revision of the UN Practical Manual on Transfer Pricing for Developing Countries and are regularly addressed at UN training courses on transfer pricing.

- **Tax treatment of ODA.** All PCT Partners are participating in the work of the relevant subcommittee, alongside Committee members and other stakeholders. The work is focused on revising and updating the 2007 draft guidelines prepared by the International Tax Dialogue Steering Group. The first meeting of the subcommittee took place on 10-12 March 2019, and an update was provided to the Committee of Experts in their April meeting. The guidelines are continuing to be revised, with the intention of adoption by the Committee of Experts before the end of 2020.

⁹ ~~<http://www.oecd.org/ctp/PCT-offshore-indirect-transfers-draft-toolkit-version-1-responses.pdf>~~.

- **Analytical work of Partners.** Outside of the joint products of the Platform detailed above the Platform partners also collaborate and coordinate on the design and delivery of a range of other tools.

- *Revenue Statistics.* The IMF and OECD have increased their collaboration in this area by establishing a Working Group on Government Revenue Data which comprises senior and technical officials from the OECD's Centre for Tax Policy and Administration and the IMF's departments of Fiscal Affairs and Statistics. This working group was established following a meeting in Paris in September 2018 and has since been considering several issues of mutual interest via email, telephone calls, and a second meeting in Washington. The group is exploring areas including further harmonization of the classifications, understanding differences in certain countries via in-depth comparison of the data and sources, communication around the dissemination of the classification and statistics, and mutual involvement in regional workshops. Work is underway on a joint paper delineating the differences between the two datasets. Another example exists in the Pacific region where the IMF regional training center has collaborated with the OECD in a regional workshop with Pacific countries on revenue statistics.

In addition to the collaboration between the IMF and OECD, there is strong collaboration with a range of other regional and international organizations which are partners in the development of high quality, comparable, revenue statistics. These include the African Union, ATAF, Center for Meetings and Studies of Tax Administration Leaders (CREDAF), World Customs Organization (WCO), African Development Bank (AfDB), Asian Development Bank (ADB), Pacific Islands Tax Administrators Association (PITAA), Pacific Community, Inter-American Development Bank (IADB), UN Economic Commission for Latin America and the Caribbean (UNECLAC) and Inter-American Center of tax administrations (CIAT). The OECD works bilaterally with a number of countries to support the development of the capacity in revenue statistics, while the IMF works directly with all the authorities of all its member countries in the production of revenue statistics.

- *Tax Policy Assessment Framework (TPAF).* The IMF and WBG continue to work together on the development of TPAF. Intended as a successor to the IMF's Tax Policy Handbook, TPAF is an online tool that aims to provide a framework for systematic and consistent assessment of tax design. Unlike Tax Administration Diagnostic Assessment Tool (TADAT), for instance, it does not score dimensions of country performance.

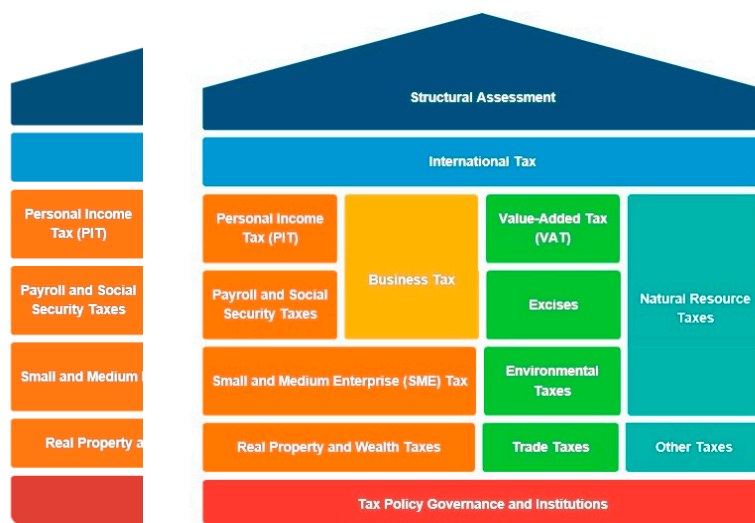
TPAF has a modular structure (Figure 1), enabling a sequential and transparent process of development. The first completed module on value-added tax (~~VAT~~, VAT), is now available online.^{10, 10} Modules on personal income tax and excise are in an advanced stage of development. The IMF and WBG provide updates and seek feedback on modules under development at the tax events

¹⁰Available at: <https://www.imf.org/en/Data/TPAF>.

¹⁰Available at: <https://www.imf.org/en/Data/TPAF>.

they organize at every Annual and Spring Meetings.¹¹ As was the case with the VAT module, there will be an online consultation process before finalization.

Figure 1. TPAF Modules



- *Tax Administration Tools.* There has been increased focus in recent years on new tools to assist with tax administration development and reform. As the process of tax administration reform consists of multiple stages (diagnostic, design, implementation, and monitoring and evaluation), different tools have been developed to assist at different stages of the process. Given the broad scope of tax system reform, and the capacity building support available, tools also vary in terms of the level of specificity they provide, and to the extent to which they are designed to integrate with capacity building programs. These tools are universal in approach seeking to address the needs of all countries to continue to improve and strengthen their tax systems. Section 3 in the Note

¹¹For practical reasons, this event did not take place at the Bali meetings in October 2018.

on Complementarities (Annex 1) provides an overview of the range of most common tools and frameworks to strengthen tax system provided by the Platform partners, and others. Taken together these provide a powerful range of tools, approaches, and data to support tax system reform.

Work Stream 3. Outreach and Engagement (actions 5, 10 and 12)

a) Objective

Foster informed and effective participation of all stakeholders, especially developing countries, in international tax discussions, as well as help developing countries access knowledge, experience and good practice in tax policy and administration (including legal aspects).

⁴⁴~~For practical reasons, this event did not take place at the Bali meetings in October 2018.~~

b) Context

Effective outreach of PCT work will be an ongoing cross-cutting effort that supports all major activities of the Platform. In particular, effective outreach supports greater transparency of the work and, as such, complements and leverages activities described under work stream 1. Outreach—in which terms we include not only dissemination but also dialogue that provides input to the work of the PCT—is also vital to ensuring both the quality of and a significant impact from the analytical work stream, enabling countries to access and use guidance developed by the Platform that is sensitive to their needs and circumstances. Dissemination activities will allow the PCT to bring to a wider audience the lessons learned from country-led MTRS implementation and other CD activities, as well as, to ensure the usefulness and dissemination of the practical tools and consistent guidance for developing countries derived from work stream 2.

Ultimately, effective outreach activities should enable relevant stakeholders, especially developing countries, to provide substantive input into, and feedback on, international tax policy discussions. In this context, outreach efforts must address the need for partnership and dialogue with a wide range of stakeholders, as well as the importance of strengthening the capacity of developing countries to effectively engage in relevant international tax policy discussions and institutions.

c) Activities

- The PCT will seek inputs from developing countries and relevant stakeholders in the development of its toolkits through targeted events and dialogue as well as broad-based online consultations (action 10).
- The PCT will organize targeted 1-2-day workshops at the regional level for covering relevant issues for developing countries, including to support the development of toolkits, experiences with MTRSs, and dissemination of the finalized toolkits and other PCT products to ensure their effective dissemination and implementation through training and knowledge-sharing. In addition, other development partners will be encouraged and supported to make full use the toolkits in their CD activities (actions 5 and 10).
- The PCT and its Partners will hold occasional side events in the margins of official events to consult with individual and groups of stakeholders (action 12).
- The PCT will transmit regionally, or more broadly, lessons from TA including the implementation of country-led MTRSs, thereby supplementing the efforts of the Partner themselves (action 12).

d) Deliverables

- At least two 1-2 day workshops at the regional level for developing countries per year to develop and disseminate toolkits.
- Online consultation for each toolkit.
- Regular communication and dialogue on lessons from CD activities, especially MTRS.

e) Expected Results and Outcomes

- Greater and more effective participation of developing countries in the global forums that discuss issues of international tax standard setting and implementation issues on tax policy priorities, through the G20, and other key meetings of the partners.
- Development of toolkits that reflect the distinct concerns and circumstances of low-income countries.
- Wide use of PCT toolkits, including in developing countries, especially low-income countries.

- International tax policies and standards that duly reflect the inputs of a diverse group of stakeholders, especially those of developing countries.
- Strengthened capacity of developing countries to address international tax issues, including by making use of the toolkits and other substantive guidance provided by Platform partners.

f) Progress

Outreach activities have included: i) briefings in the margins of Partner activities; ii) training on the application of PCT toolkits; as well as iii) the electronic dissemination of PCT activities through its website.

- **Briefings.** On 9 October 2018, the Partners of the PCT held a panel discussion in Bali, Indonesia. The event titled “Stepping up to the Challenges on Domestic Resource Mobilization – the Power of Cooperation”, was open to all registered participants in the 2018 IMF-WBG annual meetings. PCT representatives addressed the challenges that countries face to mobilize taxes and other domestic resources for meeting their national development goals, particularly in an increasingly digital economy. Speakers highlighted that each of the four PCT organizations have different mandates, instruments, membership and relative strengths that they bring to the table. The discussions also ventured into the opportunities and challenges related to the digital economy. The digital economy is hard to tax because digital technology has allowed multinational enterprises to conduct some of their core business activities without having a physical presence in the market country, thereby avoiding payment of any tax in that jurisdiction. At the same time, participants emphasized that digitalization also offered opportunities to tax administrations, as it unlocked new ways of gathering, analyzing and sharing of information.

On 26 April 2019, senior officials of the four PCT Partners, as well as the PCT Secretariat, briefed government officials and external stakeholders at the UN Headquarters in New York on recent activities of the PCT and its work program for 2019-2020. The meeting was open to all Member States and other interested stakeholders. Short presentations by PCT members on PCT activities to implement the work program were followed by a lively debate among panelists and participants. During the discussion, several participants welcomed the increased collaboration. Others highlighted the need to ensure that the PCT Secretariat does not overreach its mandate and to clearly delineate areas where there are policy differences when summarizing public discussions organized by the PCT. Representatives of PCT Partners reaffirmed that the primary purpose of the PCT was to enhance the exchange of institutional information, particularly on capacity development activities, with the objective to avoid duplication of efforts and forge synergies between the Partners. Governance structures and policy positions of its member organizations are fully respected and the guiding principles of the work of the PCT remain the landmark agreements of 2015, including the Addis Ababa Action Agenda, the 2030 Agenda and the Paris Agreement.

Updates on the work of the PCT are a regular feature of meetings of the OECD’s Inclusive Framework and Committee on Fiscal Affairs (CFA), where the IMF, UN and WBG are observers. Each plenary meeting of the Inclusive Framework features an item on the PCT as part of the agenda. This provides a forum for dialogue between the Inclusive Framework and PCT.

Partners continue to take advantage of other events to inform participants of, and disseminate, the work of the PCT. The IMF, for example, invited all Partners to its annual regional tax event

in Tokyo (organized jointly with the Ministry of Finance [MOF] of Japan), at which a presentation was made to update on the work of the PCT.

- **Training workshops.** The OECD held training workshops on the toolkit on “Addressing Comparable Data for Transfer Pricing” on 24-28 September 2018 in Malaysia and on 13-15 November 2018 in Russia. The training addressed some of the challenges associated with difficulties in accessing comparables data. It focused on making the best use of available data and discussed the sources of data and how the use of available data may be optimized through widening the criteria for data-selection and the use of comparability adjustments. It also stressed that the selection of the most appropriate transfer pricing method, on the basis of a detailed factual analysis, is central to the application of the arm’s length principle. It further emphasized issues that arise, and solutions that may be available, where adequate data on transactions between independent parties are not available. Further training workshops on comparables are planned for the second half of 2019 in Hungary, Mexico, Turkey and Republic of Korea.^{12 12}

A 1-week outreach event on the draft toolkit on Offshore Indirect Transfers of Interest was also delivered at the OECD’s Policy Center in Seoul, Korea in October 2018. The outreach event was co-facilitated by OECD, IMF and WBG staff, and brought together policy makers (22 participants from 12 countries) to discuss the draft toolkit as part of the broader commitment of the PCT to enhance tax cooperation and increase engagement with countries on international taxation issues. Future outreach in respect of other toolkits is also being planned.

- **MTRS workshops.** The PCT is planning several regional workshops in which the concepts of, progress with and lessons learned from MTRS design and implementation can be discussed through facilitated interaction of interested countries at different stages of revenue reform. The organization of these is a key task of the PCT Secretariat—with the main substantive inputs drawing on the Partners’ experiences, and the Secretariat providing materials as well as logistical support.

III. Medium-Term Revenue Strategies: Status and Lessons

Status

As set out in the PCT’s 2016 report, an MTRS provides a comprehensive approach to boosting tax revenues over the medium term, while supporting efficiency and equity objectives, by aligning tax policy, revenue administration and legal reforms around (i) a coherent plan embraced by all of government, as well as other stakeholders. A key feature of an MTRS is (ii) high-level political support over an extended period, with (iii) revenue goals being aligned with spending/development needs. It also serves as (iv) a vehicle to align the efforts of multiple capacity building partners active in the reforming country—though it is important to note that this is by no means its only function, nor perhaps its most important one. These four components are interdependent.

¹²See OECD Global Relations Programme Calendar of events for details - <http://www.oecd.org/ctp/tax-global/global-relations-calendar-of-events.htm>.

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The MTRS provides a comprehensive framework for undertaking long term tax reform—for countries that are ready and able to commit to such a framework. So far, the IMF and WBG have been most involved in supporting the design and implementation of the MTRS, given their typically larger presence in country. The OECD and UN are currently not involved in the design or implementation of the MTRS the country level.

Many countries are fully engaged in tax administration, law and/or policy reforms that provide a basis for at developing a broader framework—particularly one integrated with and based upon an analysis of development spending needs. In some cases, these ongoing reforms are taking place through “intensive engagements” financed under the IMF’s Revenue Mobilization Thematic Fund or WBG’s trust funded Global Tax Program, for example.

Almost twenty countries are presently engaged with Partners in discussing, designing or implementing an MTRS:

- *Early implementation:* Papua New Guinea (PNG).¹³
- *Formulation support:* Egypt, Indonesia, Lao PDR, Pakistan, Thailand, Uganda.
- *Dialogue pre-formulation:* Albania, Bangladesh, Benin, Ethiopia, Georgia, Honduras, Jordan, Mongolia, Myanmar, Senegal, Uzbekistan, Vietnam.

A description of progress in each of the countries is provided in Appendix A of the Note on Complementarities. Published plans are available for PNG¹³ and Indonesia—an important facet of generating stakeholder engagement in the MTRS process. Experiences in Myanmar, Uganda and Uzbekistan are described in Appendix C.

An MTRS is not appropriate in all circumstances. For example, where states are fragile, or in post-conflict situations, advice and collaboration with the country government may begin best with more targeted, stabilizing, initial interventions. As discussed in a 2017 IMF Policy Paper, based on IMF experience in technical assistance in fragile states and post conflict countries, there is a need to start with first stage tax system reforms to build basic capacity to mobilize revenues—this is particularly so in post-conflict countries. This stage normally requires substantial external support and could take several years, depending on the situation of the country. When some capacity has been created and reforms have progressed well countries could embark on second stage tax system reforms, leading at some point into an MTRS.¹⁴

Lessons learned

Even at this relatively early stage, some lessons can be drawn from these experiences:

- First, it is crucial that the government (pursuing country-based objectives) triggers the need for an MTRS, either by wanting to expand narrowly focused tax changes or transition ongoing tax system reform efforts into an MTRS. Country ownership and government’s lead role are critical to success.

¹³Papua New Guinea’s MTRS document is at:

https://www.treasury.gov.pg/html/media_releases/files/2018/MTRS%202018-2022.pdf.

¹⁴For more discussion, see IMF Policy Paper *Building Fiscal Capacity in Fragile States*, June 2017. See:

<https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/06/14/pp041817building-fiscal-capacity-in-fragile-state>.

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- Second, tying the revenue mobilization goals of an MTRS to a careful analysis and assessment of development spending needs over the longer term—that is, to the financing frameworks needed to support progress towards the SDGs—is critical not only to motivating but to designing the revenue strategy. The IMF and the UN, especially, are working on analysis and tools to make this feasible.^{15, 15}
- Third, it is crucial that the authorities develop the right understanding on the medium-term horizon an MTRS entails, notably to commit the political support during the span of the formulation phase, and subsequently during the implementation phase. Though shorter, the formulation does take some time, particularly in: conducting spending needs vis-à-vis revenue mobilization analysis, preparing initial drafts, and then engaging in public consultation to develop country ownership.^{16, 16} Implementation is certainly longer, and the political support is even more critical, notably to stay the course when the MTRS demands: improving the tax policy setting, pursuing institutional reforms, and aiming to substantially improve taxpayers' compliance.
- Fourth, not every MTRS process will look the same. There is no “cookie cutter” approach. Both the development and the design of an MTRS will start from the individual country's position at the time and reflect its own distinct circumstances and political realities.
- Fifth, establishing strong and stable MTRS governance arrangements to guide and provide the political support at the highest level is crucial. They must be sustained during the span of the MTRS horizon and established at the ministry of finance and revenue agency levels. These arrangements will enable translating formulated MTRS into full implementation.
- Sixth, a very helpful approach in achieving effective coordination and thus efficient and effective design, analysis and implementation, is the creation of a local on-the-ground working group comprised most importantly of quite senior level authorities from all relevant ministries and agencies, and all CD providers engaged in the reform. Such a committee or group should meet regularly. Ideally, the authorities will take the lead—but experience shows that support from a lead provider may be needed, depending upon the situation.

IV. PCT Partners' Support to Capacity Development in Developing Countries

The four PCT Partners undertake CD activities through different modalities to support country efforts on tax issues (see Section 3 of the Note on Complementarities in Annex 1). Where Partners provide support to the same country, they use different modalities or cover different aspects to complement each other's efforts.

¹⁵See for instance Vitor Gaspar and others, 2019, *Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs* SDN/19/03, at: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444>. This staff discussion notes highlights how challenging it will be in some countries to meet the SDGs from the financing needs perspective; which in some cases (notably

¹⁵See for instance Vitor Gaspar and others, 2019, *Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs* SDN/19/03, at: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444>. This staff discussion notes highlights how challenging it will be in some countries to meet the SDGs from the financing needs perspective; which in some cases (notably fragile states) would require increasing the tax-to-GDP level by around 15 points of GDP. In these countries, the time horizon of the revenue mobilization challenge may extend well after 2030.

¹⁶Based on work with several countries, the IMF is preparing a *How-to Note* on MTRS formulation. Subsequently, a *How-to Note* on MTRS implementation will with also be prepared building on implementation cases.

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This section provides an overview of Partners' activities across countries with an explanation of complementarities in the provision of support.

International Monetary Fund (IMF)

The IMF supports DRM efforts in more than 90 countries per year:

- Its support is built on technical assistance aimed at providing comprehensive support to tax system modernization, following the several phases of tax system reform—diagnostic, design, implementation, and monitoring and evaluation.
- This support is provided through: around 200 HQ-led missions; 550 short-term expert assignments; 30 long-term expert assignments (including around 13 through the IMF Regional CD centers—which cover 110 countries); as well as targeted workshops, research and analytical papers, and policy dialogue and advice.
- IMF efforts take place in the context of regular assessments of countries' taxation frameworks through its bilateral surveillance function as well as IMF supported programs. The focus is on macroeconomic aspects and the need to improve growth, economic equity and stability.

Organisation for Economic Co-operation and Development (OECD)

The OECD is currently providing support on tax issues to over 100 countries:

- OECD efforts largely take place in the context of its role as standard setter in international tax through the Global Forum for Exchange of Information for Tax Purposes and the Inclusive Framework on Base Erosion and Profit Shifting – though membership of either forum is not a pre-requisite for support.
- This support is provided through: Peer Review for countries that commit to international tax standards, bilateral capacity building activities on BEPS/Transfer Pricing and Exchange of Information (in over 50 countries¹⁷); implementation of the Tax Inspectors Without Borders (TIWB) program in partnership with UNDP (in 42 countries); and Multilateral Training through the Global Relations Program (events hosted in 17 countries) and regional Tax and Crime Academies, including e-learning.

United Nations (UN)

Currently, the UN provides support on tax issues in over 47 countries:

- Its support is built on its principal institutional goal to support Member States and other stakeholders in efforts to strengthen domestic resource mobilization for sustainable development.

¹⁷—The UN provides support through: training activities, delivery of bilateral technical assistance (in five countries) and implementing the TIWB program together with the OECD (in 42 countries), and

¹⁷These are frequently provided in partnership with others, including Regional Tax Organizations and other international organizations.

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- production of publications and other capacity development tools, such as online courses. Publication and handbooks provide concrete guidance to developing countries in designing effective and efficient tax systems, including on double tax treaties, double taxation, transfer pricing, and tax incentives among other areas.
- UN efforts take place in the context of UNDESA's role as focal point for the overall follow up on the intergovernmental commitments made on DRM in the 2002 Monterrey Consensus, the 2008 Doha Declaration on Financing for Development, and the 2015 Addis Ababa Action Agenda. Its capacity development program on international tax cooperation draws on and provides input to the works of the UN Tax Committee, with a view to widely disseminating and operationalizing the Committee's outputs as capacity development tools for the benefit of developing countries.

WBG Group (WBG)

As of May 2019, the WBG provides on-going CD support in 91 countries with 295 DRM-related lending operations and other activities:

- Its support is built on the Twin Goals of ending extreme poverty and boosting shared prosperity, with commitments to the Sustainable Development Goals and Finance for Development agendas, with the aim to help countries tax better, more fairly and equitably.
- This support is provided through: a strong in-country presence (45 percent of WBG staff is located in countries); analytical work and technical assistance (in more than 50 countries); and investment and policy lending to DRM projects (in 52 countries with total loan commitments for DRM of US\$1.3 billion).
- WBG efforts take place in the context of Strategic Country Diagnostics and Country Partnership Frameworks that guide identification of reform priorities, project design, and financing options to address country needs.

V. PCT Partner Collaboration: Steps for Further Improvement

The Note on Complementarities in Annex 1 details how PCT Partners are working together. But there are opportunities for continuing to improve the efficiency and effectiveness of that collaboration for the benefit of countries. The idea is not to replicate any existing functions of the PCT Partners, or to shift functions from the Partners to the Platform Secretariat, but rather to propose a range of activities that will complement the work already being undertaken and enhance its impact.

Identifying DRM country contact points

To further enhance information flows and cooperation, the PCT Secretariat will consolidate a list of DRM Partners' contacts by country. This information will ensure PCT Partners can easily connect to other DRM experts and build a DRM community of practice on a country-by-country basis. In most cases, DRM country leads will be familiar with their counterparts in other international organizations, but an up-to-date contact list by organization will assist with the transition of personnel and provide clear guidance on the primary contact for coordination of DRM country activities across PCT Partners.

~~Next step (i): PCT Partners will provide a list of DRM partners' contacts by country. The contact lists will be shared among Partners through the PCT Secretariat. The information will be available to PCT Partners only and updated as required.~~

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Clarifying collaboration on in-country DRM activities

For effective collaboration in cases where two or more PCT Partners are engaged in the delivery of support to a country, PCT Partners will ensure effective internal communication through the use of the OIP and communication between DRM country focal points within each Partner organization.

~~Next step (ii): PCT Partners will provide guidance on the use of OIP data and focal points list to their staff and provide updates, through the PCT Secretariat, on key aspects of country-level collaboration, including agreement on work programs.~~

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Enhancing PCT information exchange with other stakeholders

In due course, Partners aim to integrate OIP information with complementary datasets. In particular, there may be benefits in seeking integration with the Database on DRM engagements developed by the ATI.¹⁸

~~Next Step (iii): The PCT Partners will seek to help facilitate integration with the ATI's database on DRM engagements.~~

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Collaboration on MTRS

PCT Partners will continue their collaboration in support of country-led MTRSs. PCT Partners that work on an MTRS will share draft MTRS documents ~~with other PCT Partners engaged in the MTRS process at the country level~~ throughout the design process, subject to the agreement of the country authorities who lead the process. PCT Partners are well placed to have a specific role in supporting and participating in country-level consultative groups, which may include government agencies, donors and other national stakeholders. Such consultative mechanisms are critical for balanced and coordinated technical support for the MTRS, promoting political commitment, and coordination of efforts across government and providers of financial and technical support.

¹⁸The ATI DRM Database is available at <https://drm.taxcompact.net/>. Three of the PCT Partners are observers of ATI.

The development of an MTRS will take time and may look very different in different countries. Thus, none of this should be taken as indicating that there is a bright line between “an MTRS” and the development of a reform plan more generally. An MTRS is not only, or even mostly, about coordination of development partners. Nor should collaboration depend upon such a distinction.

¹⁸ The ATI DRM Database is available at <https://drm.taxcompact.net/>. Three of the PCT Partners are observers of ATI.

~~Next step (iv): With the country in the overall lead on the MTRS process, PCT Partners will share information on MTRS engagements directly with each other and through the PCT Secretariat. Partners will also promote country-led consultative groups on the MTRS and use these as a mechanism for coordination advice and support with all stakeholders, including PCT Partners. Collaboration would be similar on reform plans which are close to, but not formally recognized as, MTRSs.~~

~~Next step (v): PCT Partners to incorporate an assessment of collaboration into the PCT Results Framework and PCT activity monitoring and evaluation.~~

Annex 1.

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Next step (v): PCT Partners to incorporate an assessment of collaboration into the PCT Results Framework and PCT activity monitoring and evaluation.

Annex 1. Note on Complementarities between the Platform Partners

Strengthening tax systems – policy, administration and legal framework—is a key development priority and a part of the Sustainable Development Goals (SDG) and the Financing for Development (FfD) agenda. Multilateral organizations are providing substantial and increased support to developing countries for their domestic revenue mobilization (DRM) efforts.

The Platform for Collaboration on Tax (PCT) was established in 2016 to bring together the experiences and expertise of the four largest multilateral organizations active in tax matters, reflecting the organizations' different priorities and roles. The PCT is increasingly becoming ~~the~~ central vehicle for enhanced cooperation on revenue issues among the IMF, OECD, UN and WBG, and for fuller exploitation of their complementarities and synergies among them, while fully respecting the governance mandates and policy positions of the partner organization.

The emphasis on strengthening domestic revenue mobilization in developing countries in response to the adoption of the SDGs and the Addis Ababa Action Agenda in 2015 has prompted each of the PCT Partners to expand their work in developing countries and to undertake increasingly large portfolios of tax-related activities. This is a welcome development, but it has also increased the risk of duplication and the potential for confusion over roles and accountabilities.

PCT Partners recognize the impact this could have on recipient countries, donors and other stakeholders, and Partners' responsibility to mitigate these risks. To this end, PCT Partners are working to better harness their complementarities, deepening and strengthening their collaboration in the areas where it already takes place and filling any gaps where it may not. Building up from the mandates and activities of each of the Platform partners this information note sets out the principles on which collaboration between them is based. Through a number of examples, it illustrates how the PCT partners are finding and leveraging complementarities between them in various ways, a process that is continually evolving.

1. Foundations of Collaboration

The four PCT Partners are multilateral international organizations, but with different institutional mandates, governance structures and memberships. Their work on taxation fits within the framework of each of those mandates, with all committed to alignment with the agendas for SDGs and FfD. This means that their contributions should to a large degree be intrinsically complementary.

Since its inception in 2016, the PCT has identified the ambition to:¹⁹

- Systematically share information, including on country-level engagements;
- Produce concrete joint outputs and deliverables under an agreed work plan, implemented in collaboration by all or selected PCT Partners and leveraging each institution's own work program and comparative advantage. The outputs cover a variety of domestic and international tax matters;

¹⁹ See the 2016 Concept Note of the PCT: <http://documents.worldbank.org/curated/en/801891468196141038/The-platform-for-collaboration-on-tax-concept-note>.

¹⁹ See the 2016 Concept Note of the PCT: <http://documents.worldbank.org/curated/en/801891468196141038/The-platform-for-collaboration-on-tax-concept-note>.

- Strengthen dynamic interactions between standard setting, capacity building and technical assistance, with experience and knowledge from capacity building work feeding into standard setting and vice versa; and
- In addition, the development of the MTRS both conceptually (by all Partners) and in implementation (thus far by the IMF and WBG) has identified further potential benefits in deeper collaboration among the Partners (and other stakeholders).²⁰

The establishment of the PCT Secretariat has a key role to play in facilitating this collaboration. It is evolving into a central hub for information (through the Online Integrated Platform [OIP]) and will be a vital resource for organizing the various processes that are vital to enable successful collaboration.

2. PCT Partner engagement on DRM

Collaboration takes place across the work programs of PCT Partners, and opportunities to extend this in new ways are being pursued, as discussed further below. To provide background, this section briefly describes each Partner's mandates, areas of focus, and means of delivery—and sums up each with one key area that characterizes the Partner's work on DRM.

International Monetary Fund (IMF)

IMF member countries' taxation frameworks are regularly assessed in the context of the Fund's bilateral surveillance, monitoring members' economic—including fiscal—policies under their commitments under Article IV of the Fund's Articles of Agreement. Strengthening taxation frameworks and administration are almost always key objectives of IMF supported programs, including through conditionality. In addition, under Article V of the Fund's Articles of Agreement member countries may seek capacity development assistance from the Fund, which it may provide in its areas of expertise. In line with the Fund's overall objective to contribute to the promotion of high levels of employment and real income of all member countries, the Fund's capacity development work in taxation is structured in close synergy with expenditure analysis and support, and is tailored to members' overall macroeconomic situations and need to improve growth, economic equity and stability.

IMF staff also carries out analytic work in the broad area of taxation, both domestic and, increasingly (responding to member countries' demand) cross border—including cross-country spillovers. This work ranges from technical notes to cutting-edge research, with some focus on economic and quantitative analysis. The IMF also provides targeted training and is developing online courses in tax policy and administration.

The IMF provides advice and analysis on the overall structure of tax and customs systems as well as their administration, with additional areas of expertise in both natural resource and environmental/climate fiscal issues. And the IMF also provides legal drafting advice in all main areas of tax law and administration.

²⁰ See the 2017 PCT paper on Enhancing the Effectiveness of External Support in Building Tax Capacity, <http://pubdocs.worldbank.org/en/858011469113510187/Enhancing-the-Effectiveness-of-External-Support-in-Building-Tax-Capacity>.

²⁰ See the 2017 PCT paper on Enhancing the Effectiveness of External Support in Building Tax Capacity, <http://pubdocs.worldbank.org/en/858011469113510187/Enhancing-the-Effectiveness-of-External-Support-in-Building-Tax-Capacity>.

Taxation activities, as a core function, are financed in the same manner as IMF surveillance and program lending, from the financial resources provided by IMF member countries. In addition, now about half of all capacity development activities are financed through contributions from donor countries, bi-laterally or through multi-donor thematic funds, three^{21,22} of which finance revenue activities.

Fund resources are governed in accord with the general rules of IMF governance, by IMF Management and the Executive Board. In the case of donor thematic funds, formal donor steering committees meet twice yearly to provide high-level guidance and supervision over the expenditure of the funds.

The IMF provides tax capacity development each year to about 100 countries, by or under direct supervision of about 100 professional tax staff, all directly engaged in country support on tax matters. Of these around 30 are stationed in-country, including in the IMF's 10 regional technical assistance centers. In addition, dozens of short-term tax experts work closely and directly with IMF staff on missions and short-term country visits. All of these professionals are drawn from ministries of finance, tax and customs administrations, and academia around the world. (For example, in just one of the two revenue administration divisions, headquarters staff and long-term experts come from 21 different countries, with half of them from developing and emerging market countries). This work is closely integrated in the Fund's wider engagement with its members, including through more than 50 fiscal economists at headquarters embedded in country teams, and in-country resident representatives. The IMF also produces revenue and other tax statistics.

Summary point: Taxation issues are central to all of the core functions of the IMF—surveillance, lending and capacity development—further supported by staff's analytical work and embedded in the Fund's macroeconomic work—focusing on individual countries, on regions, and on international spillovers.

Organization for Economic Co-operation and Development (OECD)

The OECD's mandate on revenue mobilization is to contribute to the shaping of globalization through the promotion and development of sound tax policies, international tax standards and guidance that will help governments to maximize growth while achieving social objectives.^{22, 22} The OECD's mandate also includes promoting development co-operation in support of Agenda 2030.^{23, 23}

In line with its mandate the OECD's focus in revenue is primarily on international tax standards including: international corporate tax, exchange of information, revenue statistics, international aspects of VAT, sharing of best practices (including in approaches to tax and financial crimes); and on monitoring of development cooperation (largely in terms of OECD country financing). The business model is the creation of international standards, and associated instruments to support implementation (e.g. Multilateral Convention on Mutual Administrative Assistance in Tax Matters, Common Reporting Standard, and Multilateral Convention to Implement Tax Treaty Measures to Prevent BEPS). For countries committing to implementation, the OECD provides the framework for peer review to encourage consistent implementation, as well as capacity building for developing countries in regard to these standards. Most funding is received from OECD members, from subscriptions to major programs (such as the BEPS project and the Global Forum) and from voluntary contributions for capacity building and outreach work. In-kind support is also provided in the form of staff secondments.

²¹Including TADAT.

²²See Resolution of the Council [C(2018)72, Annex IV].

²³See Resolution of the Council [C(2017)134].

²¹~~including TADAT.~~

²²~~See Resolution of the Council [C(2018)72, Annex IV].~~

²³~~See Resolution of the Council [C(2017)134].~~

~~funding comes from subscription fees from OECD members, but funding for capacity building comes from voluntary contributions—as well as in-kind donations in the form of national secondments of personnel.~~ The Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) are responsible for agreeing and implementing the standards to tackle tax avoidance and evasion, including through a robust peer review mechanism. The member jurisdictions of the Inclusive Framework (129) and the Global Forum (154) work together on an equal footing. The remaining areas of work are governed by the Committee of Fiscal Affairs.

The OECD provides bi-lateral capacity building in the areas of its focus, frequently in partnership with others (e.g., regional tax organizations; the WBG; the UNDP in the case of Tax Inspectors without Borders), this has covered over 30 countries in transfer pricing and BEPS issues, and over 60 countries in respect to exchange of information. While the majority of capacity building is provided to countries that have joined the Inclusive Framework or Global Forum, and committed to implementation of standards, membership is not a pre-requisite, and support has been, and is, provided to countries that are not members.

In addition to bi-lateral support, an extensive program of multilateral training has been provided for many years in these areas, primarily through a network of multilateral tax centers. This program has provided training to over 25,000 officials since 1992, and is currently training around 2000 officials from over 100 countries per year. This program is now being complemented with the development of e-learning programs. More recently the OECD has established principles and training to strengthen the capacity of criminal tax investigators to tackle tax crimes and other financial crimes. A network of Tax and Crime academies has been developed in Argentina, Italy, Japan, and Kenya.

The OECD also houses the Forum on Tax Administration (FTA), which brings together the Commissioners of 53 tax authorities from OECD and non-OECD countries. It creates a forum through which Commissioners can identify, discuss and influence relevant global trends and develop new ideas to enhance tax administration around the world. The FTA has established a capacity building network to help FTA members frame their capacity building contributions on a more coordinated, cost-effective and strategic way.

There are about 170 tax related staff, with around 44 working primarily on development issues. Many OECD staff are drawn from ministries of finance and tax administrations, some on secondment.

Summary point: OECD tax expertise has traditionally focused on international taxation issues, leading to its key role in standard setting in that area, and to the development and maintenance of instruments to enable implementation. This is supported by a robust peer review framework, and a range of capacity building and training.

United Nations (UN)

The UN mandate on domestic resource mobilization is embodied in the DRM commitments of the 2002 Monterrey Consensus, the 2008 Doha Declaration, and the 2015 Addis Ababa Action Agenda in support of the 2030 Agenda for Sustainable Development. Its overall mandate is to scale up international tax cooperation in a way that is universal in approach and scope and fully takes into account the different needs and capacities of all countries.

The primary vehicle through which the Economic and Social Council has worked to strengthen international tax cooperation is the Committee of Experts on International Cooperation on Tax Matters (the “Committee”), which includes 25 members nominated by governments but appointed by the Secretary-General and acting in their individual capacities. The Committee reviews and updates the UN Model Tax Treaty and the Manual for Negotiation of Double Tax Treaties between Developed and Developing Countries; provides a framework for dialogue; develops assessments and recommendations regarding new and emerging issues in international taxation; and makes recommendations on capacity development. There are a number of subcommittees for various topics within this, including transfer pricing, treaty issues, digitalization of the economy and natural resources. The UN including UNDP, United Nations Conference on Trade and Development (UNCTAD) and its regional economic commissions, develops and undertakes capacity development activities in developing countries, directly linked to the work of the Committee. The country level presence of the UN system is called on to support tax work. Tools include training activities, technical assistance delivery, and production of publications and handbooks. The International Tax Cooperation Unit and Capacity Development Unit in the UN Secretariat include 7 staff at UN Headquarters.

Summary point: The UN provides a principal venue for the development of international tax norms and policy guided by the work of its Committee. The UN’s capacity development programs in international tax cooperation are directly linked to the work of the Committee and aim at strengthening the capacity of the ministries of finance and the national tax authorities in developing countries to develop more effective and efficient tax systems, including in support of their national sustainable development strategies.

WBG Group (WBG)

WBG’s mandate is to promote long-term economic development and poverty reduction by providing technical and financial support to help countries reform and implement specific projects, including revenue mobilization. In 2013, the WBG Group adopted two new goals—the Twin Goals—to guide its work: ending extreme poverty and boosting shared prosperity.^{24, 24} As part of the 2018 round for replenishing resources to support development in the 75 lowest-income countries under the International Development Association (IDA), WBG adopted a goal of helping IDA countries achieve a share of revenue of at least 15 percent of GDP – considered a minimum threshold for a state to function effectively – while minimizing market distortions and ensuring equity.^{25, 25}

WBG supports country-level programs through design and delivery of tax policy and tax administration technical assistance and lending projects, based on detailed analysis of DRM challenges and solutions. The engagement with countries responds to their needs and demand. WBG engagements on DRM work across sectors and link DRM solutions to macro-fiscal and debt concerns, equity, private sector development and jobs, climate and other issues by bringing in sectoral expertise from across WBG.

²⁴See WBG, 2013, *A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals*, <https://openknowledge.worldbank.org/handle/10986/20384>.

²⁴See WBG, 2013, *A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals*, <https://openknowledge.worldbank.org/handle/10986/20384>.

²⁵ See WBG, 2016, *International Development Association (IDA) 18 : special theme – governance and institutions*, <http://documents.worldbank.org/curated/en/368341467989536274/International-Development-Association-IDA-18-special-theme-governance-and-institutions>.

²⁵See WBG, 2016, International Development Association (IDA) 18 : special theme — governance and institutions,

<http://documents.worldbank.org/curated/en/368341467989536274/International-Development-Association-IDA-18-special-theme-governance-and-institutions>.

The WBG has a range of instrument for supporting capacity development in client countries. Its Analytical Services and Advice comprises technical assistance and economic and sector work, which produces studies and analytical reports to support clients in planning and implementing effective programs and projects. WBG provides detailed technical support to member countries on delivery options for changes to the tax regime, including to address efficiency and equity issues, and implementation of technology solutions, organizational reform, business, process reengineering, and human resource management transformation of tax administrations. Donor Trust Funds support many of the Bank's activities on DRM, including the Global Tax Program with \$55 million in committed contributions from donors over the next four years. In addition, WBG deploys a variety of lending instruments to meet country needs, including Investment Project Financing for projects that have a long-term horizon (usually about 5) and that finance goods, works, and services; Development Policy Financing, which generally have a short-term focus (about one to three years) and provide quick-disbursing external financing to support policy and institutional reforms; and Programs-for Results, which link disbursement of funds directly to the achievement of specific program results.

Country needs and demand as expressed in Strategic Country Diagnostics and Country Partnership Frameworks guide WBG's activities, including in DRM. These involve identifying reform priorities, designing related projects and delivering financing options to address member country needs. Technical advice and lending solutions to implement country strategies are provided through Global Practice Groups, with approximately 100 staff involved with the delivery of support to countries in the area of DRM and technical expertise provided by the 25 staff in the Global DRM Unit. The WBG has an extensive presence in member countries, with about 45 percent of staff located in-country, where they interact with governments and other local stakeholders on a day-to-day basis.

In addition to delivering country-level programs, the Bank works to strengthen international collaboration, including on tax issues, ensuring the interests of developing countries are reflected. The Bank hosts the PCT Secretariat.

Summary point: WBG's direct support to member countries in the tax area largely comes in the context of its extensive program and project lending—entailing major spending which can finance short- and long-term reforms supplemented by technical assistance and advisory support and draw on cross-sectoral expertise and extensive on-the-ground presence in developing countries.

3. Tools and Delivery Models applied to DRM by PCT Partners

Given the diverse needs of member countries, a range of tools and delivery models are used by the PCT Partners in the delivery of their work. The following is a discussion of the tools currently being applied to support DRM, and the various delivery models utilized.

Tools and Frameworks

In recent years, the landscape of tools and frameworks to support countries in formulating and implementing tax system reforms, in its multiple stages, has changed significantly. As described in the PCT report on enhancing capacity building (see footnote 20), tax system reform (TSR) comprises four distinctive stages: diagnostic, design, implementation, and monitoring and evaluation. At the beginning of 2000, there were only a few tools and frameworks to support these phases. For example, for the diagnostic phase there

were the EU fiscal blueprints, the tax administration indicators of the Public Expenditure and Financial Accountability Framework (PEFA), with capacity development (CD) missions being the tools to assess tax system; and data on tax administration was gathered by multiple organizations in parallel exercises, imposing significant costs on countries.

Now, countries and development partners (DPs), can access a variety of tools and frameworks (hereafter simply 'tools') to inform aspects of, and assist with, the different TSR stages. Figure A-1 below provides a comprehensive view of the several tools supporting TSR in its four stages.

Some of these tools have been developed by individual PCT partners (e.g. the IMF's Revenue Administration Gap Analysis Program (RA-GAP), the WB's Doing Business); others in cooperation among PCT partners (e.g. UN/UNDP/OECD's Tax Inspectors Without Borders (TIWB); and others by PCT partners in collaboration with the broader community of DPs—for example the Tax Administration Diagnostic Assessment Tool (TADAT) and the International Survey on Revenue Administration (ISORA).

In supporting the different TSR stages, these tools serve different purposes and should be used in different ways. Besides, given the broad scope of TSR and the CD support available, the tools also vary in terms of the level of specificity they provide, and the extent to which they are designed to integrate with CD programs. Their functions are briefly explained in Figure A-1; a brief description of their interactions along the TSR stages follows.

- *TSR's Diagnostic stage tools*—In this stage, tools are of two natures: diagnostic assessment and data gathering.
 - The *diagnostic tools* aim to assess different components of the tax system in a country. Some are focused on assessing strengths and weaknesses of revenue administrations in either a targeted manner (e.g. RA-GAP, and CD missions), or comprehensively (TADAT, EU fiscal blueprints, and CD missions). Others are focused on assessing the tax policy setting in a targeted or comprehensive manner—Fiscal Analysis of Resource Industries (FARI), Tax Policy Assessment Framework (TPAF), Tax Expenditure Assessment (TEA), CD missions. In both cases, they are applied on a country-specific basis.
 - The data *gathering* tools aim to collect cross-country information of the tax system for a region (e.g. ATAF's Africa Tax Outlook), or worldwide (e.g. ISORA on tax administration, USAID's Collecting Taxes Database, WB's Doing Business, Revenue Statistics by IMF and OECD). Data from these tools feed into the application of diagnostic tools to inform the assessments (e.g. in conducting a TADAT in a country, data from ISORA for such country informs the TADAT assessment).²⁶ Similarly, information from ISORA and Revenue Statistics feed into CD missions conducting diagnostic assessment in policy and administration, the latter not necessarily using TADAT.

²⁶ISORA results have also been used to help calibrate the scoring for TADAT dimensions.

| <p>Medium Term Revenue Strategies (MTRS)—An approach to comprehensive tax system reform—policy, administration, legal framework—recommended by the PCT (IMF, OECD, UN, WB) aiming to increase revenue-to-GDP ratio, improve system design, and enhance its performance and effectiveness. The MTRS approach anchors the TSR to (a) financing additional expenditure needs for growth and development, (b) sustained political commitment to reform formulation and implementation, and (c) coordinated CD support to reform by development partners.</p> | TSR Phases | Mapping of Tools and Frameworks to Support Tax System Reform (TSR) | | | | | | | |
|---|---------------------------------|--|--|--|--|--|---|---|---|
| | Diagnostic of Current Situation | TADAT by multiple DPs—to assess tax administration performance from outcome perspective—nine (9) performance outcome areas. Secretariat hosted by the IMF. | IMF's RA-GAP—to estimate policy and compliance gaps in VAT, CIT, Excises, PIT (under development). | EC's FBs—to assess tax and customs administrations against EU best practice. | Micro simulation studies by multiple DPs—such as Commitment to Equity (CEQ), to assess distributional impact of fiscal reforms. | IMF/WB's TPAF—to analyze existing tax policies in accordance with good practices. | IMF's FARI—to model, evaluate, compare and design fiscal regimes for extractive industries. | IMF's TEA—to estimate revenue forgone due to tax exemptions and special treatments. | CD missions to TS Diagnostic—an approach used by PCT partners (and other DPs) to assess strengths and weaknesses of policy and revenue agencies against international trends/good practice. |
| | Reform Strategy Design | ISORA by CIAT/IMF/IOTA/OECD—to collect tax administration data on operations and other characteristics. | USAID's CTD—to collect a broad array of quantitative and qualitative indicators of tax systems. | ATAF's ATO—a paper-based tax administration survey ATAF conducts with its member countries. | WB's DB—to collect perception indexes in some specific tax policy and administration topics. | Revenue Statistics by multiple DPs—key data on tax (and non-tax) revenues. | | ATI indicators—under consideration or alternatively using a subset of ISORA indicators. | ISOCA by IMF/WCO—to collect customs data on operations and other characteristics (to be launched). |
| | Reform Implementation | OECD's Maturity Models—to provide tax administrations with a pathway for improving maturity in specific tax administration processes/areas. | WB's DIAMOND—to conduct drill-down assessments on specific operations and support areas to complement outcome-based tools (e.g. TADAT) to guide implementation CD. | OECD/UN's TIWB—to strengthen skills of tax administration auditors to enhance audit function. | Papers, Toolkits & Technical Notes by multiple DPs—to systematize and disseminate international trends/good practice in policy and administration. | Training by multiple DPs—to strengthen skills of tax administration officials at managerial and operational levels. ⁴ | FTA's CBN—to coordinate CB programs provided by FTA agencies in specific areas of tax administration, under a common approach and coordinating framework. | CD program to TSR implementation—an approach used by PCT Partners (and other DPs) to support implementation of reform strategies—comprehensive or topic-specific— and also for meeting international standard commitments. | |
| | Monitoring & Evaluation | Various of the above diagnostic and data gathering tools—e.g. TADAT, ISORA. | Targeted assessment of TSR programs by multiple DPs—e.g. IMF's RMTF mid-term evaluation, targeted externally-financed CD projects (DFID, SECO, EC, etc.). | Analytical work by multiple DPs—to assess impact/results of tax policy and administration changes and draw lessons to support previous TRS phases. | Ongoing evaluation of CD programs to TSR implementation by multiple DPs—e.g. through Result-Based Management systems. | OECD and Global Forum Peer Reviews—to assess implementation of international tax standards under. | | | |

¹ PEFA framework considers three indicators in tax administration and the WCO is developing a diagnostic framework for customs administration. **Acronyms 1st row:** TADAT—Tax Administration Diagnostic Assessment Tool; RA-GAP—Revenue Administration Gap Analysis Program; EC's FBs—European Commission's Fiscal Blueprints; TPAF—Tax Policy Diagnostic Framework; FARI—Fiscal Analysis of Resource Industries; TEA—Tax Expenditure Assessment.

² **Acronyms 2nd row:** ISORA—International Survey on Revenue Administration; CTD—Collecting Taxes Database; DB—Doing Business; ATO—African Tax Outlook; ATI—Addis Tax Initiative; ISOCA—International Survey on Customs Administration.

³ An IMF's key priority is assisting its member countries in building efficient and effective tax system to promote sound public finances, which is a crucial condition to robust, inclusive and sustainable economic growth and development.

⁴ There are a range of training programs currently available, from both PCT Partners and others. The IMF is discussing with several partners (CIAT, IOTA, OECD-FTA, Canada Revenue Agency, ATO) an on-line training curriculum for tax administration; it will build on existing programs by RTOs and tax administrations, and new developments under the IMF's RMTF.

⁵ **Acronyms 4th row:** DIAMOND—Development of Implementation and Monitoring Directives; TIWB—Tax Inspectors Without Borders; FTA—Forum on Tax Administration; CBN—Capacity Building Network.

| Medium Term Revenue Strategies (MTRS)—An approach to comprehensive tax system reform—policy, administration, legal framework—recommended by the PCT (IMF, OECD, UN, WB) aiming to increase revenue-to-GDP ratio, improve system design, and enhance its performance and effectiveness. The MTRS approach anchors the TSR to (a) financing additional expenditure needs for growth and development, (b) sustained political commitment to reform formulation and implementation, and (c) coordinated CD support to reform by development partners. | TSR Phases | Mapping of Tools and Frameworks to Support Tax System Reform (TSR) | | | | | | | Tools / Frameworks | |
|---|---------------------------------|--|--|--|--|--|---|---|---|---|
| | Diagnostic of Current Situation | TADAT by multiple DPs—to assess tax administration performance from outcome perspective—nine (9) performance outcome areas. Secretariat hosted by the IMF. | IMF's RA-GAP—to estimate policy and compliance gaps in VAT, CIT, Excises, PIT (under development). | EC's FBs—to assess tax and customs administrations against EU best practice. | Micro simulation studies by multiple DPs—such as Commitment to Equity (CEQ), to assess distributional impact of fiscal reforms. | IMF/WB's TPAF—to analyze existing tax policies in accordance with good practices. | IMF's FARI—to model, evaluate, compare and design fiscal regimes for extractive industries. IMF's TEA—to estimate revenue forgone due to tax exemptions and special treatments | OECD/Global Forum Induction process—to identify current BEPS, transparency and Exchange of Information deficits and challenges, via on-site visits and high-level engagement. | CD missions to TS Diagnostic—an approach used by PCT partners (and other DPs) to assess strengths and weaknesses of policy and revenue agencies against international trends/good practice. | Diagnostic Tools/ Frameworks ¹ |
| | | ISORA by CIAT/IMF/IOTA/OECD—to collect tax administration data on operations and other characteristics. | USAID's CTD—to collect a broad array of quantitative and qualitative indicators of tax systems. | ATAF's ATO—a paper-based tax administration survey ATAF conducts with its member countries. | WB's DB—to collect perception indexes in some specific tax policy and administration topics. | Revenue Statistics by multiple DPs—key data on tax (and non-tax) revenues. | | ATI indicators—under consideration or alternatively using a subset of ISORA indicators. | ISOCA by IMF/WCO—to collect customs data on operations and other characteristics (to be launched). | Data gathering tools ² |
| | Reform Strategy Design | CD missions to <u>Comprehensive</u> TSR design—an approach used by the IMF, WB (and other DPs) to advise countries on the design of comprehensive tax system reform—policy, administration, and legal framework. In doing so, several diagnostic/data gathering tools are used, depending on the country's circumstances, to better tailored the advice to countries' capabilities to TSR reform design and implementation. ³ | | CD missions to <u>Targeted</u> TSR design—an approach used by PCT partners (and other DPs) to advise countries on the design of targeted tax system reform—policy, administration, and/or legal framework—not necessarily in a comprehensive manner; sometimes associated with lending operations or international standard commitments. | | OECD/Global Forum Induction process—to identify priorities for reform against international standards on BEPS and Exchange of Information and develop a roadmap and action plan. | | | | Design Approach |
| | Reform Implementation | OECD's Maturity Models—to provide tax administrations with a pathway for improving maturity in specific tax administration processes/areas. | WB's DIAMOND—to conduct drill-down assessments on specific operations and support areas to complement outcome-based tools (e.g. TADAT) to guide implementation CD. | OECD/UN's TIWB—to strengthen skills of tax administration auditors to enhance audit function. | Papers, Toolkits & Technical Notes by multiple DPs—to systematize and disseminate international trends/good practice in policy and administration. | Training by multiple DPs—to strengthen skills of tax administration officials at managerial and operational levels. ⁴ | FTA's CBN—to coordinate CB programs provided by FTA agencies in specific areas of tax administration, under a common approach and coordinating framework. | OECD (and Partners) and Global Forum—to provide support on legislative / regulatory / administrative reform, organizational change, capacity building and training. | CD program to TSR implementation—an approach used by PCT Partners (and other DPs) to support implementation of reform strategies—comprehensive or topic-specific. | Drilldown tools for implementation ⁵ |
| | Monitoring & Evaluation | Various of the above diagnostic and data gathering tools—e.g. TADAT, ISORA. | Targeted assessment of TSR programs by multiple DPs—e.g. IMF's RMTF mid-term evaluation, targeted externally-financed CD projects (DFID, SECO, EC, etc.). | Analytical work by multiple DPs—to assess impact/results of tax policy and administration changes and draw lessons to support previous TRS phases. | Ongoing evaluation of CD programs to TSR implementation by multiple DPs—e.g. through Result-Based Management systems. | OECD (Inclusive Framework)/Global Forum Peer Reviews—to identify progress made on implementation of international standards and provide recommendations | | | | Evaluation/ Monitoring Tools/ Frameworks |

¹ PEFA framework considers three indicators in tax administration and the WCO is developing a diagnostic framework for customs administration. Acronyms 1st row: TADAT—Tax Administration Diagnostic Assessment Tool; RA-GAP—Revenue Administration Gap Analysis Program; EC's FBs—European Commission's Fiscal Blueprints; TPAF—Tax Policy Diagnostic Framework; FARI—Fiscal Analysis of Resource Industries; TEA—Tax Expenditure Assessment.

² Acronyms 2nd row: ISORA—International Survey on Revenue Administration; CTD—Collecting Taxes Database; DB—Doing Business; ATO—African Tax Outlook; ATI—Addis Tax Initiative; ISOCA—International Survey on Customs Administration.

³ An IMF's key priority is assisting its member countries in building efficient and effective tax system to promote sound public finances, which is a crucial condition to robust, inclusive and sustainable economic growth and development.

⁴ There are a range of training programs currently available, from both PCT Partners and others. The IMF is discussing with several partners (CIAT, IOTA, OECD-FTA, Canada Revenue Agency, ATAF) an on-line training curriculum for tax administration; it will build on existing programs by RTOs and tax administrations, and new developments under the IMF's RMTF.

⁵ Acronyms 4th row: DIAMOND—Development of Implementation and Monitoring Directives; TIWB—Tax Inspectors Without Borders; FTA—Forum on Tax Administration; CBN—Capacity Building Network.

- *TSR's Design stage tools*—In this stage, the main tools to design reform strategies, for the tax system as a whole or for its different elements (policy, administration, legal framework), are CD projects and missions. Strategy-design CD missions benefit from the assessments on the current situation from the several diagnostic tools to advise countries on a forward-looking reform strategy. The latter can be comprehensive, with a holistic approach of the main elements of the tax system. For example, from a TADAT assessment, which diagnoses strengths and weaknesses of a tax administration, a comprehensive reform strategy to address the weaknesses and consolidate the strengths can be designed to achieve enduring tax administration improvements. CD missions can also assist in designing targeted forward-looking reform strategies by focusing on certain aspects of the tax system (e.g. a modernization plan of specific tax and customs administration areas, a reform path to meet international standard commitments, a reform of an existing tax or the introduction of a new tax). Some diagnostic tools also support CD missions in the design of specific reform options. For example, the IMF/WB's TPAF helps identify design options for the different taxes and FARI helps assess and determine fiscal regimes option for extractive industries.

Analytical work also has a key role to play, for instance, in assessing the revenue, distributional and efficiency impacts of potential reforms. Microsimulation studies for example (for instance, Commitment to Equity analysis conducted by WBG and other researchers) can play an important role. Economic analysis, however, generally requires a country specificity that has limited the scope for standardized tools (though see TPAF below).

- *TSR's Implementation stage tools*—For this stage a wide variety of tools are now available, consistent with the complexity of implementing tax system reform, on a targeted or comprehensive manner.^{27, 27} From the TSR's design stage, which provides the forward-looking reform strategy, there is a need to translate this strategy into concrete implementation actions, normally embedded in a medium-term implementation plan. Tools like Maturity Models and DIAMOND help in this process by drilling down and deepening the understanding of a particular area (e.g. debt management, human resources, information technology systems, business processes) with the view to design or guide the changes to be undertaken to achieve the transformation. Considering the need for effective institutional changes, beyond just changes in systems and processes, training of revenue agencies and ministries of finance is a key enabler to success, and multiple DPs, in addition to PCT partners provide this implementation tools. OECD/UN's TIWB is a good example in this regard, which focuses on audit training in the workplace by providing to countries experienced auditors from other countries to elevate the skills of

²⁷The implementation stage is a medium-term endeavor with changes in multiple fronts that require sustained efforts, particularly when changes affect many stakeholders. For example, in introducing a new tax the design stage leads to several phases for the tax to enter into application: translate the policy design into a draft law, approve this draft law at the government level, approve the law in parliament to enter into force. In parallel, there are several phases and activities to undertake at the administrative level

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- auditors in the recipient countries. The analytical work, documenting international good practice and experience, is also a key implementation tool, which helps countries come to grips with international trends and emerging practices, tailoring them to their own realities. Networking and peer learning from other agencies is also an important implementation tool, the FTA in particular created a network of capacity building to share experience of tax administration agencies providing this support on a bilateral basis. Finally, a critical tool is the CD programs carried out by PCT partners and other DPs to support TSR implementation, which vary in modality and scope. The crucial feature of CD programs is their medium-term nature. This is particularly relevant in countries with low capacity, which require close support to develop their capacity for designing reform strategies, and to lead and manage them to successful implementation.
- *TSR's Evaluation and Monitoring stage tools*—This stage particularly benefits from previous stages. Thus, several of the diagnostic tools can also serve to evaluate progress. For example, a TADAT assessment takes a picture of the 'health' of a tax administration in a specific year. By conducting a TADAT some years later, after a reform strategy has been designed based on the initial TADAT and implemented to address the tax administration's weaknesses and consolidate the strengths, the repeated TADAT should provide a comparator of progress and the effectiveness of the reform strategy and its implementation. RA-GAP, ISORA, and other diagnostic and data gathering tools can serve a similar purpose. Analytical work can also be targeted to evaluate the effectiveness of TSR, and certainly to assess CD programs supporting the TSR. Peer reviews are another critical monitoring and evaluation tool, particularly used by OECD and the Global Forum to assess (and also assist) countries in meeting their commitments to international standards.²⁸ ²⁸ The FTA capacity building network is also a good example of peer learning and evaluation.

As the account makes clear, PCT Partners have been and are involved in the development of several of these tools. They collaborate in differing patterns and to different degrees across these tools, reflecting their different expertise and priorities. Some are joint products of multiple PCT partners (and many also include additional partners beyond the platform), while others are the product of individual Platform members. Regular discussion among the Platform members, and with other relevant partners, ensures that new tools and approaches developed by Platform partners are responding to genuine demand and gaps in current provision. Tools that have been developed among the Platform Partners include:

- **TADAT** (Tax Administration Diagnostic Assessment Tool) is perhaps the most well-known of the recent tools. A joint initiative of the IMF and the World Bank, in collaboration with a number of development partners, TADAT provides a standardized means of assessing the health of key components of a country's tax administration system. As such it plays a key role in the diagnostic phase of tax system reform. Nearly 80 TADAT assessments have now been completed (including subnational), and, following extensive consultation, a revised Field Guide was issued in 2019.

²⁸Conditionality of various kinds can also play a role. There is evidence, for instance, that conditionality in IMF-supported programs had a positive impact on tax revenue in a sample of 6 low- and middle-income countries during 1993-2013 (Sanjeev Gupta and Ernesto Crivelli, "Does conditionality in IMF-supported programs promote revenue reform?" IMF Working Paper 14/206.

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- **Maturity Models** for tax administration functions and processes are being developed by tax administrations through the FTA. These self-assessment tools, designed for use by any tax administration, provide a way for tax administrations to understand their relative level of development in specific areas, and to *help* design and implement reform. In maturity models the focus is less on specific practices, but rather on the processes that need to be in place to facilitate a certain level of maturity in specific areas of tax administration. The development of Maturity Models is underway with two models to be published later this year and further models being developed in the future.
- **Tax DIAMOND** (Development of Implementation and Monitoring Directives for tax reform), a tool currently being developed by the World Bank is targeted, as its name suggests, towards the implementation and monitoring phases of tax system reform.^{29 29} By drilling-down into detail in specific areas (each one has a specific module) it makes it easier to design and implement both strategic and action plans based on international best practice.

Taken together these new tools provide valuable new approaches for developing countries (and others) to diagnose, design, implement, and monitor their tax system reform. The utility of one tool or another will depend on the circumstances in a particular country, including where they are in the overall reform process, and the external support available for reform. TADAT is likely to be a starting point for many countries, while countries that identify internal processes as a significant challenge for reform may seek to use maturity model approaches to guide reform, others may benefit more from a more standardized approach to reform implementation through DIAMOND. Platform Partners work closely with countries to help identify the best tool(s) for their individual circumstances. If demand exists, the mapping in this section could continue to be elaborated to provide further support to countries in identifying the most appropriate tools, but such a mapping cannot, and should not, replace an effective dialogue at the country level.

Some tools are still in development. As described in work stream 2 of the PCT annual report, the Tax Policy Assessment Framework (TPAF) is being developed by the IMF and the WB. The application of RA-GAP for corporate income tax has been developed and is under piloting in several countries, and RA-GAP for personal income tax is in early stage of development.

Delivery models

Each of the PCT Partners adopt a range of delivery mechanisms to meet the needs of partner countries. This includes a combination of the following mechanisms for technical support, analysis and project management:

- **Resident advisers:** Long-term advisers are placed in partner countries to support DRM activities. The benefit of resident advisers includes the establishment of relationships with counterparts that enable regular and trusted partnerships for reform.

²⁹See <https://www.taxdiamond.org/Authentication/Login.aspx>.

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- **Short-term experts:** Short term experts are deployed when specific DRM activities require particular skills and knowledge that can be delivered in a discrete, contracted period. Examples include audit experts provided under the OECD/~~UN~~UNDP Tax Inspectors Without Borders program.
- **Missions:** Missions made up of staff and technical experts are deployed to undertake diagnostic reviews, develop reform strategies and advise on on-going reforms and policy discussions, including in the context of regular surveillance activities. Missions are typically fielded in response to country requests (with the exception of surveillance) and inform individually and jointly implemented country-level support provided by PCT partners. The composition and nature of the missions tend to reflect the final deliverable. For instance, WBG missions will vary in size, duration, and staffing depending on whether the output is analytical, advisory, project preparation, supervision or evaluation.
- **Non-mission Technical Assistance:** Outside of missions, staff and technical experts from partner organizations provide direct support (when they are located in-country) and virtual advice and technical support when countries request it.
- **Knowledge transfer and peer learning:** Knowledge transfer and peer learning activities are delivered across a range of tax topics, including tax policy, administration and legal frameworks. Knowledge transfer activities can include training (for example on PCT ~~Toolkits~~toolkits on BEPS and related international tax ~~issues~~matters), workshops, seminars, study visits, online primers and short and long-term courses, depending on the partner country needs. Activities can be delivered on a bilateral, regional or global basis.
- **Peer Review:** Peer reviews occur when countries commit to international standards subject to peer review, such as the BEPS Minimum Standards and the standards on transparency and exchange of information.
- **Research/Publications:** Research and publications are delivered to provide deeper insights and guidance to partner countries, inform bilateral, regional and global dialogue, and advance the DRM agenda.
- **Project finance:** Project financing is provided to support DRM reform efforts including procurement and installation of ICT systems, human resource and organizational reform, and business process re-engineering.
- **Policy loans:** Policy lending supports DRM and tax policy and administration reforms through conditionality of various kinds.

The type of delivery mode and the mix between these can vary significantly between the PCT partner organizations, reflecting the different mandates and priorities of the Partners as outlined in section 2. It is hoped that further analysis of the varying configurations in which the Partners use these delivery models will be possible as the OIP is developed.

4. How do we work together?

The PCT is a relatively new partnership, and continues to evolve. Collaboration among the PCT Partners occurs in a variety of ways, depending on the particular activity, teams, country need and available resourcing, and while maintaining the ability of each to respond to the needs of countries at very different levels of economic development in an agile and flexible way. The PCT also supports the work of other tax bodies (including the Global Forum, Inclusive Framework, and UN Tax Committee) by identifying and analyzing emerging international tax issues, drawing on the analytical and capacity development expertise of the Platform partners.

The organization of work between the four Partners is principally driven by their comparative advantages, as summarized in Section 2 on PCT Partner engagement on DRM. A key distinction between the organizations is the standard setting function of the OECD and UN, macroeconomic surveillance mandate of the IMF, and the broad sectoral responsibilities of the WBG. Differences in instruments and for country support and country-level presence also have an impact on how Partners engage. This is reflected in the mapping of tools and frameworks in Figure A-1.

The Partners see that they are currently working together increasingly closely, with commitment developing into more purposive coordination and then structured cooperation. These activities can be summarized by the partnership framework shown in Figure A-2. A more detailed explanation of the framework is provided in the section below.

Commitment

Commitment provides predictability, and so is the bedrock for long-term collaboration. Through increasing the flow of information and dialogue among the partners, on activities and future plans, the PCT is increasing the ability for the PCT Partners to identify and discuss any potential risks of unwarranted duplication, as well as opportunities for complementary activities, coordination and cooperation:

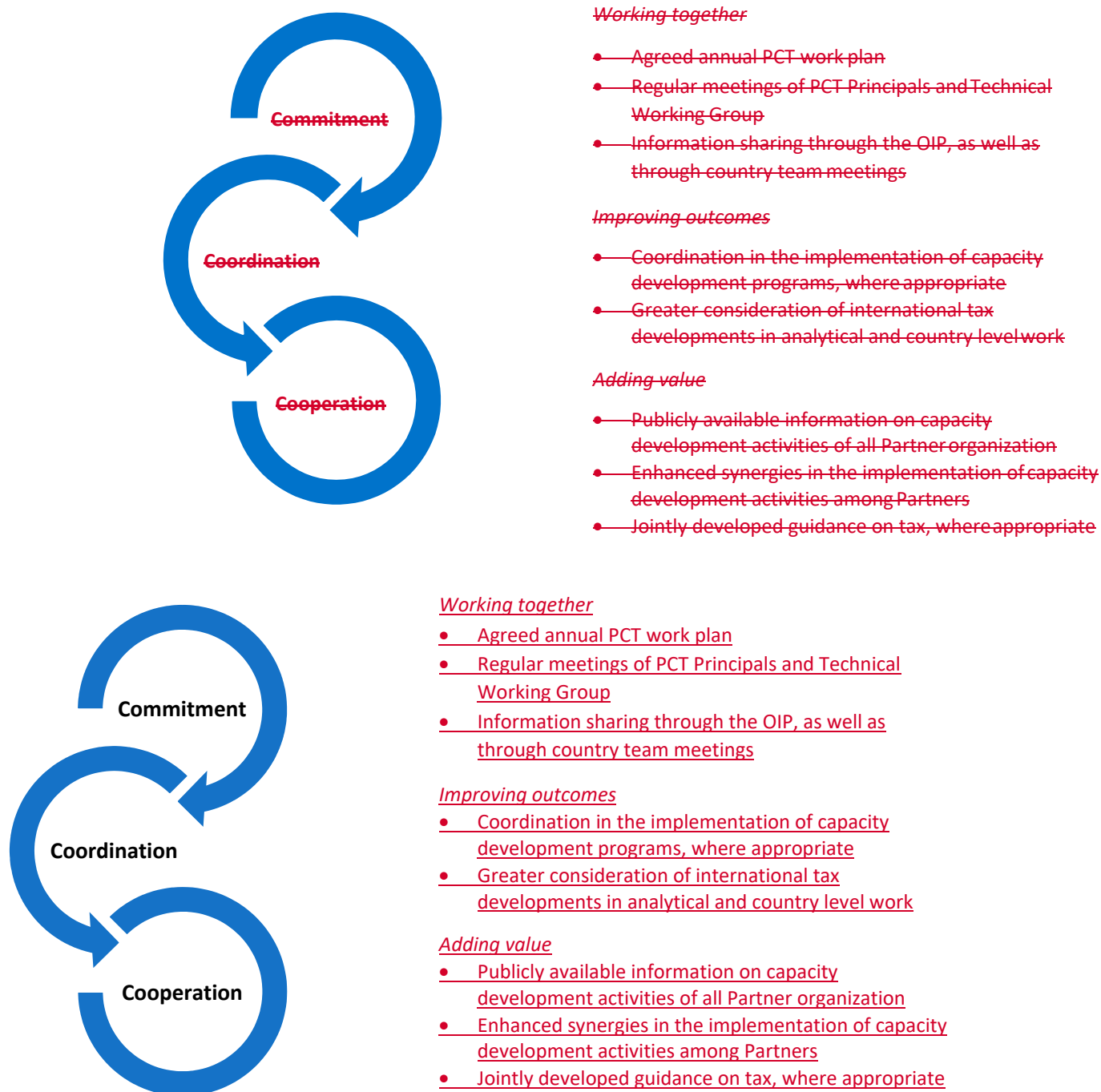
- Meetings of Principals and the PCT Technical Working Group²⁹³⁰ ensure regular communication and opportunities to expand and collaborative efforts, including agreement on the annual work program of the PCT.
- Commitment at the country level is achieved through information sharing, meetings of country teams, and mission coordination, where two or more PCT Partners are working in the same country but on different themes and/or different stages of the value chain and with different approaches (see Myanmar Case Study).

PCT Partners are increasingly sharing drafts of their work plans and including other Partners as observers in their steering group discussions.

²⁹Each Partner organization has assigned a senior staff member as Principal for oversight and strategic decision making, including approval of the PCT work program. The PCT Technical Working Group draws its members from all Partners and the PCT Secretariat with responsibility for preparing and implementing the work program.

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FIGURE A-2. PCT PARTNERSHIP FRAMEWORK



Coordination

In the presence of broad complementarities, coordinated actions can lead to better outcomes for all. PCT partners therefore seek to identify such complementarities, and where they exist develop approaches that enable effective coordination. Given the

range of complementarities, there is extensive coordination among the PCT Partners across a range of tax activities, going beyond country specific capacity development. Some current examples include:

- The IMF and WBG have long coordinated on 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 recent example includes the IMF and WBG's work in Uganda (see Uganda Case Study).
- Significant coordination has occurred throughout the BEPS process, including through feedback from PCT Partners to consultation documents. While the OECD leads work, other PCT Partners actively engage in related activities, including providing feedback from their own activities, and undertaking analysis. All partners are observers of the Inclusive Framework and participate in the meetings.
- The IMF and OECD have set up a Working Group on Government Revenue Data to facilitate coordination between the IMF and OECD on their respective datasets, to ensure transparency as to the differences between and guide users.

- All Partners participate in and attend the UN Committee of Experts twice yearly meetings, as well as relevant subcommittees.

Cooperation

Cooperation takes place on discrete activities where organizational mandates and country needs align, and often leads to joint outputs of all or a subset of PCT Partners:

- The PCT produces joint outputs and deliverables under an agreed work plan, implemented in collaboration by all or selected PCT Partners, including the ~~Toolkits~~toolkits on ~~various~~various ~~BEPs and related~~BEPs and related international tax ~~issues.~~³⁴matters.³¹
- The PCT held its first Global Conference in February 2018 at the UN Headquarters in New York, under the theme Taxation and the Sustainable Development Goals (SDGs)—a major effort of cooperation among all the Partners.
- The IMF and WBG continue to collaborate on the development of a framework for assessment of tax policy (TPAF).
- The OECD and WBG are working closely together in a number of countries on the implementation of Transfer Pricing, BEPS and Information Exchange policies and practices, especially in Africa. This has brought together the OECD's expertise and peer review processes in international standards, with the WBG's focus on the broader fiscal system in a country and lending instruments, to enable the implementation of international standards to be an integral part of reforms, with greater political support, with aligned monitoring and evaluation.
- The OECD and UNDP's Tax Inspectors Without Borders (TIWB) joint initiative, 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 (See TIWB case study in Annex B). This makes use of the complementarities between the OECD's expertise and networks in international tax, and UNDPs on the ground network to help countries identify where TIWB can support local priorities and provide practical support to the experts.

- Since 2016, the IMF and the OECD have been part of a four-member partnership (which also includes the Inter-American Center of Tax Administrations, or CIAT, and the Intra-European Organization of Tax Administrations, or IOTA) to collect and disseminate data on tax administration (ISORA)—for use by member countries to improve performance management and reporting, among other objectives. This makes use of the complementary networks of the participating organizations to provide for a broader coverage than would otherwise be possible, providing a

³⁴See <http://documents.worldbank.org/curated/en/docsearch/collection-title/Platform%20for%20Collaboration%20on%20Tax?colT=Platform%20for%20Collaboration%20on%20Tax%20for%20Toolkits-and-other-joint-products>.

³¹See <http://documents.worldbank.org/curated/en/docsearch/collection-title/Platform%20for%20Collaboration%20on%20Tax?colT=Platform%20for%20Collaboration%20on%20Tax%20for%20Toolkits-and-other-joint-products>.

- much bigger, comparable, dataset than would otherwise be possible. The partnership will soon be joined by the World Customs Organization.
- A key outcome of PCT collaboration has been the development of the concept of Medium-Term Revenue Strategies (MTRS), and the design and development of these, led by PCT members (IMF, WBG) with a number of partner economies to date.³² Annex A further explains the role of PCTs Partners in the development of MTRSs.
- The PCT Secretariat will also organize workshops to: (i) provide a forum for highlighting various perspectives on MTRS design and implementation; and (ii) support the development and dissemination of toolkits and other products.

PCT Partners do not work jointly on every activity, ~~and nor do they pursue the same approach.~~ And it is not the intention that they do so. The goal is to ensure that PCT Partners have the information and opportunity to be able to coordinate and collaborate when necessary and value can be added to achieve agreed outcomes. Country-specific examples of coordination and collaboration are provided in Annex C (Box 1 to 5).

Where activities are being delivered jointly they can involve two, three or more partners working together in a given area, and may also involve non-partner organizations. For example, the PCT tries to facilitate cooperation with other relevant bodies such as the ATI, the FTA knowledge management project developed with the Canadian revenue service, and regional tax bodies (such as ATAF and CIAT). While joint outputs by all four partners require approval by partners at the principals' level, joint outputs that do not involve all PCT Partners do not require formal sign-off of Partners that are not involved.

The revenue mobilization landscape, and the scope for collaboration between the PCT partners is continuously evolving, new opportunities will continue to emerge, while the risks of confusion and duplication will remain. As such the PCT partners will continue to evolve their processes to facilitate collaboration, including through the further development of the PCT secretariat. The PCT will continue to outline these developments, and the activities that result, in the annual reporting of the PCT. This collaboration among the PCT partners will continue to be based on the principles outlined in the initial concept note, which we will implement, as described in this document, with a commitment to dialogue and sharing information, coordination based on complementarities, and deeper cooperation where mandates and demand align. To this end, we are taking specific steps to improve the exchange of information and collaboration at the country level and for MTRSs—these are detailed in Section V of the 2018-19 Progress Report.

³²~~For further information on MTRS activities, see Section III of the 2018-19 Progress Report 2019.~~

³²For further information on MTRS activities, see Section III of the 2018-19 Progress Report 2019.

Appendix A.— The MTRS Approach Strengthens Collaboration

The concept of the Medium-Term Revenue Strategy (MTRS) was developed in the paper that the PCT submitted in 2016 to the G20 Finance Ministers.³³ The core elements of an MTRS include a social contract in the country on revenue mobilization goals, a comprehensive reform plan for the tax system, domestic political commitment for sustained implementation of the reform plan, and secured support for capacity development to support the country in overcoming constraints in developing and implementing the MTRS.

The MTRS approach explicitly calls on external providers of support for capacity development, including PCT Partners, to coordinate their support for the government-led MTRS in a 'subordinated' manner that provides 'assurance against pressures to prioritize the providers own agenda over the country-led effort.' In particular, country recipients should designate one TA provider to take the lead in supporting the authorities, in close collaboration and consultation with other providers and conclude a formal agreement (e.g. Memorandum of Understanding [MOU]) with TA providers, with explicit recognition of the roles, contribution, sequencing, etc., on both sides: country and CD providers.

So far, the IMF and WBG have been most involved in supporting the design and implementation of the MTRS, given their typically larger presence in the countries. To avoid duplication of efforts, countries have agreed with the IMF and WBG on the principal agency that will engage with the government, with the other supporting design and implementation as required.³⁴ The IMF has taken the lead role in the seven countries with MTRSs at the early stages of implementation and those formulating their MTRSs, except for Pakistan where the WBG has taken the lead. Relationship with the country, existing engagements, and country presence are some of the factors that come into play when determining the principal agency. ~~The UN has not been involved in the design or implementation of the MTRS.~~

The OECD ~~has and UN have~~ not been ~~as~~ involved in the design or implementation of the MTRS at the country-level, ~~in part because the lack of OECD resident advisers in developing countries provides logistical challenges in including them in the country-led design phase.~~ PCT partners realize the importance of strengthening collaboration on this front, and have identified a number of areas where the OECD ~~is and UN are~~ well-placed to support aspects of both the design and implementation of MTRSs.

³³PCT, Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries, July 2016. At: <http://documents.worldbank.org/curated/en/337691503666961906/Enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries-prepared-for-submission-to-G20-finance-ministers>. ~~The MTRS~~

³³ PCT, Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries, July 2016. At: <http://documents.worldbank.org/curated/en/337691503666961906/Enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries-prepared-for-submission-to-G20-finance-ministers>. The MTRS concept was further developed in PCT, June 2017, Update on Activities of the Platform for Collaboration on Tax. At: <http://documents.worldbank.org/curated/en/487521499660856455/pdf/117317-WP-PUBLIC-Collaboration-on-Tax.pdf>.

³⁴In on-going MTRSs, the IMF has mostly focused on upstream support, including diagnostics and strategic design, with WBG support aimed at downstream activities, such as modernization of IT systems, human resources and business processes.



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³⁴In on-going MTRSS, the IMF has mostly focused on upstream support, including diagnostics and strategic design, with WBG support aimed at downstream activities, such as modernization of IT systems, human resources and business processes.



The OECD can assist on international tax issues, in particular integration of BEPS standards and peer reviews into an MTRS, as well as providing a range of capacity building tools and approaches to support implementation.

Further improvements in coordination between TA providers around the country-led MTRS would help ensure that the complementarities of PCT Partners and other TA providers can be fully utilized in MTRS process. Measures toward this end include formal agreements of MTRSs countries with TA providers, scheduled within-country coordination between providers of TA led by the government, regular updates on MTRS developments (channeled through the PCT Secretariat) and the organization of workshops to exchange information on the challenges of MTRS implementation and lessons learned.

Status of CD Support to MTRS Countries

As mentioned in Section III of the 2018-19 Progress Report, some 19 countries are presently engaged with Partners in discussing, formulating or implementing an MTRS:

- *Early implementation:* Papua New Guinea (PNG)
- *Formulation support:* Egypt, Indonesia, Lao PDR, Pakistan, Thailand, Uganda.
- *Dialogue pre-formulation:* Albania, Bangladesh, Benin, Ethiopia, Georgia, Honduras, Jordan, Mongolia, Myanmar, Senegal, Uzbekistan, Vietnam.

In the following paragraphs, a description of progress in each of the countries is provided.

Implementation support

Papua New Guinea (PNG)—PNG formulated its MTRS in 2017 with IMF CD support. Following the MTRS approach to tax system reform, PNG's MTRS develops the four interdependent components to guide and steer its TSR, namely: (1) a revenue mobilization objective of 14 percent of GDP by 2022 is set, along with other goals for the TSR; (2) a TSR plan for the period 2018-2022 is outlined, including concrete policy and administration reforms, and the corresponding legal changes; (3) a governance arrangement and whole-of-government approach to manage the TSR is committed for the reform period; (4) a framework for coordinating CD partners is set, entrusting the lead advisory role to the IMF. Several CD partners are supporting PNG in diverse areas. Along with the IMF, the WB is also providing CD in targeted tax policy and administration areas, including tax incentives review, the introduction of capital gains tax and small- and medium sized enterprise taxes, risk-based audit, and taxpayer communication and outreach.; the US Treasury Office of Technical Assistance on the implementation of the Large Taxpayer Office (LTO) within the Internal Revenue Commission (IRC); the Australian Taxation Office on data warehouse development and the Automatic Exchange of Information, compliance risk management, and disputes procedures; and the Australian Department of Foreign Affairs and Trade (DFAT) has been financing a resident modernization and strategy advisor within the IRC. Tax Inspectors Without Borders has been also active in PNG.

PNG's MTRS was formally launched in November 2017. At the government's request, IMF is providing implementation support through a 3-year, US\$4 million program financed by the Revenue Mobilization Thematic Fund (RMTF). In the first year of PNG's MTRS, there are signs that the downward trend in tax revenue is being arrested. TSR elements are also progressing – the Treasury is setting up a Revenue Policy Division to build fiscal planning capacity; the Treasury and the Internal Revenue Commission (IRC) have initiated the modernization and simplification of tax legislation; and the IRC and Customs Service have commenced core process improvements, which should lay the foundation for fundamental organizational and institutional reforms to support further sustainable improvements in public revenue. Governance and management arrangements, which were slow in being set up, have now been established and are exercising increasing oversight of the MTRS program; and the PNG government has committed to financing a new Integrated Tax Administration System.

Formulation support

~~**Bangladesh**—The government has a vision to achieve middle income country status by 2021 and developed country by 2041. To contribute to the vision, the MTRS offers a pathway to mobilize more revenues for helping achieve the SDGs, and in doing so, address the growing need for investment in infrastructure, human resource development, and public services. The MTRS sets a revenue mobilization objective of increasing the tax to GDP ratio to 16% from currently less than 9%. The National Board of Revenue organized the MTRS launch in 2018 supported by the WBG, DFID, EU, and Canada. Following up, the National Board of Revenue is leading to undertake key stakeholder consultations during 2019. Such consultations are expected to include the private sector, civil society, other government entities, and development partners, supported by the WBG trust fund for the Strengthening Public Expenditure Management Program.~~

Egypt—In 2018 the MOF sought IMF support on tax system reform. As part of the dialogue and advice, transitioning their reform effort into an MTRS was recommended. The minister that took office in mid-2018 embraced the idea and requested IMF support for its formulation. An ongoing CD dialogue has been taking place since then, including regular video conference and policy and administration missions, to help develop the MTRS four interdependent components. In this dialogue, engagement with PCT members (OECD and UN) and other DPs (AfDB, EU, UK, US and Switzerland) has been conducted. During the recent WB/IMF Spring Meetings, in IMF discussions with the Egyptian delegation, headed by the minister of finance, a work plan was agreed aiming to finalize the MTRS at government level during May/June 2019 to then go for public consultation before kicking off its implementation.

Indonesia and Thailand—Both countries received IMF advice for drafting the countries' MTRSs. Working jointly with teams from the respective ministries of finances, revenue agencies, and other relevant government entities, IMF teams involving staff and experts on policy, administration, and legal analyzed ongoing tax system reform efforts vis-a-vis the four MTRS interdependent components and conducted an MTRS gap analysis. This was the starting point to prepare a draft MTRS, which includes: (a) detailed analysis of the expenditure needs and revenues to mobilize to progress development, especially the SDGs; (b) comprehensive tax policy, administration, and legal reforms, including the quantification of revenue impact



of recommended measures, to mobilize the needed revenues and improve the tax system overall; (c) the reform governance arrangement to ensure whole of government buy-in and effective reform management; and (d) the CD needs that need to be mobilized and a mechanism of coordination. In both countries, dialogue with other DPs was very important to make them aware of the MTRS work, notably in the case of Indonesia, which is receiving CD support from several DPs—Australia, Japan, OECD and WBG (including CD support on tax policy and administration covering compliance management, human resources, tax expenditure reform, VAT, and International taxation, with implementation supported by a World Bank policy loan and investment operation focused on information technology).

In both cases, the MTRS drafts have not been formally adopted, and only some elements have been progressed in a fragmented manner. Ongoing dialogue is being held with the authorities, including through discussions by IMF area departments teams for both countries. In the case of Indonesia, the draft MTRS was published in the IMF book “Realizing Indonesia’s Economic Potential” published in October 2018.

Lao PDR—In May 2018, the MOF requested IMF assistance in developing an MTRS, covering the period 2021-2025 to support their 9th National Socio-Economic Development Plan (NSED). Lao PDR’s strategic agenda is contained in their Public Financial Management Development Strategy (PFDS) to 2025. The MTRS will support the goals contained in the PFDS and form the basis of the 9th NSED. Individual headquarter missions in tax policy, revenue administration and customs administration were undertaken, with the results being combined in a draft MTRS, which is now being finalized. Following the MTRS approach to tax system reform, Lao’s MTRS develops the four interdependent components to guide and steer its TSR, namely: (1) a revenue mobilization objective of between 18 and 20 percent of GDP by 2025 is set, along with other goals for the TSR; (2) a TSR plan for the period 2021-2025 outlines concrete policy and revenue and customs administration reforms, along with the corresponding legal changes which strengthen all aspects of the tax system; (3) a governance arrangement and whole-of-government approach to manage the TSR has been recommended through a Steering Committee reporting to the Minister of Finance; and (4) to date, the government has requested the IMF to lead the MTRS and assist in the coordination with CD partners.

A condensed version of the MTRS was also developed, along with an engagement strategy to assist officials in consulting with stakeholders. Development partners, including WB, EU, and JICA have been engaged throughout the development of the MTRS and will be key partners in its implementation. MOF officials intend to introduce the MTRS to the National Assembly in June 2019. Lao PDR is being supported by Japan-financed medium-term CD programs on tax administration (May 2018-April 2021), and customs administration (May 2017-April 2020). Both tax and customs have strategic plans for the period 2018-2020 which are intended to build the foundation for stronger results through the MTRS.

Pakistan—The government developed a MRTS with close support from the WBG. Drawing on comprehensive WBG analytical work funded by DFID, the WBG organized a number of workshops to help the Federal Board of Revenue develop a tax reform strategy that aims to address challenges with tax policy design, coordination between different levels of government, a narrow tax base, complexities in the tax system, compliance rates, the informal sector, and revenue administration efficiency. The WBG is working on providing a substantial loan to support reforms of the Federal Board of Revenue and MRTS implementation.

Uganda—Uganda has prepared a draft MTRS, which is called DRM Strategy (DRMS) that will be presented to its Cabinet soon. The draft DRMS was prepared through broad consultations, and with robust governance arrangements, including a technical working group and support by all partners with the IMF and UK's DFID jointly taking the lead. Following the MTRS approach to TSR, the Uganda's MTRS develops the four interdependent components to guide and steer its TSR: (1) it sets out medium-term objectives for the revenue system, including increasing the tax-to-GDP ratio by 0.5 percentage point of GDP per year, and several other objectives –enhancing fairness, transparency and accountability in the tax system and lifting the capacities of the revenue administration entities; (2) it considers a TSR agenda covering three key drivers of revenue performance: the political economy of DRM; tax policy, including the traditional tax handles and non-tax revenue; and the management and administration of domestic revenues—next steps in coming months include costing of the various proposed initiatives, development of a comprehensive implementation plan and the overarching CD strategy; (3) a reform management arrangement for the formulation has been in place, which will have to be preserved for implementation; and (4) CD support worked effectively to support MTRS preparation. But they still need to develop the implementation plan which will be the basis for implementation CD support.

Dialogue pre-formulation

Albania—In discussions during 2018 with the IMF area department team for Albania, the minister of finance and economy expressed interest in learning more about the MTRS approach. A tax policy and administration CD activity from FAD overlapped with the IMF Article IV consultation mission to Albania in late-April 2019 and briefly explained the MTRS approach to the minister, who was enthusiastic to explore embarking on an MTRS formulation. The minister agreed to host a one-day MTRS workshop in June 2019. This workshop will comprise discussions on the four MTRS interdependent components, and an assessment of the ongoing tax system reform approach vis a vis the MTRS.

Bangladesh—The government has a vision to achieve middle income country status by 2021 and developed country by 2041. To contribute to the vision, the MTRS offers a pathway to mobilize more revenues for helping achieve the SDGs, and in doing so, address the growing need for investment in infrastructure, human resource development, and public services. The MTRS sets a revenue mobilization objective of increasing the tax-to-GDP ratio to 16% from currently less than 9%. The National Board of Revenue (NBR) initiated the MTRS dialogue in 2018 supported by the WBG, DFID, EU, and Canada. Following up, the NBR is leading to undertake key stakeholder consultations during 2019. In March 2019—in response to a request from the NBR—the IMF reviewed the structure, management, operations and performance of the NBR and advised on a NBR reform strategy to address the weaknesses diagnosed. In addition, consultations are expected to include the private sector; civil society; other government entities; and development partners, supported by the WBG trust fund for the Strengthening Public Expenditure Management Program.

Benin—The authorities are very interested in the MTRS approach, given revenue needs and their interest to increase tax-to-GDP ratio to WAEMU level (20 percent of GDP). The IMF is planning to organize a workshop on the MTRS in conjunction with an upcoming TADAT assessment that is scheduled for September 2019. WBG provides CD support on tax policy and international taxation and is in the process of preparing a budget support operation that will support envisaged policy reforms.

Ethiopia—The authorities have shown interest in the MTRS approach but have not yet fully (or publicly) committed to it. They prefer to take a gradual approach towards an MTRS. This includes undertaking more tax policy analysis—they are currently awaiting a forthcoming IMF tax policy mission which will review the tax policy setting comprehensively.



The newly appointed minister of finance has been briefed on the MTRS approach by officials that participated in the July 2018 workshop on the MTRS approach. WBG provides CD support on tax policy and administration, including a cost-benefit analysis and governance of tax incentives; excise tax policy; and presumptive taxation as well as a diagnostic of information technology in the revenue administration.

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Georgia—Georgia is receiving intensive CD support in the taxation area from the IMF, under its RMTF. The focus of the CD program has been mostly on tax administration, with targeted policy advice to address some issues. There has been good progress, though uneven, with compliance issues difficult to address and risks of sustainability of the administrative reform; the WBG is providing targeted support on tax compliance in the area of VAT. In addition, medium-term development goals and related expenditure needs are not fully linked to the need for TSR, beyond the budget exercise. Whole-of-government embracement of revenue administration reform needs to be enhanced to strengthen revenue mobilization capacity and address sustainability. Against this background, discussions with the authorities have been held to transition the ongoing tax system reform into an MTRS. This could help address the identified risks of sustainability of the ongoing reform effort, notably in revenue administration, and enhance coordination of CD providers supporting reform efforts to the tax system.

Honduras—During the recent WB/IMF Spring Meetings the representatives of the MOF and the minister of revenue both showed considerable interest in the MTRS (they referred to it as “*Pacto Fiscal*”). IMF will organize an initial workshop in Tegucigalpa with the MOF/ministry of revenue/customs administration (and other government agencies the authorities may want to include) to discuss the framework and see if the authorities would be interested in proceeding.

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Jordan—During a recent IMF mission on revenue administration (April 2019), the minister of finance expressed interest in exploring the formulation of an MTRS. He first learnt about the MTRS from discussion with the IMF’s area department team during surveillance missions. The minister requested the IMF mission to provide more background information and share experience from other countries. As in the case of Egypt, an MTRS formulation workshop will be organized during 2019 with ministry of finance and revenue agencies officials. This workshop will comprise discussions on the four MTRS interdependent components, and an assessment of the ongoing TSR approach vis a vis the MTRS. In Jordan, other active DPs supporting different elements of tax system reform include UK and the US; they will be invited to the MTRS workshop.

Mongolia—Also a recipient of an intensive CD support in tax system reform areas, from the IMF under its RMTF; though, mostly in tax administration. In addition, WBG has provided CD support on tax expenditures and is preparing a policy that includes support for implementation of international tax standards. Tax administration reform is progressing well. However, Mongolia is heavily dependent on revenue from the mining sector, with a high volatility that also translates in high volatility on fiscal spending. In addition, RA–GAP estimates for VAT shows a large gap and a VAT design with serious complexities, also present in other taxes. Mongolia needs a thorough review of its tax system; framing it in the MTRS would allow taking a holistic approach, including a better connection between expenditure and revenue level needs. The IMF is planning a discussion with the MOF in late 2019, in anticipation of a possible renewal of the current CD program.

Myanmar—The government has launched an ambitious Myanmar Sustainable Development Plan 2018–2030 but its capacity to finance this plan is limited. The tax-to-GDP ratio at around 6–7 percent is very low by regional standards, and although Myanmar benefits from resource revenues, these have also been declining. Myanmar has been undertaking a major tax reform program since 2012 but the starting point



was very low (around 3-4 percent of GDP); thus, overall improvements in tax revenue though large are still

very modest.^{35 35} An MTRS approach is now being considered to place the TSR agenda within the broader context of national development aspirations; garner broad-based, whole-of-government commitment and public support for the program; and secure the financing required to support sustainable revenue increases from domestic and international sources. Accordingly, discussions with the authorities have been held to transition the ongoing tax system reform into an MTRS. This could also help address some risks of sustainability of the ongoing reform effort, make a clearer connection of the revenue mobilization to spending needs and consolidate and further steer progress on institutional reforms, particularly in tax administration.

Senegal—The authorities are interested in the MTRS approach given revenue needs and the consistency of this approach with the recently developed (long-term) national development plan (*Plan Senegal Emergent*). The IMF conducted a one-week seminar in April 2019, providing more details on the MTRS framework to a multi-agency audience of officials. The WBG also suggested pursuing a medium-term revenue strategy as part of its country dialogue. Receptivity was very good, and the government is aiming at pursuing an MTRS approach in the second half of 2019. The WBG is providing CD support in targeted tax policy and administration areas, including international taxation (transfer pricing, anti-abuse and treaty policy), risk-based audit selection, MSME taxation and excise taxation (tobacco).

Uzbekistan—Since 2018 the government is pursuing significant reforms of its tax system; a whole revamping of the policy setting, administration, and legal framework.^{36 36} Already significant changes have taken place in tax policy, and there is also a comprehensive tax administration reform strategy. The IMF is providing an intensive CD program under its RMTF, working in collaboration with the WB and other DPs. The pace of tax system reform has been very hectic and has not allowed to organize the multiple reforms in a medium-term perspective; dialogue and CD work with the authorities is bearing fruit and a reform strategy is being developed. This will create the context for discussing the transition of the ongoing tax system reform into an MTRS in the second half of 2019.

Vietnam—In July 2018, the Minister of Finance requested WBG assistance to develop an MTRS for 2021-2025 as part of a broader request for assistance in the development of the fiscal plans to feed into the formulation of the medium-term socio-economic development plan for Vietnam in the next five-year planning cycle (2021-2025). WBG has secured funding from Switzerland to support the request for MTRS support. The MOF is in the process of assigning a focal agency to work with the WBG on the development of the MTRS. This work will build on the current Tax Reform Strategy 2010-2020 and other analytical reports. The next Financial Plan (2021-25), also supported by the WBG, will develop the baseline revenue objectives that will underpin the MTRS. In turn, the MTRS will inform the realistic setting of major fiscal parameters for such a plan. The development of an MTRS is a part of a larger tax engagement between WBG and Vietnam,

³⁵Box 3 described in detail the tax system reform in Myanmar and CD coordination among DPs supporting this reform.

³⁵Box 3 described in detail the tax system reform in Myanmar and CD coordination among DPs supporting this reform.

³⁶Box 5 describes in detail the tax system reform in Uzbekistan and CD coordination among DPs supporting this reform.



²⁶Box 5 describes in detail the tax system reform in Uzbekistan and CD coordination among DPs supporting this reform.



_including just-in-time TA for tax policy reform, international taxation and support for CD of the tax administration on risk management, business process re-engineering, and taxpayer services. And will also include partnership with other CD providers, including the IMF the that has been also providing assistance in the area of taxation and is discussing with WB team on the approach to continue both institutions support. In 2017, the IMF provided CD support on streamlining and strengthening tax administration organization and in 2018 on the new Law on Tax Administration.



Appendix B.— Tax Inspectors Without Borders³⁷³⁷

Tax Inspectors Without Borders (TIWB) is a joint initiative of the OECD and the United Nations Development Program (UNDP). The initiative supports the transfer of tax audit knowledge and skills to tax administrations in developing countries, through a real-time, “learning by doing” approach to handling audit cases. Qualified international audit experts are identified and deployed to work directly with tax officials of developing countries on current audits and audit-related issues in the field of international tax.

To date, USD ~~445~~⁴⁷⁰ million in increased tax revenues is attributable to TIWB and TIWB-style assistance programs. On average, for every \$1 spent on all TIWB activities between 2013 and 2018, there was a more than \$100 increase in collected tax revenues.

Collaboration is evident across the entire TIWB initiative. At the most senior levels, the TIWB Governing Board is co-chaired by the OECD’s Secretary-General and UNDP’s Administrator, and also includes members from Host Administration and Partner Administration countries, civil society and academic institutions.

The TIWB Secretariat, based at the OECD headquarters in Paris, France, acts as the interface for all stakeholders and facilitates program implementation—from proposing qualified Experts to Host Administrations, to monitoring progress and evaluation impact. The Secretariat promotes transparency and shares information about audit assistance requests with its extensive network of potential Partner Administrations. A UNDP-managed Roster of Experts, with over 50 multilingual tax audit experts, complements the offer of Partner Administrations in deploying currently serving, as well as retired experts. The Secretariat is receiving support from a growing number of regional and multilateral partners, such as the African Tax Administration Forum, Cercle de Réflexion et d’Échange des Dirigeants des Administrations Fiscales, the Pacific Islands Tax Administrations Association and Inter-American Center of Tax Administrations, as well as the OECD’s Forum on Tax Administration.

The TIWB model relies on the complementary roles of the OECD and UNDP. The OECD’s Centre for Tax Policy and Administration provides the necessary technical expertise in taxation, combined with long-established networks with the revenue administrations deploying experts. The UNDP has established links with developing countries and ensures that TIWB programs become embedded in country-owned and country-led development strategies. This supports long-term, meaningful results for developing countries. The UNDP country offices help to raise awareness and build demand for TIWB programs with key decision-makers at the national level. Country offices also help provide TIWB Experts with an overview of the overall development landscape in a country.

TIWB is setting an example of what collaboration can achieve in support of domestic resource mobilization.

³⁷Source: <http://www.tiwb.org/>.

³⁷Source: <http://www.tiwb.org/>.

Appendix C.— Country Case Studies

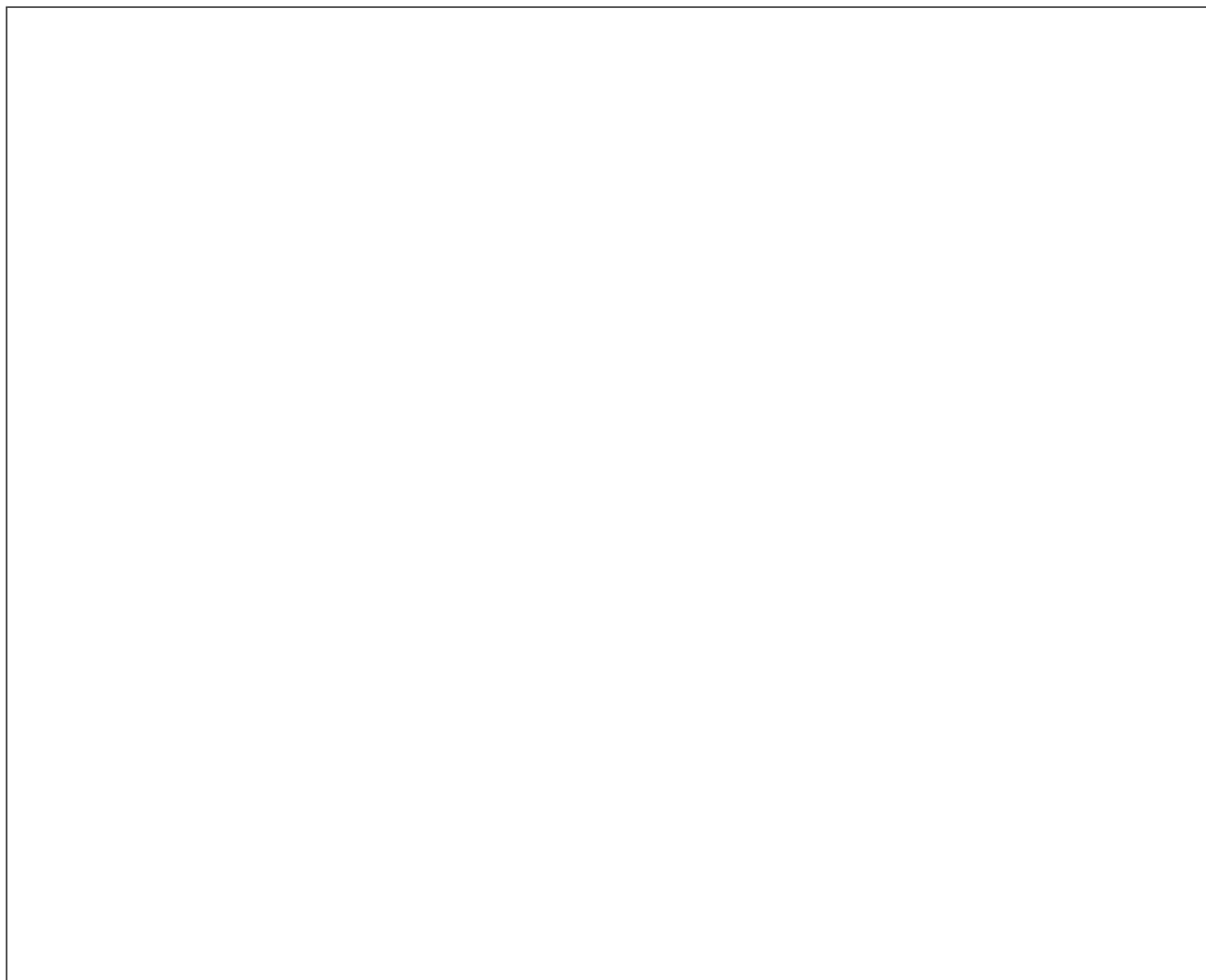
Box 1. Peru—Collaboration Improves Coherence of DRM Advice

In April 2016, Peru elected President Pedro Pablo Kuczynski with a mandate for changes to the tax regime. Within six months the government had enacted the first round of tax changes, with a conditional lowering of the VAT rate from 18 percent to 17 percent (subject to VAT revenue reaching 7.2 percent of GDP), and raising the corporate income tax rate from 28 percent to 29.5 percent, coupled with a reduction in the dividend tax from 6.8 to 5 percent. Reforms were also made to taxation of small and medium enterprises. Early results show the reforms are taking effect with higher domestic revenue and growth in private investment.

Supporting these efforts has been a number of donors and TA providers, working closely together since 2016. Donor and TA provider coordination has been achieved with limited resourcing or need for rigid structures, instead relying on periodic monthly calls and regular correspondence between the IMF, World Bank, the Global Forum/OECD, the IADB and CIAT. The result of coordination has been joint technical assistance missions, workshops, reports and recommendations. Close coordination and cooperation have avoided duplication of effort, while also improving the consistency of advice provided to the Peruvian government by donors.

The coordination has allowed for consistent, joint WB-OECD TA missions, recommendations and capacity building workshops (for example, on transfer pricing, exchange of information and information security management , IMF-IADB workshops (Digital Innovation in Public Finances, and e-invoices) and efficient division of labor, for instance, the IMF has been developing a compliance improvement program focused on VAT, large taxpayers, and customs; and the WB has been supporting the government on SME taxation reform. Where government has adopted donor recommendations, the TA providers then follow up with additional technical support for implementation, delivering action plans jointly agreed, for example with the Global Forum/OECD. In September 2018, the government amended a number of international tax rules including a new set of thin capitalization rules, new procedures and rules for the indirect transfer of shares, clarifying the definition of permanent establishment, establishing an indirect foreign tax credit and legislation on beneficial ownership and CRS.

Donor and TA providers collaboration on both tax policy and revenue administration issues, combined with the leadership of the government of Peru, is bearing results. A key lesson is the advantage of a national government with a clear reform agenda, behind which donors and TA providers are able to focus efforts.



Box 2. Uganda—Convening Power of the Uganda National Government

In 2016, despite two decades of sound macroeconomic performance, Uganda's tax effort remained around 13 percent of GDP, the lowest in the East African Community and below the government's own goal of 16 percent of GDP.

At the initiative of the Permanent Secretary/Secretary to the Treasury, a DRM Committee was established to guide the development of the DRM Strategy and coordinate interventions aiming to support revenue mobilization. The DRM Committee comprises representatives from the Ministry of Finance, Planning and Economic Development (MFPED), the Uganda Revenue Authority (URA), the World Bank, the IMF, DFID, USAID, the EU delegation, KfW, UNDP, European Policy Research Centre (EPRC), and the International Growth Centre (IGC).

The work of the Committee began with a comprehensive stock-take of existing DRM technical assistance reports, analytical work and reforms. This aided the identification of priorities for reform, as well as areas where further research was needed.

The World Bank delivered an assessment of Uganda's domestic revenue gaps, an excise duty diagnostic, and undertook a range of assessments on DRM institutional needs, customs and ICT, support on transfer pricing has also been provided in partnership with ATAF/OECD, there has also been collaboration with the Global Forum support on exchange of information, especially on beneficial ownership requirements. The IMF, which in recent years has provided significant assistance in tax policy (including for the Extractive Industries sector), tax administration, customs administration, and measuring the VAT gap, also developed a framework for preparing the MTRS and applied TADAT. The International Centre for Tax and Development reviewed Uganda's tax treaties and taxation of high net worth individuals, and is now working on tax incentives. USAID delivered technical assistance to address taxpayer registration issues identified by the TADAT. UNDP, in partnership with the OECD, has provided TIWB assistance.

The DRM Committee has led the development of a Medium-Term Revenue Strategy (MTRS) for Uganda.

A key takeaway from the DRM Committee has been the vital leadership role played by the Uganda government, committing to the long-term process of tax reform, and especially in promoting collaboration among the donor community. A further lesson was contained in feedback from the Uganda officials involved in the DRM Committee, who found the DRM Committee process improved the management of competing pressures in the reform process.

Sources: Uganda's MOF, Planning, and Economic Development, *Progress Report: Domestic Revenue Mobilization Strategy for Uganda*, 7 June 2018; [Uganda Domestic Revenue Mobilization Co-ordination Strategy](#), 13 October 2016



OECD



WORLD BANK GROUP

Box 3. Myanmar—Collaborative Support of CD Partners: Key Factor for Progressing the Government's Revenue Reform Strategy

Multi-phased approach to revenue reform

Transformational revenue reform journey began in 2012. The tax-to-GDP ratio was exceptionally low (3.5 percent) and the government wanted to increase it to 10 percent through rebuilding from scratch the entire tax system. In doing so, the authorities expected to create fiscal space that would promote growth and help achieve the sustainable development goals. The early reform years (Phase I: 2012–17) followed IMF advice and focused on structural design and capacity building: a new function-based large taxpayer office (LTO) was established, piloting a self-assessment system (SAS), and the Internal Revenue Department's (IRD) headquarters was restructured along functional lines, with a fledgling program management and governance structure established. The success of the LTO pilot led to the medium taxpayer office 1 (MTO1) being established using the new SAS in 2017. Collectively these initiatives began a multi-phased journey to improve equity, efficiency and transparency of the tax system.

The second phase of the revenue reform is guided by the Reform Journey 2017–2022. This phase focuses on consolidating Phase 1 and introducing more features of a modern tax system: a tax procedures law, modernized income tax legislation and a new integrated tax administration system (ITAS), supporting more streamlined business processes and new compliance risk management concepts. These reforms, together with Customs administration and budgetary operations improvements are a precursor to a full-fledged medium-term revenue strategy (MTRS).

Tax collections have steadily increased during the reform period. The reforms now allow proactive management of approximately 3,000 corporate taxpayers and nearly 70 percent of tax revenue in the new large and medium taxpayer offices. With significant natural resource revenues, the revenue to GDP ratio is 17 percent in 2017/18. Nevertheless, the tax-to-GDP ratio remains low at 6.7 percent, less than half the regional average of around 18 percent, given widespread tax exemptions. The revenue reform program is thus expected to take several more years to reach the critical mass needed to supplement natural resource revenues and sustainably finance Myanmar's development needs.

Coordination of Capacity Development Support

Aligning CD support to the government's revenue reform strategy was critical to these early successes. From the outset the IMF, WB Myanmar team and United States Treasury Office of Technical Assistance (OTA) aligned their individual CD programs with clear and specific reform initiatives under the government-led reform journey. For example, the IMF was responsible for guiding the overarching reform strategy, reform management and governance, organizational design, and tax law design and drafting, OTA covered the LTO development and audit, and the WB supported audit and the ITAS procurement. These arrangements allowed support for key initiatives, recognized the geographic office separation challenges and enabled simultaneous CD support at headquarters and frontline offices. Subsequently, other agencies (NORAD, the EU, DFID and Japan) joined the reforms providing assistance in specific areas aligned to the reform strategy. The timing of each agency's support has been closely aligned to key dates in the government's revenue reform strategy.

A multi-tiered donor coordination approach enhanced the effectiveness of CD planning decisions. A three-tiered approach was adopted. First, day-to-day coordination between in-country advisors helped model new collaborative behaviors and resolve local issues quickly. Second, regular conference calls between in-country advisors and CD team leaders helped identify and manage CD gaps and potential overlaps. Third, a bi-annual in-country donor roundtable hosted by the IMF helped keep the wider donor group informed of progress and early identification of future CD needs to help ensure the right support was available at the right time from an appropriate CD partner. The IMF was instrumental in identifying CD needs and, with the IRD's consent, liaised with CD partners to help them design targeted CD projects and identify experts to fill the gaps. This semi-structured approach to CD partners coordination should be consolidated and further developed when Myanmar ultimately transitions to the full MTRS approach.

BOX 4. Guatemala — Collaborative efforts among CD partners to revenue administration reform

Guatemala has historically shown low tax effort. While the tax to GDP ratio increased to 12.1 in the mid-2000s, tax revenue performance deteriorated after the 2008–09 financial crisis and has not returned to previous levels. In 2018 the tax revenue ratio fell to 10.0 percent of GDP. Reforms have failed for various reasons, including difficulties the authorities have faced in obtaining approval for proposed tax policy and administrative reforms from congress and the constitutional court. The tax and customs administration (SAT) has had periods in which it has been able to implement institutional reforms followed by others where reform progress has been weak. In addition, a 2015 corruption scandal that involved the highest levels of government further deepened the already complex situation the revenue agency faced.

The authorities are trying to address various weaknesses identified in revenue administration. Several IMF-led diagnostic assessments have found that the SAT suffers from: (i) disintegrated and inefficient processes; (ii) a dysfunctional governance structure that lacks transparency and is characterized by weak internal controls and ineffective information sharing between units; (iii) fragmented and vulnerable information systems; and (iv) lack of a modern human resource management strategy.

The new government that took office in early 2016 started to launch a new reform effort of the SAT. In the context of the new government's plan to overhaul governance and integrity of public institutions, and with the aim of rebuilding the public's trust, the SAT, with strong support from the MOF, spearheaded a reform plan with seven priorities: (i) strengthening the customs clearance process, (ii) improving import valuation, (iii) enhancing the control of special tax regimes, (iv) implementing a comprehensive VAT compliance plan, (v) updating the taxpayer register, (vi) establishing an effective segmentation of taxpayers, and (vii) strengthening the audit function. In July 2016, Congress approved a law to strengthen fiscal transparency and the SAT's governance.

Coordination of Capacity Development Support

Aligning CD support for the new reform effort was crucial to strengthen the road map for revenue administration reform. Several CD partners joined the new reform effort. The IMF, WB, IADB, and the U.S. Treasury's Office of Technical Assistance (OTA) collaborated closely to respond to the authorities' urgent request for assistance in the wake of institutional damage resulting from the 2015 corruption crisis. In early 2016, the IMF organized a series of donor meetings to coordinate a common response to the new authorities' call for support. The donors, which also included the German International Cooperation Agency (GIZ), agreed on a framework to align their individual CD programs with specific reform initiatives. USAID would join this group later. In 2017 and 2018, the IMF, the WB, and other donors participated in several joint meetings with the SAT to ensure that all technical assistance provided to the SAT was done in a coordinated manner.

Helping formulate and implement the SAT reform strategy in a collaborative manner. In May 2016, the IMF carried out a diagnostic mission, in collaboration with WB staff, which proposed a strategy to improve tax and customs compliance and strengthen the SAT. The WB then prepared a large project to support various aspects of the SAT's operations based on that mission's main conclusions and recommendations. Although the WB approved the project and the associated \$80 million loan, the Guatemalan congress did not authorize it, and it was withdrawn in 2018. The IADB also prepared a project loan that the authorities did not authorize. A TADAT mission lead by the IMF was carried out in September 2017 in collaboration with GIZ and OTA.

Despite the slow progress on the ground collaboration between CD partners has continued. In 2017 and 2018, the IMF, the WB, and other donors participated in several joint meetings with the SAT to ensure that all technical assistance provided to the SAT was done in a coordinated manner.

The IMF support was provided under the IMF's Revenue Mobilization Thematic Fund (RMTF). The RMTF project has supported improvements in key SAT operations such as VAT administration, large taxpayer compliance management, audit and enforcement. The IMF's CAPTAC-DR has also provided complementary technical assistance in specific areas of tax and customs administration. Although the more ambitious reforms have not been implemented and that compliance levels have fallen steadily, donors, including the IMF, have continued to be active providing assistance in key areas of tax and customs administration to support specific reforms. For example, despite the overall fall in the tax to GDP ratio, customs' revenue performance has shown an improvement relative to the tax administration, partly thanks to the implementation of IMF and OTA recommended reform measures in customs.

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Box 5. Uzbekistan— Collaborative Support of CD Partners for Revenue Administration Reform

Tax System Reform is a key component of the country's economic modernization. Following President Shavkat Mirziyoyev's election in December 2016, the government has embarked on a series of reforms to rapidly transform the economy. After public consultation, the "Strategy of action on five priority areas of development of the Republic of Uzbekistan for 2017–21" was adopted in February 2017. Reforming the tax system – policy, administration, and legal framework – is one of the priorities.

Reform commitment at the highest level is strong; and reform impetus is great. The Deputy Prime Minister (also Minister of Finance) is personally leading the effort and has been committed to involve external CD support to build on international experience. The aim is to comprehensively reform the country's fiscal framework, including the tax and expenditure systems. In June 2018, the government issued two presidential resolutions which set out significant tax policy changes and transformational reforms of the State Tax Service Authorities.

Reform needs are broad in policy and administration. IMF advice in April 2018 recommended an in-depth tax policy reform, notably to simplify, modernize, and improve the efficiency of the tax system. Recommendations focused on reducing the burden of taxation on labor and capital, improving the taxation of SMEs to reduce informality, and increasing VAT productivity. This is needed to restore tax neutrality across sectors and across organizational forms, while improving the investment climate by reducing the effective marginal tax rate on investment. IMF advice on revenue administration in July 2018 recommended structural changes in the organization, management, operations, and performance of the tax administration (State Tax Committee, STC); and advised on how to prioritize and sequence the reforms to reflect capacity to implement.

Reform is progressing, though due to rushed decisions some changes were less than optimal, and the reform strategy and management are yet to be consolidated. On the policy front, the June 2018 presidential resolutions incorporated parts of the April 2018 IMF advice. Progress in revenue administration has been slower, especially in strengthening STC headquarters and field structure. More progress has been made in establishing a large taxpayer office (LTO). To guide tax system modernization, the government is developing a reform strategy.

Coordination of Capacity Development Support – A challenging Start

With little experience with reforms of this scale, Uzbekistan sought external support; sometimes with overlapping CD requests. In early 2018, the government sought IMF CD support on taxation and expenditure; subsequently it also sought WB advice on taxation, as well as from Russia and Georgia.

Initial coordination of CD activities was challenging. By giving similar mandates for advice, notably to the IMF and WB, the government received overlapping and uncoordinated advice during 2018. CD providers asked the authorities to improve their coordination and in late 2018, the Deputy Prime Minister appointed the IMF as lead external CD advisor on tax system reform.

Since early 2019, IMF has provided support under the Revenue Mobilization Thematic Fund (RMTF). The RMTF Steering Committee approved an intensive CD project in late 2018, covering tax system reform including several modalities of CD, notably a resident expert installed in Tashkent in April 2019.

CD coordination is improving. The clearer division of CD responsibilities and enhanced relationship among the IMF and WB teams are enabling more collaborative and complementary CD support. Under the RMTF project, the IMF advises on strategic reform design (tax policy, institutional settings, organizational design, tax administration business strategy) and supports the governance of the reforms. The WB provides support focused on implementation in areas such as human resources, business process reengineering, and new information technology systems. IMF and WB teams are coordinating their field work closely. For example, an IMF team visited Tashkent in April 2019 to advise on structural issues in reform management, and to install the new resident advisor, liaised with the WB team which assessed the IT systems at a high level, and provided a process mapping. As agreed, the IMF resident advisor joined the WB mission. It is expected that collaboration will continue. Incorporating other CD providers will be required to ensure consistency.