

STRONGER TOGETHER: BUILDING SYNERGIES FOR DOMESTIC REVENUE MOBILISATION

NTO position paper on the role of regional tax organisations in the Addis Tax Initiative post-2020

BERLIN, 1 JULY 2019

I. REGIONAL AND INTERNATIONAL TAX ORGANISATIONS AND THE NEWLY ESTABLISHED NETWORK OF TAX ORGANISATIONS (NTO)

1. Since 1967 and the foundation of the Inter-American Center of Tax Administrations (CIAT), a number of tax networks – known as **regional or international tax organisations** – act across the world, providing specialised technical assistance for the modernisation and strengthening of revenue administrations.
2. Regional tax organisations vary broadly in size, organisational setup and scope of service offered. Whereas most are organised on a geographical basis, others have built on other historical ties, being linguistic, religious or political considerations. Although the capacities of these organisations vary significantly, all of them follow a common objective: **supporting the efforts of national governments by promoting the evolution, social acceptance and institutional strengthening of revenue administrations**, while encouraging international cooperation and the exchange of experiences and best practices.
3. In a context of internationalising tax dialogues, secretariats of several tax networks recently agreed to build on existing synergies among their work lines to exchange under a common umbrella, the Network of Tax Organisations (NTO). **Officially launched in May 2018, the NTO is a network of regional and international organisations of revenue administrations** that wishes to develop and promote effective tax systems as a means to contribute to the well-being of all people. Its primary aim is to act as a global platform for exchange of experiences, knowledge, and best practices on tax administration matters.
4. **Nine organisations are currently members of the Network of Tax Organisations:** the African Tax Administration Forum (ATAF), the Association of Tax Authorities of Islamic Countries (ATAIC), the Commonwealth Association of Tax Administrators (CATA), the Centro Interamericano de Administraciones Tributarias (CIAT), the Caribbean Organisation of Tax

Administrators (COTA), the Cercle de réflexion et d'échange des dirigeants des administrations fiscales (CREDAF), the Intra-European Organisation of Tax Administrations (IOTA), the Pacific Islands Tax Administrators Association (PITAA) and the West African Tax Administration Forum (WATAF). The Secretariat of the Network of Tax Organisations is facilitated by the International Tax Compact (ITC).

II. THE CONTRIBUTION OF REGIONAL TAX ORGANISATIONS TO DOMESTIC REVENUE MOBILISATION (DRM)

5. In recent years, the relevance of domestic revenue mobilisation (DRM) for financing growth and sustainable development has gained traction. In this context, regional tax organisations have been increasingly solicited by their members. The contribution of regional tax organisations to domestic revenue mobilisation varies across networks ranging from peer-to-peer exchanges to the articulation of regional priorities in tax discussions globally. Recent examples of the contribution of these tax networks to DRM include:

- **Technical assistance programmes** aimed at building additional capacity among their member administrations. These focus on areas as varied as administration processes, human talent development, or strategy and planning.
- **Peer-to-peer leaning activities**, including the exchange of experiences on how to deal with issues such as double-taxation agreements (ATAF), the use of data from Automatic Exchange of Information (AEOI), or the fight against cross-border VAT fraud (IOTA) and resource richness (WATAF); physical trainings and e-learning programmes on issues such as VAT collection (ATAF), transfer pricing rules and ethics in tax administrations (CIAT), or the security of tax systems (CATA).
- **Research activities**, including the provision of databases on the evolution of tax rates of the main taxes, progress in subnational tax collection, or tax expenditure (CIAT); conferences, seminars and publications, e.g. on the digitalisation of tax administrations (CATA/CIAT/IOTA); good tax governance and disruptive business models (IOTA) or methodological guides, e.g. on securing tax revenue in a period of the crisis (CREDAF)
- **International engagement** with networks pro-actively pointing to the challenges faced by their member administrations with regards to ongoing developments in tax administration, e.g. on the digitalisation of the economy (ATAF), on implementation of measures to counter BEPS (IOTA), in various international fora, such as the OECD Inclusive Framework, Tax Administration Diagnostic Assessment Tool (TADAT) and else.

6. In recent years, NTO members have witnessed **growing interest for international collaboration on DRM objectives** on behalf of national, regional and multilateral institutions. Recent examples include collaboration with development agencies, such as the German Society for International Cooperation (GIZ) or the Norwegian Agency for Development Cooperation (NORAD), on tax reform programmes for selected regions (Africa; Latin America and the Caribbean) or the implementation of training tools on specific technical issues (transfer pricing; ethics). NTO members also collaborate with other institutions, such as the OECD and UNDP, e.g. in the context of the Tax Inspectors Without Borders (TIWB) programme.
7. Several factors linked to the structures of regional tax organisations can explain the involvement of the Network of Tax Organisations and its member organisations in the implementation of DRM reform and initiatives:
 - a. **Proximity:** The work of regional tax organisations is rooted in practice. NTO members' structures allow them to constantly gather knowledge and best practices from tax administrators on solutions to practical challenges faced in their respective regions. The data gathered from and networks built across tax administrations thus provides NTO members with a wealth of information related to DRM reforms in partner countries.
 - b. **Coordination:** The continuous involvement of member administrations in the development of diagnostic tools and methods allows regional tax organisations to gather information about the effectiveness of DRM programmes and to identify both synergies/overlaps in existing support programmes and challenges/needs for future support. The involvement of tax networks hence improves coordination and reduces the risks of duplication in the planning and the implementation of DRM reforms.
 - c. **Predictability:** The institutionalisation of regional tax organisations helps systematise support to revenue administrations. General purpose agreements concluded between development cooperation agencies and NTO members in recent years have helped strengthen consistency, predictability, and efficiency in the provision of development partners' support to DRM. This can contribute to better donor coordination and aid effectiveness in the implementation of DRM strategies by partner countries than stand-alone initiatives.
 - d. **Ownership:** Regional tax organisations can rely on long-established networks of high-level representatives of revenue administrations of their member countries. The engagement of high-level tax administration officials provides a highly professional approach to the identification and the treatment of DRM issues, e.g. in the processes of facilitating, monitoring and enforcing tax compliance. This high-level ownership enables a smoother implementation of DRM-related projects at national level, contributes to international collaboration, and facilitates South-South cooperation initiatives.

- e. **Independence.** Due to their governance structures, regional tax organisations are driven by the needs, preferences, and engagement of revenue administrations themselves. Equally, much support among the members of revenue administrations is done through in-kind contributions or general purpose agreements, giving these organisations the leverage to address technical DRM issues without having to follow more politically-rooted agendas.

III. HOW CAN THE NTO AND ITS MEMBERS SUPPORT THE OBJECTIVES OF THE ADDIS TAX INITIATIVE BEYOND 2020?

8. **NTO members are committed to supporting the collective effort towards fulfilling the three ATI commitments** to (i) collectively double support to DRM among development partners, (ii) step up the mobilisation of domestic revenues in partners countries, and (iii) promote and ensure policy coherence for development. In this regard, NTO members acknowledge ATI development partners' efforts to collectively double their technical cooperation in the area of DRM by 2020 and the need for solid financing of DRM reform projects in ATI partner countries. Going forward, NTO members wish to stress that effective support to DRM should increasingly take into account more qualitative factors.
9. Accordingly, NTO members are committed to supporting the collective action of the ATI members and supporting organisations to **continue the Addis Tax Initiative (ATI) with a stronger focus on the objectives of aid effectiveness and donor coordination**, while better taking into consideration the absorption capacities of partner countries. This should notably help avoid duplication and fragmentation in DRM support.
10. In 2018, **NTO members agreed on a NTO strategic plan for the 2018-2023 period**. This plan focuses on three main objectives, all contributing in some way to making DRM support more effective and demonstrating a clear potential to contributing to the Addis Tax Initiative beyond 2020:

(I) CAPACITY DEVELOPMENT OF REGIONAL TAX ORGANISATIONS

11. The Network of Tax Organisations provides a platform for **exchange between NTO member organisations**. Through the organisation of cross-network peer-learning activities, staff exchanges among secretariats of NTO member organisations as well as other activities, the Network of Tax Organisations fosters the capacity development of its members. Enhanced capacities of NTO member organisations **ultimately lead to better services to their member administrations**, including in providing capacity building DRM programmes, articulating their members' needs in international discussions, or boosting the visibility of their members' activities.

12. Examples of NTO activities in this area include:

- a. **Webinars on Administrative Issues (WAIs)** were set up as a common platform for exchange on issues faced by NTO members' secretariats. In the first WAI, held on 17 June 2019, NTO members shared their experience in using budget and strategy planning tools, based on input provided by the CIAT Secretariat. This experience was acknowledged as a "very stimulating experience" and a great example of an "economical format" contributing to "transcontinental cooperation" by NTO members' staff.
- b. In an effort to raise the visibility of NTO members' work, the Network of Tax Organisations is working on the publication of a **NTO Practical Guide on Regional Tax Organisations**. The NTO Practical Guide will look back at the historical achievement that constitutes the development of networks of revenue administrations and provide practical information about the governance, membership, objectives, main activities of NTO members. It will take a first look at the role the Network of Tax Organisations could play in DRM reform across the globe.

(II) INTERNAL COLLABORATION

13. The Network of Tax Organisations also acts as a catalyser and convenor by **promoting joint activities** (including conferences, working groups, and publications) and ensuring knowledge sharing across revenue administrations through the provision of **regionally-tailored services, products and information**.

14. Examples of NTO activities in this area include:

- a. The establishment of **international standards** as NTO members are considering turning the long-standing CIAT Ethics Committee into an **NTO Ethics Committee**. A newly-established NTO Ethics Committee would provide the possibility to adapt the already existing and comprehensive CIAT Ethics Toolkit & Training Courses to different regional contexts and needs, extending access to these products and activities to revenue administrations across the globe.
- b. In a similar fashion as for the Ethics Committee, NTO collaboration also provides its members with the potential to propose and implement – in collaboration with other international and national partners – **cross-continental technical assistance, training or research activities**.

(III) GLOBAL PLATFORM FOR TAX DIALOGUE

15. In line with G20 commitments to “promote **South-South cooperation** to support the capacity of developing countries in tax policy and administration systems”¹, the Network of Tax Organisations facilitates the exchange of tax administrators and other high-rank officials in the context of its members’ General Assemblies, NTO events and other international conferences. This ultimately ensures that the need for improved information sharing and alignment across different DRM platforms is addressed in a truly **broad and inclusive forum**.
16. Through these exchanges, the Network of Tax Organisations and its members support tax administrators of partner countries in their efforts to shape the international approach to DRM reform and define priorities for international cooperation in DRM. This provides the initiative with the potential to give a **stronger voice to partner countries and to increase their influence in setting international standards**.
17. Building on the success of the first joint event between NTO members that constituted the CIAT/IOTA Tax Summit on Digital Economy held in October 2018 in Lisbon, NTO members engaged to collectively pursue their commitments to building a platform for **global interchange on tax administration matters**. A major step for this will be achieved with the organisation of the **first global NTO Conference**, scheduled to take place in October 2020 in Rome and hosted by the Italian Guardia di Finanza.

IV. RECOMMENDATIONS FOR THE ADDIS TAX INITIATIVE POST 2020 DECLARATION

18. The Network of Tax Organisations wishes to **join the ATI member countries and ATI supporting organisations in their efforts to achieve the common goal of enhancing the mobilisation and effective use of domestic revenues** and to improve the fairness, transparency, efficiency and effectiveness of tax systems;
19. NTO members encourage the Addis Tax Initiative and its partners to recognise its unique set-up with partner countries and development partners coming together at one table united by their common goal and to, consequently, **step up efforts in reaching out to non-ATI partner countries**, especially in the Asia Pacific region and Latin America;
20. The Network of Tax Organisations suggests to **support the ATI in taking over a more active role in donor coordination at the international level**. Through the support of the NTO, the Addis Tax Initiative could play a key role in developing a common understanding of how

¹ G20 Seoul Summit 2010, Annex II: Multi-Year Action Plan on Development, Seoul, November 12, 2010, <http://www.g20.utoronto.ca/2010/g20seoul-development.html>

to best design DRM reform programmes in partner countries in different regional contexts and in sharing diagnostic tools and methods which assess the performance of tax administrations and tax systems;

21. NTO members, some of them already being ATI supporting organisations, call on the Addis Tax Initiative to launch a **new ATI Declaration by 2020**.
22. The ATI Post-2020 Declaration should put on a stronger focus on the objectives of **aid effectiveness** and **donor coordination** and better taking into consideration the absorption capacities of partner countries;
23. The ATI Post-2020 Declaration should also recognise the role that regional and tax organisations and the Network of Tax Organisations can play in **promoting South-South cooperation**, notably through **peer-to-peer exchanges, and needs-based aid delivery to DRM**.
24. Keeping in mind limited absorptive capacities of tax administrations, and in order to align aid delivery with partner countries' priorities, to deliver more harmonised, transparent, predictable and effective support to DRM, **ATI development partners should consider supporting the Network of Tax Organisations and its member organisations as best-placed and reliable partners** to assess and report on the effectiveness of DRM initiatives conducted in their member countries, and ensure DRM efforts are targeted in areas where it has the most impact.
25. In line with former G20 commitments and the importance of better taking into account the needs of partner countries in international tax discussions, ATI development partners should commit to **strengthening the inclusiveness of international tax standard setting processes** and to supporting the Network of Tax Organisations in providing a stronger voice to partner countries within existing international frameworks.