CORE ELEMENTS OF SUCCESSFUL TAX CAPACITY BUILDING PROGRAMS

The international organizations[1] (IOs) are working on their response to this request from the G20. This note sets out, in summary form, the central recommendations, based around the enabling elements for reform, that they are considering. Comments on this draft are welcomed no later than 8 July 2016 to GlobalTaxPlatform@worldbank.org.[2]

Essential Prerequisite: A country-driven commitment to reform within a supportive political environment

The structural changes that are needed to make a sea change in countries' revenue mobilization efforts require those countries to have both a strong sense of urgency to shift the status quo among their political leadership and the determined support of all key stakeholders—including leading government officials, political and business leaders, civil society and the citizenry more

under the Public Expenditure Management Peer Assisted Learning (PEMPAL) group or the OECD/UNDP Tax Inspectors Without Borders Initiative, have shown the opportunities for connecting officials across countries and how reform experiences in one country can serve as examples for others. Large scale open online courses have also shown their potential, in relation to energy subsidy reform for instance. International gatherings of tax officials are needed, but can also exact a great cost in countries where skills are scarce. Such meetings can be better coordinated and made more efficient to reduce demands on senior management time.

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

Enabler 2: Strong coordination among providers

With international support for building fiscal capacity increasing in both scale and ambition, it is vital that coordination be reinforced at all levels to pre-empt the risks of duplication, fragmentation and ad hoc efforts.

In the context of medium term reform plans, development partners and developing countries should both look to improve coordination in-country, betm-13.3 re

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

Effectiveness is blunted when providers interact with only a subset of actors in the tax area, and when they do not exploit their institutions' wider interactions with the recipient authorities. All governments and institutions should therefore strive to adopt a comprehensive approach covering the range of actors who could play a direct, reinforcing, or blocking role in capacity building.

For development partners this will mean aligning their tax administrations, development agencies and finance departments, as some countries such as the UK and Netherlands are doing[7]. Donor

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

All IOs have become more focused on gauging the state of tax system performance, and inferring from changes in these indicators some indication of the effectiveness of support for reforms. But these indicators remain, to varying degrees, in development phase and are emerging piecemeal. Further work is therefore necessary.

As part of ensuring that tax systems CB is rooted in a country's development plan it is necessary to pay close attention to the link between the tax system and development outcomes, including poverty and distributional implications. Also important in this is that tax CB should be placed within the context of overall improvement in outcomes across the public financial management (PFM) system. Tax capacity building should be integrated with PFM reform programs so as to give a full picture of the impact of the tax and spending system. Tax systems play a role in developing the state itself. Better tracking and understanding how increased revenues from tax system reform (both policy and administration) are used towards achieving national goals and SDG outcomes will be needed.

Recommendation 2f: The Platform will review[8] the range of results indicators currently used with a view to establishing sound-practice results frameworks and guidance to track progress in ongoing reforms of the tax system (policies and administration) against a broad range of indicators. This will take account of the need to ensure a proper balance between the needs of development partners and reporting burdens and the appropriateness of fit within the country context.

Enabler 3. A strong knowledge and evidence base

Reliable, comparable revenue data is critical to tax analysis, and to the SDG monitoring process. This requires the IOs to share information and coordinate their efforts and exploit their differing comparative advantages in collecting and disseminating data on revenue collection. The compiling of these statistics in itself needs significant capacity as well. To this end, additional support needs to be provided to help governments develop the capacity in more countries to provide good quality, internationally comparable revenue-related statistics with an appropriate level of disaggregation to allow for evidence-based analyses. Tax agencies also need to be able to assess and understand their current performance, including by comparing themselves with a full range of peers, and to have the capacity to identify and assess their policy options.

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

[8] Subject to additional resourcing.

<u>Recommendation 3b:</u> G20 to encourage and demonstrate full participation in the International Survey of Revenue Administrations (ISORA).[9]

Enabler 4. Strong regional cooperation and support

The regional tax organizations (RTOs) already make a unique