FORUM ON TAX ADMINISTRATION

Tax Capacity Building: A Practical Guide to Developing and Advancing Tax Capacity Building Programmes

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Tax Capacity Building

A Practical Guide to Developing and Advancing
Tax Capacity Building Programmes

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Preface

In 2016, an OECD report recognised that effective tax systems have a transformative effect on economies, generating vital revenue with which to provide services to citizens. It is therefore no surprise that, in the years since, building this capacity and capability has become a central component of many OECD member countries' development programmes.

Tax administrations across the world are at varying stages of development and capability and we all have things to learn from each other. We know that peer to peer learning between tax administrations has a tangible impact, allowing us to benefit from those with direct experience of tax matters. The OECD's FTA Capacity Building Network has supported tax administrations to develop their capacity building programmes, fostering close cooperation between members and encouraging active and open exchange to develop and strengthen capacity building activities.

This guide to tax capacity building is a logical and important next step. With contributions from a wide range of countries engaged in various aspects of tax capacity building, this is a comprehensive and practical document that will support tax administrations at any stage of their capacity building programme, and with differing resource levels.

A key challenge for capacity building programmes is the difficulty of applying lessons learned from one project to another, when projects are often designed to respond to very specific issues in a particular context. This guide provides principles and frameworks that can be applied in a diverse range of initiatives, and provides a basis for further conversations about how we measure success in capacity building.

This report has been two years in the making, spanning an unprecedented period for development and capacity building programmes. I would like to thank the FTA Secretariat and my colleagues in a number of tax administrations for their work in drafting it. I encourage you to use this guide as it was intended: as a source of best practice and basis for exchange with colleagues on how we can all build the best possible tax capacity building programmes to deliver for our partner countries.

Angela MacDonald,

HMRC Deputy CEO and Second Permanent Secretary

Foreword

In recent years, the key role that tax systems play in supporting development continues to receive growing global attention. Leading international stakeholders are increasingly drawing attention to the overarching importance of domestic revenue mobilisation as a critical pathway towards forging self-reliance, good governance, growth and stability in partner jurisdictions[1].

The OECD Forum on Tax Administration (FTA) affirmed its commitment to meaningfully support tax capacity building as a tool for development by advancing the recommendations outlined in the 2016 report *Tax Administrations and Capacity Building: A Collective Challenge*, including the launch of the Capacity Building Network (CBN), intended to foster closer collaboration among tax administrations and to co-ordinate its members' capacity building efforts in a more cost-effective and strategic way.

This report is further confirmation of this commitment. It aims to assist development partner tax administrations (and those that plan to provide assistance in the future) in advancing their tax capacity building programmes by describing good practices, by looking at tools and approaches that improve co-ordination, and by sharing knowledge.

While the report primarily focuses on the development of a tax administration's own capacity building programme, elements of this report may also prove useful to those providing other forms of assistance, for example, through the support of programmes undertaken by the domestic development agency or through the support of regional or multilateral initiatives.

Notes

[1] For the purpose of this report, partner jurisdiction refers to the jurisdiction receiving capacity building support and development partner refers to the jurisdiction providing capacity building support.

Acknowledgements

The OECD's Forum on Tax Administration (FTA) report *Tax Capacity Building: A Practical Guide to Developing and Advancing Tax Capacity Building Programmes* aims to assist tax administrations globally in establishing or advancing tax capacity building programmes and activities. It has benefitted from the direct support of a number of tax administration officials who dedicated their time and knowledge to assist in drafting the report as well as many others who have provided helpful comments and advice.

The principal authors of the publication were:

- *Chapter 2. Strategic framework, organisational approaches and governance arrangements*: Oliver Petzold and Peter Green (both from the FTA Secretariat). Annex 2.A on Whole of Government approaches was authored by Joseph Stead (OECD Secretariat).
- *Chapter 3. Understanding the landscape*: Frode Lindseth (Norway) and Oliver Petzold.
- *Chapter 4. Mission preparation*: Cinzia Castelli (Italy), Clément Carrue (France) and Oliver Petzold.
- *Chapter 5. Monitoring, evaluation and learning*: Max Young, Nick Brain and Rachel Hughes (all from the United Kingdom).

The authors would also like to thank Stephanie Pashak (Canada), Ellen Macleod (Canada), John Browne (Ireland), Giuselina Rapisarda (Italy), Inga Rastenyte (Italy), Kirsten Williams (United Kingdom) and Deborah Lock (United Kingdom and Chair of the FTA's Capacity Building Network) for their invaluable input and comments on the report.

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Finally, the authors wish to express their gratitude to the delegates from the FTA's Capacity Building Network and their colleagues working in national tax administrations for their input and comments.

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Abbreviations and acronyms

ADB	Asian Development Bank
ATAF	African Tax Administration Forum
ATI	Addis Tax Initiative
ATO	African Tax Outlook
BEPS	Base Erosion and Profit Shifting
CBN	Capacity Building Network
CD	Capacity Development
CIAT	Inter-American Center of Tax Administrations
CTD	Collecting Taxes Database
DAC	Development Assistance Committee
DB	Doing Business
DIAMOND	Development of Implementation and Monitoring Directives
DP	Development Partner
DPA	Development Partner Administration
DRM	Domestic Revenue Mobilisation
EC's FBs	European Commission's Fiscal Blueprints
EU	European Union
FARI	Fiscal Analysis of Resource Industries
FTA	Forum on Tax Administrations
GRP	Global Relations Programme
HA	Host Administration
HMRC	Her Majesty's Revenue and Customs (United Kingdom)
ICT	Information and communication technology
IMF	International Monetary Fund
IO	International Organisation
ISOCA	International Survey on Customs Administration
ISORA	International Survey on Revenue Administration

KSPTA	Knowledge Sharing Platform for Tax Administrations
MEL	Monitoring, evaluation and learning
MNE	Multinational Enterprise
MoU	Memorandum of Understanding
MTRS	Medium Term Revenue Strategy
NGO	Non-governmental Organisations
Norad	Norwegian Agency for Development Cooperation
NTA	Norwegian Tax Administration
NTCA	Netherlands Tax and Customs Administration
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OIP	Online Integrated Platform
PCT	Platform for Collaboration on Tax
PII	Programme impact indicators
RA-GAP	Revenue Administration Gap Analysis Program
RMTF	Revenue Mobilization Thematic Fund
RTO	Regional Tax Organisations
SARS	South African Revenue Service
Sida	Swedish International Development Agency
STA	Swedish Tax Agency
TADAT	Tax Administration Diagnostic Assessment Tool
TEA	Tax Expenditure Assessment;
TIWB	Tax Inspectors Without Borders
TPAF	Tax Policy Diagnostic Framework
TRA	Tanzania Revenue Authority
TSR	Tax system reform
UN	United Nations
UNDP	United Nations Development Program
UNDSS	United Nations Department of Safety and Security
UNU-WIDER	United Nations University World Institute for Development Economics Research
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
VAT	Value Added Tax

Executive summary

The key role that tax systems play in supporting the achievement of the Sustainable Development Goals (SDGs) is receiving growing global attention. Leading international stakeholders are increasingly drawing attention to the overarching importance of domestic revenue mobilisation as a critical pathway towards forging self-reliance, good governance, growth and stability in developing countries.

The OECD Forum on Tax Administration (FTA) affirmed its commitment to support tax capacity building as a tool for development by advancing the recommendations outlined in the 2016 report, *Tax Administrations and Capacity Building: A Collective Challenge*. Reflecting one of the key recommendations of that report was the 2016 launch of the FTA Capacity Building Network (CBN), intended to foster closer collaboration among tax administrations. In particular, the CBN was conceived of as a forum to co-ordinate its members' capacity building efforts in a more cost-effective and strategic way.

With a growing need for tax capacity building in developing countries, in part driven by current G20 tax priorities as well as the parallel shift towards greater inclusiveness of developing countries within the international tax dialogue, partners from across the development spectrum, including CBN members, have become increasingly engaged in efforts to respond to tax capacity building requests.

To assist its members and other development partners in their quest to provide effective and efficient tax capacity building assistance, the CBN has prepared this guide which:

- Sets out considerations that administrations may wish to take into account around establishing a tax capacity building strategy, in particular in relation to mission statement and capacity building principles, strategic objectives, priority partners, and resourcing and governance;
- Highlights the importance of understanding the wider capacity building landscape within a partner jurisdiction, including obtaining an understanding of the work done by other development partners, and conducting a diagnostic overview to better understand a partner jurisdiction's level of maturity and to identify needs;
- Sets out a number of elements that partner jurisdictions may wish to consider when preparing capacity building missions; and
- Considers the use of monitoring, evaluation and learning methods to support the successful delivery of capacity building projects and to maximise the impact and value for money of capacity building interventions.

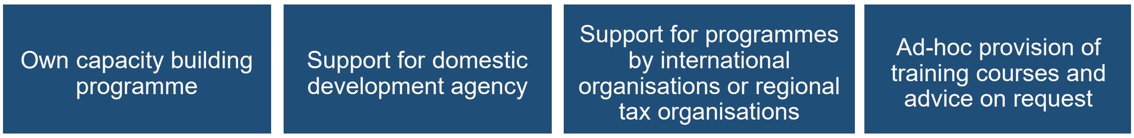
While the guide primarily focuses on the development of a tax capacity building programme by a development partner tax administration, it is not restricted to that activity alone and many elements may also prove useful to those providing other forms of capacity building assistance.

1 Introduction

A tax administration's capacity building activities will generally be made up of:

- Development of a tax administration's own capacity building programme, which may include projects that are pursued in co-operation with other government partners. The projects involved may vary in duration and scope and could include multiple partner jurisdictions. It should be noted that, for the purpose of this report, *partner jurisdiction* refers to the jurisdiction receiving capacity building support and *development partner* refers to the jurisdiction providing capacity building support.
- Support for programmes undertaken by the domestic development agency with prime responsibility for capacity building. An example would be a tax administration providing trainers and / or content for programmes developed by the development agency, or seconding tax administration personnel to development agency positions (including in partner jurisdictions).
- Support to capacity building projects that are being undertaken by international organisations (IOs), such as the International Monetary Fund (IMF), the OECD, the United Nations (UN) or the World Bank Group (WBG); or by regional tax organisations (RTOs).
- Provision of training events on a case-by-case basis in response to one-off requests from partner jurisdictions, development agencies, IOs and RTOs. These events may take place in the partner jurisdictions, remotely or in the jurisdiction of the development partner tax administration.

Figure 1.1. Main forms of tax administration's tax capacity building activities



Source: OECD.

In addition, there are other less common approaches for providing capacity building assistance such as:

- Providing funding, for example, to projects organised by others or to partner jurisdictions to purchase equipment; or
- Building of tools that development partners and / or partner jurisdictions can use for capacity building purposes. The Knowledge Sharing Platform for Tax Administrations (KSP$_{TA}$) developed by the Canada Revenue Agency, is one of those tools (see Box 1.1).

Box 1.1. Canada: Knowledge Sharing Platform for Tax Administrations

The Canada Revenue Agency has developed and is hosting an online sharing tool called the Knowledge Sharing Platform for Tax Administrations (KSP$_{TA}$). The KSP$_{TA}$ supports tax capacity building initiatives through enhanced collaboration and co-ordination, in an effort to mobilise domestic resources, improve governance, and assist in combatting tax evasion and tax avoidance.

With the shift to virtual learning and increasing demand for online collaboration, the KSP$_{TA}$ provides cost effective tax knowledge sharing and effectively delivers dedicated tax training while reaching a broader worldwide audience. The KSP$_{TA}$ not only mitigates the challenges of time zone barriers and travel restrictions, it encourages co-ordination among the tax community and reduces duplication of efforts.

The KSP$_{TA}$ provides tax administrations around the world access to:

- **eLearning**: The eLearning courses cover technical topics as well as emerging tax issues in a structured learning environment. It houses, for example, the OECD Global Relations Programme's (GRP's) eLearning programme, which delivers self-paced and interactive courses to tax officials in jurisdictions throughout the world. These courses can serve to compliment the GRP's in-person training sessions and virtual classes.
- **Networks of experienced tax administrators**: Discussion forums provide easy opportunities for ongoing virtual and collaborative exchanges among tax officials on a wide variety of tax related topics.
- **Event management**: This feature is used to streamline the learning experience including training co-ordination, registration management and participants' engagement. KSP$_{TA}$ events have become a popular tool to deliver free virtual tax training classes. For example, since the COVID-19 pandemic, the GRP has leveraged the platform to replace in-person workshops with virtual classes which reached a large international audience.
- **Library of best practices**: A growing library of global best practices ensures the broad dissemination of key information. For example, the platform currently houses Base Erosion and Profit Shifting (BEPS) toolkits developed by the OECD as well as Transfer Pricing toolkits developed by the Platform on Collaboration on Tax.

The KSP$_{TA}$ has proven to be an efficient way to collaborate with others and to share tax knowledge for the benefit of all. The platform's functionality easily complements the capacity building continuum of in-person assistance and is also able to facilitate assistance when in-person missions may not be feasible.

Source: Canada (2021).

The primary focus of this report is the development of a tax capacity building programme by a development partner tax administration. However, the report is not restricted to that activity alone and many elements may also prove useful to those providing other forms of assistance.

The report aims to help tax administrations that are planning projects and are examining:

- The rationale for decisions around the use of resources;
- Measuring the effectiveness of their work, including the preparation of reporting on a project's value for money; and
- Obligations around the duty of care to staff or volunteers and governance requirements.

It builds on the ideas contained in the tax administration capacity building framework that was developed in the 2016 report and that translates several key principles of capacity building into a process consisting of the four phases: diagnostic, design, implementation, and monitoring, evaluation and learning. (OECD, 2016[1])

The remainder of this report is structured as follows:

- ***Chapter 2*** examines considerations around establishing a tax capacity building strategy, in particular in relation to mission statement and capacity building principles, strategic objectives, priority partners, and resourcing and governance.
- ***Chapter 3*** highlights the importance of understanding the wider capacity building landscape within a partner jurisdiction, including obtaining an understanding of the work done by other development partners, and conducting a diagnostic overview to better understand a partner jurisdiction's level of maturity and to identify needs. It also looks at tools that can assist in that process.
- ***Chapter 4*** sets out a number of elements that partner jurisdictions may wish to consider when preparing capacity building missions.
- ***Chapter 5*** considers the use of monitoring, evaluation and learning (MEL) methods to support the successful delivery of capacity building projects and to maximise the impact and value for money of capacity building interventions.

References

OECD (2016), *Tax Administrations and Capacity Building: A Collective Challenge*, OECD Publishing, Paris, https://doi.org/10.1787/9789264256637-en. [1]

2 Strategic framework, organisational approaches and governance arrangements

Introduction

The fundamental principle underpinning all successful capacity building is ensuring the partner jurisdiction tax administrations retain the ownership of their own reform programmes, both at the organisational and at the political level.

The key elements of jurisdiction ownership are:

- A commitment to reform, supported and promoted at the most senior levels;
- An agreed strategic framework that sets out the objectives and priorities of reform;
- Appropriate governance mechanisms that should contain follow up actions where governance is not optimum and may include agreed metrics that allow for measurable monitoring and evaluation; and
- Ideally, an integration of tax administration reforms that takes the wider public finance and development reform agendas into account. The development project should not work against a partner jurisdiction's more general plans and agenda or it may not succeed.

Partner jurisdiction ownership of tax administration reforms means that effective capacity building will be, at its core, demand-led, which is crucial to the success of projects. A clear programme of work agreed by all partners is necessary as it allows the partner jurisdiction to make decisions about where external assistance would be of most value in supporting its own efforts.

Development partner tax administrations that are providing assistance also need to take a strategic view towards the nature and level of support they can provide. This is for a number of reasons:

- In a resource-constrained environment and in a field as wide and far-reaching as institutional capacity building, choices obviously need to be made as to which actions a particular development partner can take;
- Not all partner jurisdictions will have all the conditions in place for a successful reform programme. Therefore, judgements will need to be made about where most value can be added;
- The development partner will have their own experiences of what has helped them in building successful organisations. This is a vital component and will inform and guide a partner administration's strategy; and
- The development partner will often need to report on the effectiveness and value for money of its assistance to appropriate oversight bodies rather than just reporting on activities undertaken.

In summary, as the terms *partner jurisdiction* and *development partner* imply, successful tax capacity building is a joint venture between those receiving and providing assistance.

While recognising the primary importance of partner jurisdiction ownership, development partner tax administrations should act as **intelligent partners**. To play this role effectively requires a strategic understanding of the aims of capacity building assistance, the priorities and constraints of the different parties and a view on how assistance can add most value.

Setting a strategic framework

Some considerations that development partner tax administrations may wish to consider when setting a tax capacity building strategy are described below, together with country examples. These cover:

- Mission statement and capacity building principles;
- Strategic objectives and priority partners; and
- Resourcing and governance.

Mission statement and capacity building principles

A mission statement or vision can be a helpful first element of a capacity building strategy. This can be an effective tool for a tax administration to communicate the purpose of the tax capacity building strategy to tax administration management, staff, stakeholders and oversight bodies. The mission statement, and the discussions involved in drawing it up, can help to ensure clarity of aims and accountability for outcomes in all parts of the strategic framework. The discussions may also help ensure that the mission statement is aligned with the tax administration's wider strategy, as well as with the priorities of other parts of government, such as the development agency. This might help to build wider support for the capacity building programme, within and outside of the administration.

In addition to the mission statement, administrations may also wish to reference in their strategy the underpinning principles of successful development co-operation to help guide and inform their general policies and procedures. In particular, development partner administrations may wish to incorporate the principles set out in the Busan Partnership Agreement (OECD, 2011[2]) and the Addis Tax Initiative (ATI) Declaration 2025 (Addis Tax Initiative, 2020[3]). The ATI Partnership Principles are replicated in Box 2.1.

Box 2.1. Addis Tax Initiative 2025: Partnership Principles

In line with the Busan Partnership for Effective Development Cooperation, the ATI is founded on a common set of principles that underpin all forms of development cooperation in the area of DRM. We recognise that the ways in which these principles are applied differ across countries at various stages of development, and among the different types of stakeholders involved.

Embracing the diversity that our partnership is based on, we share common principles which – consistent with our agreed international commitments on human rights, decent work, gender equality, environmental sustainability and inclusiveness – form the foundation of our cooperation:

i. **Ownership of development priorities by partner countries**. Each country has the primary responsibility for its own economic and social development. Development partnerships can only succeed if implemented approaches are driven by country-specific situations and if needs respond to common interests.

ii. **Alignment of technical assistance**: Development partners align their support for DRM with tax and revenue priorities and policies set out by partner countries and use local systems.

iii. **Coordination of support**. Development partners coordinate their support for DRM, simplify their procedures and share information on their ongoing and planned development cooperation activities to achieve synergies and avoid duplication.

iv. **Focus on results**. Our investments, efforts and development partnerships must have a lasting impact on enhancing partner countries' capacities to foster DRM for sustainable development.

v. **Evidence-based policies**. Policies should rely on the best available evidence from in-country or regional research to ensure that policy makers take well-informed decisions.

vi. **Inclusiveness of development partnerships**. Openness, trust, mutual respect and learning lie at the core of effective partnerships in support of development goals, whereby the different and complementary roles of all stakeholders are recognised.

vii. **Accountability and transparency to each other**. Accountability and transparency between ATI members as well as towards citizens and taxpayers for the management of public finances are ensured.

viii. **Addressing climate change and protecting the environment**. We aim to place protecting environmental resources, promoting environmental sustainability and addressing climate change at the heart of our partnership.

ix. **Promotion of gender equality**. We strive to promote gender-responsive action as part of all ATI partnerships and initiatives, including by collecting and evaluating appropriate data within the ATI.

Source: Addis Tax Initiative (2020). *Addis Tax Initiative: Declaration 2025*, www.addistaxinitiative.net/resource/ati-declaration-2025 (accessed 1 June 2022).

Strategic objectives and priority partner jurisdictions

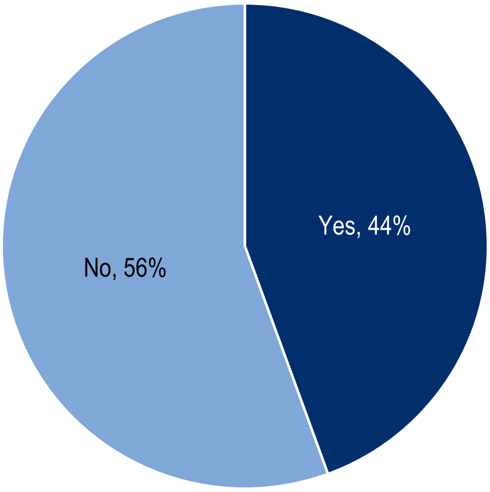
Flowing from the mission statement are the more specific strategic objectives of the overall capacity building programme and the identification of priority partner jurisdictions. These strategic objectives will set out how the tax capacity building vision will be delivered, including priority areas of focus and identification of resources and skills that will be required. These strategic objectives are distinct from the objectives of individual capacity building programmes with partner jurisdictions, i.e. the aims and goals of assistance to a particular partner.

In many cases, a development partner government will have an overall development framework. This wider government framework will usually contain, among other elements, a statement of high-level strategic objectives as well as an identified set of priority partner jurisdictions and/or criteria for determining priority partners.

In developing its own strategic objectives, a development partner tax administration may either be guided by this wider government framework or sit directly within it. Where this is the case, the development partner administration may wish to adapt these objectives, or supplement them, based on their own considerations.

Figure 2.1. Reaching out proactively to potential partner jurisdictions to signal willingness to provide capacity building assistance

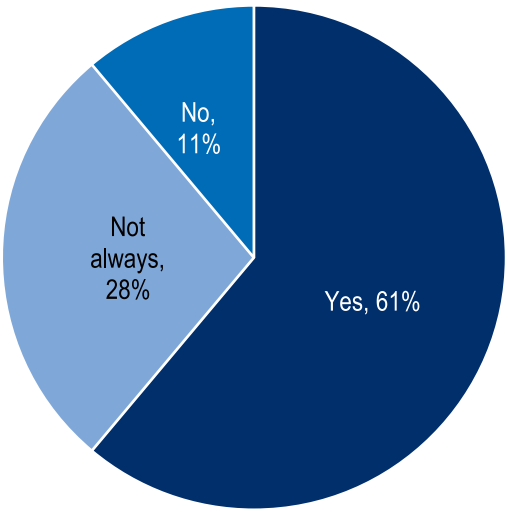
Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

Figure 2.2. Set of potential partner jurisdictions that can be engaged with is determined by a wider government policy or a body providing funding

Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

By way of example, strategic objectives may include:

- **Clear descriptions of what success looks like and how it will be monitored and evaluated.** This should include an agreed set of metrics which are crucial to measure success. The high-level strategy may also reference the goal of sustainable domestic resource mobilisation (DRM) which is the process through which governments raise and spend their own funds to provide for their people. Articulating effective DRM as the goal, with acknowledgement of the specific role that tax administration plays within this, may help ensure that capacity building programmes reflect wider considerations. However, elements of a wider capacity building programme may focus on assistance that is not directly linked to DRM.
- **The establishment of a framework for the different phases involved in successful capacity building.** This helps to ensure that capacity building is viewed and understood as both a holistic and an end-to-end process. The tax administration capacity building framework that has been developed in the 2016 report may of help in this regard. (OECD, 2016[1])
- **The identification of areas where the development partner is best able to provide assistance**. This can help in decision-making by partner jurisdictions, by others supporting capacity building and by the development partner itself. For example, the development partner administration may itself have recently gone through a major reform across the administration, or within particular functional areas, which has given it particular experience and expertise that are readily transferable. Clarity on the areas of support provided may also limit potential duplication of support with other capacity building providers, and in some cases may lead to providers being able to partner on delivery in specific areas.
- **The articulation of how capacity building can assist with development partner administrations' own tax objectives.** Priority countries which have been already been identified as part of a national strategy will usually have strong pre-existing links with the development partner administration, for example historical ties, trade links and so on. In considering priority countries, development partner tax administrations may also wish to focus on countries where assisting tax reforms may bring benefits for them. Examples might be around improving tax certainty processes in developing country trading partners or working with tax administrations on combatting illicit finance and tax evasion.
- **Building a sustainable assistance programme.** It can also be useful for a strategy to set out general principles about how the capacity building programme will be organised and supported internally. This can be important for helping to ensure value for money, the sustainability of the programme and to provide assurance to staff, senior management and stakeholders. It also provides assurance for those funding the programme which allows for governance controls to be in place. Some of the elements which could be covered, which may be in the form of commitments, are:
  - An estimate of the number of staff who will be expected to be involved in the programme over time, based on available resources. However, there should be a mechanism in place that allows the administration to review such a commitment and make adjustments based on developments that might affect availability.
  - An assessment of the skills required to manage and oversee delivery of the capacity building programme, as well as technical skills required to deliver capacity building support.
  - Explanations of the internal process for identifying and training tax administration staff who might be able to support the programme, whether as full-time staff or in a part-time capacity;
  - Commitments to the health and safety of staff and for appropriate training in related issues (such as personal security); and
  - Explanations as to how these roles are recognised for career progression as well as in the professional development of staff.

Box 2.2. Why Taxes Matter

"Imagine a day without access to clean water, a home without electricity, or children without disease-preventing vaccines. These are conditions you will likely never face, thanks to taxes. Like them or not, taxes and other domestic revenues pay for the public services we use: schools and hospitals in our communities; roads and bridges that we take to work; and police and sanitation workers who keep our neighborhoods safe and clean. And yet, across much of the developing world, governments struggle to mobilize sufficient resources, leaving millions of people without access to even the most basic services. While assistance from the United States and other developed nations has been instrumental in reducing global poverty, these contributions only fill a fraction of the funding gaps faced by developing nations. By helping countries to better mobilize their own resources, we can empower partner countries to take command of their own development."

Source: U.S. Agency for International Development (n.d.), Domestic Resource Mobilisation: Financing Country-Led Development, https://www.usaid.gov/sites/default/files/documents/1865/120314_E3_Brochure_Trifold_L_singles_JRV3.pdf (accessed 1 June 2022).

Finance, resourcing and governance

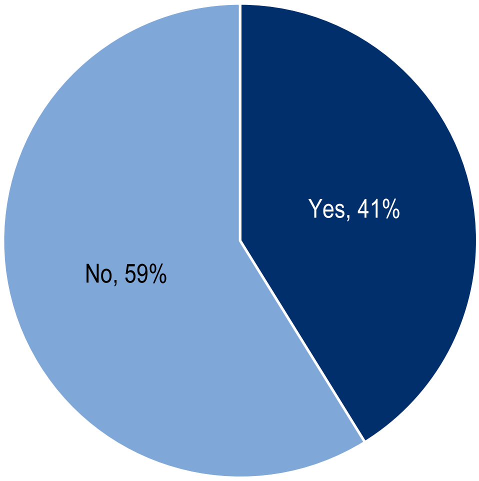
A tax administration's capacity building programme may be funded by a development agency with prime responsibility for capacity building efforts, it may be funded directly from central government, or it may be funded by a supranational organisation, such as the European Union. Typically, a significant proportion of funding will be classed as Official Development Assistance (ODA) and ring-fenced to ensure that it is spent on ODA-eligible activity. Strategic priorities of capacity building programmes will take account of this[1] so that capacity building projects are distinct from a tax administration's ad hoc activity, such as responding to inward visit requests, which may be capable of being absorbed within the administration's general administrative arrangements and budget.

The strategy can helpfully set out the funding available over time in order to provide certainty and continuity. Due to the nature of capacity building it is likely that this will be a multi-year commitment. As well as setting out the funding arrangements, it may be useful for the strategy to indicate how the programme will adapt in the event of shifting priorities and circumstances that may require individual programmes to flex and rapidly scale delivery up or down.

Administrations may also wish to set out high-level governance arrangements to provide clarity about decision-making, responsibilities and reporting requirements (see more on this below). Governance arrangements may involve other organisations in addition to the tax administration. While some decisions around strategic priorities and resource allocation may be shared, usually decisions relating to an administration's duty of care towards its employees will be for the administration.

Figure 2.3. Administration has a dedicated budget for providing capacity building activities

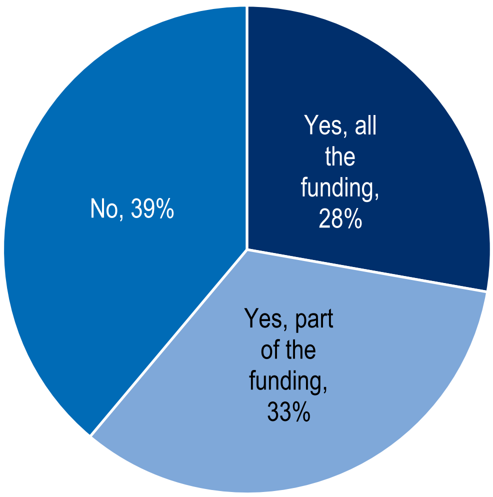
Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

Figure 2.4. Administration receives funding from other government agencies to provide assistance

Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

Organisational approaches

Most administrations with capacity building programmes have adopted one of two organisational approaches:

- The first involves a ***central team*** which co-ordinates activity by staff who are temporarily assigned to capacity building initiatives for limited periods while maintaining their primary role within the administration. For example, this would cover arrangements where staff volunteer to run short-term capacity building programmes.

This model may also be appropriate where capacity assistance is primarily provided through tax administration staff who are embedded for longer periods within a partner jurisdiction as resident advisors. In this case, the central team's role would be to provide logistical support as well as reporting lines to those advisors.

- The second model is the establishment of a ***blended co-ordination and delivery team*** that consists of staff who (i) provide a co-ordination function for temporary deployment of staff with other responsibilities, and (ii) deliver capacity building themselves.

  This model may be appropriate for more complex assistance programmes, for example those supporting longer-term organisational or operational reforms, where continuity of engagement and relationship building is a more significant issue.

Two-thirds of the administrations that completed the survey on the organisation of capacity building activities[2] indicated that they have a central team to support and co-ordinate capacity building activities. Of those, two noted that they also have a dedicated team providing capacity building (i.e. a blended co-ordination and delivery team).

The choice of model depends on the nature of the capacity building programme and the level of resource. Some administrations that are aiming to build a larger capacity building programme over time may wish to start with a central team model and grow that as resources become available and experience develops.

It should also be noted that capacity building programmes may be overseen by teams within the tax administration's international team to ensure activities align with the administration's strategy for capacity building.

Box 2.3. Organisational approaches: Country examples

Italy

The Italian Revenue Agency has a central team to support and co-ordinate capacity building activities. The International Relations Unit is responsible for supporting and promoting capacity building activities across the administration in co-operation with the International Sector of the Taxpayer's Compliance and Enforcement Division and in agreement with the Finance Department of the Ministry of Economy and Finance. The central team:

- Co-ordinates activity of staff who run short-term capacity building technical assistance for limited periods (in person or remote working);
- Sets out the Memorandum of Understanding;
- Organises the kick off meeting event; and
- Holds the press conference with the Communication Department.

At the same time the subject matter experts provide the knowledge and expertise in a specific subject or technical area for project / programme deliverable. They are co-ordinated by Project Co-ordinators who deliver capacity building themselves.

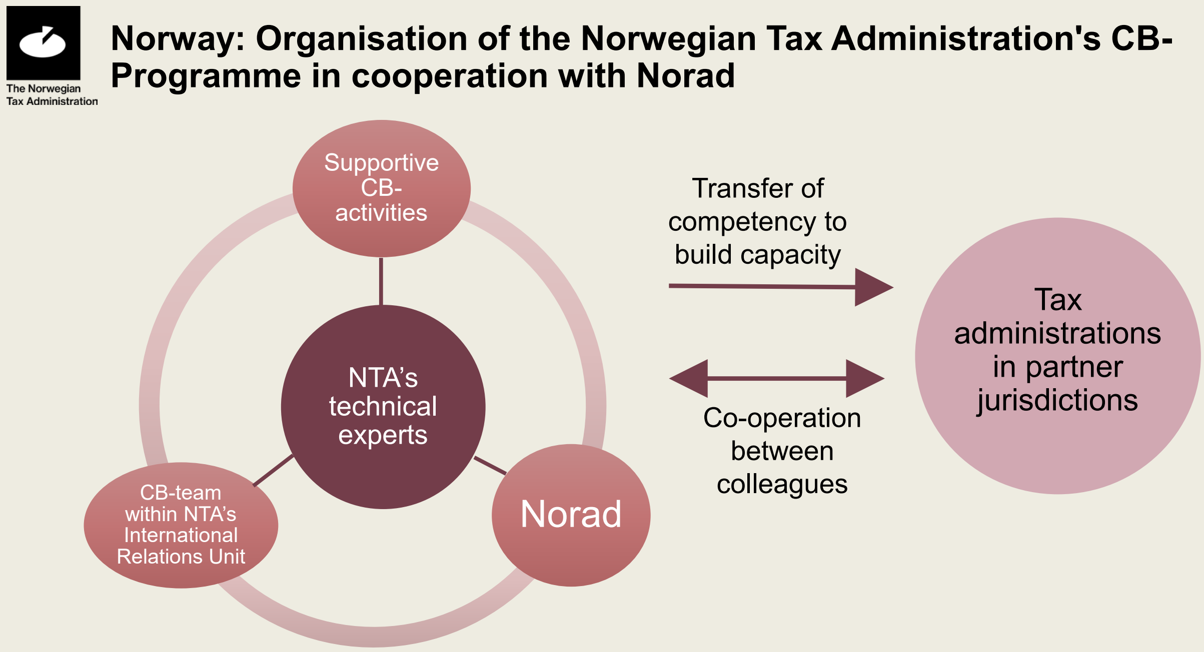
Norway

The Norwegian Tax Administration (NTA) has for several years co-operated with the Norwegian Agency for Development Cooperation (Norad) on building capacity in tax administrations in developing countries. In 2018, this co-operation was formalised through a 5 year agreement between the NTA and Norad as part of Norad's Capacity Building Programme called "Tax for Development" (TfD). All of NTA's capacity building activities within the TfD programme are financed in full by Norad.

The operational responsibility for the NTA's capacity building activities is organised by a dedicated team within the Director General's International Relations Unit. The main tasks of this team are to facilitate and co-ordinate the capacity building activities and, as part of this, act as the liaison between the staff and the technical experts participating in the activities. In addition, the capacity building team conducts scoping visits to possible partners and is responsible for quality assurance regarding the delivery of the assistance based on the partner's need, the transfer of knowledge and the cultural understanding. The team also serves as the operational link between NTA and Norad.

The actual delivery of the capacity building activities is conducted by NTA's technical experts that are selected from relevant divisions and departments within the NTA. Currently, this includes experts on topics such as transfer pricing, large taxpayers, taxpayer services, information technology, organisational development and exchange of information.

Figure 2.5. Organisation of the Norwegian Tax Administration's Capacity Building (CB) Programme in co-operation with Norad



Source: Norway (2022).

South Africa

The South African Revenue Service has a central team tasked with co-ordinating capacity building initiatives and inputs for the organisation. This includes development partner engagements for additional resources (human or financial) for both internal organisational capacity programmes and external programmes for supporting other administrations. The central team also provides both technical and logistical support to specific capacity building projects that are multipronged and contain many partners including organisational experts and partner jurisdictions.

Sweden

The Swedish Tax Agency (STA) has permanent staff for the project management and administration of capacity building activities. The experts that deliver the support are recruited from within the STA. However, in some cases where specific expertise is needed, they may also come from other government agencies. Typically, the experts provide capacity building support while continuing to exercise their usual tasks, making it possible to deliver the most accurate and up-to-date expertise.

Sources: Italy (2022), Norway (2022), South Africa (2022) and Sweden (2022).

Governance arrangements

There are two main governance approaches for capacity building programmes that administrations have adopted:

- First, where the tax administration is solely responsible for the governance of the capacity building programme, although the strategic goals of the programme may be determined by or in consultation with others;
- Second, there is joint governance of the programme with other bodies responsible for the government's overall capacity building programme (usually a dedicated agency or the ministry of foreign affairs) or with those funding the programme, which may also include finance ministries.

Wider consultative arrangements can be adopted under either model, for example involving other government actors and external stakeholders.

Box 2.4. Governance approaches: The Swedish approach

The STA applies for funding of its capacity building activities from the Swedish International Development Agency (Sida). Underlying the funding is a result and financial framework. Within that framework, the capacity building programme is governed by the STA.

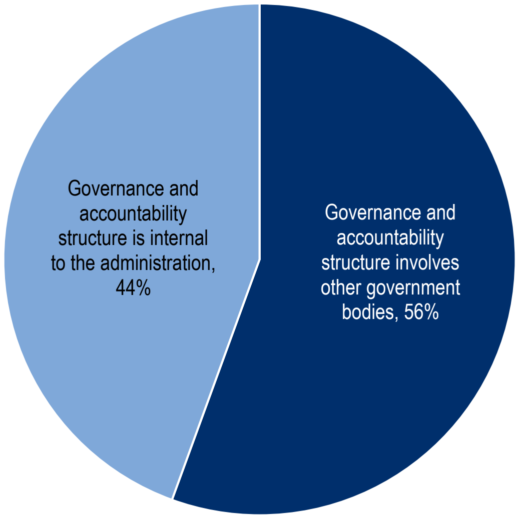
Each individual capacity building activity (areas of co-operation, outputs, outcomes, long-term effects, targets, and means of verification, assumptions and risks) is established and mutually agreed by the STA and the partner jurisdiction. Sida and other stakeholders, for example the responsible ministry, are consulted during that process.

A steering committee group with participation of the capacity building activity partners, Sida and other stakeholders has the strategic responsibility of the management of the activity. The operational management of the activity is governed by a project manager and a long-term expert (i.e. the resident advisor).

Source: Sweden (2022).

Figure 2.6. Governance and accountability structure

Percent of administrations

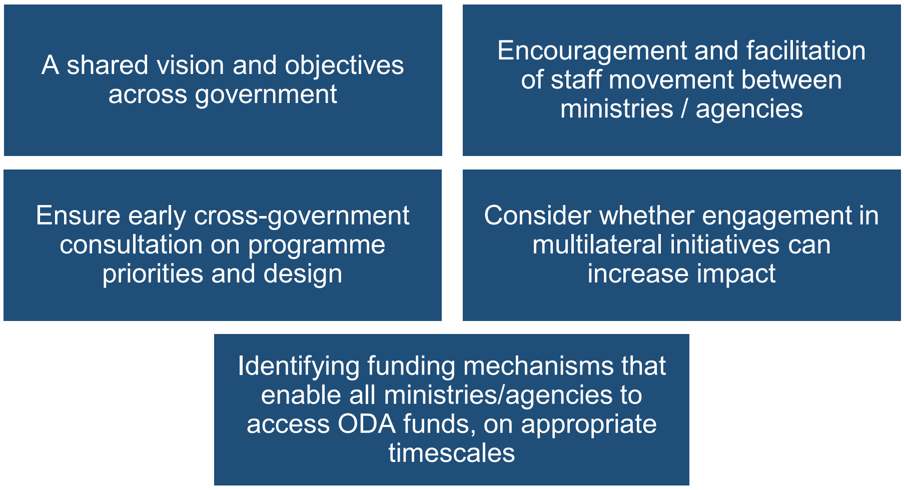


Source: FTA CBN survey on the organisation of capacity building activities (2020).

While not yet widely adopted, a more formal Whole of Government approach to capacity building can potentially be highly effective, allowing the pooling of knowledge, greater joining-up and the exploitation of synergies. It can also help to avoid policy inconsistencies and can allow for adjustments as foreign policy priorities shift; having a Whole of Government network allows for this knowledge to be shared in real time. It can also prevent the reliance on personal connections, which can make joint working more ad hoc, focussed on smaller, discrete projects, and vulnerable to personnel change.

Whole of Government approaches also accelerate the building of expertise in tax administration capacity building as experience can be shared across government. For additional information on Whole of Government approaches to tax and development, please see Annex 2.A.

Figure 2.7. Common elements for Whole of Government approaches to tax and development



Source: OECD

Responsibility of the governance body

It is important to be clear on the responsibilities of the governance body and good practice involves these being formally written down, which also helps with transparency of processes. Some common governance functions are:

- Agreeing the overall strategic framework.
- Agreeing and monitoring annual plans and individual country assistance strategies, including objectives and planned outcomes.
- Management of the overall resources and spending decisions above set thresholds. Strong governance will also allow for a mechanism to ensure that value for money is at the centre of all projects and will provide a mechanism to ensure that senior officials are aware of any spending issues.
- Operational decisions about deployment of staff, health and safety considerations and changes in objectives, including as regards the continued viability of particular elements of a programme (for example in the light of external events).
- Reporting on performance and outcomes to the appropriate oversight body (for example Ministerial or Parliamentary committees).

Annex 2.A. Whole of Government Approaches to Tax and Development

Introduction

Multilateral forums are increasingly recognising the value of Whole of Government approaches. The Addis Ababa Action Agenda on Financing for Sustainable Development included a commitment to 'pursing policy coherence and an enabling environment for sustainable development at all levels and by all actors' (United Nations, 2015[4]) while in the specific tax and development arena both the Addis Tax Initiative and the Platform for Collaboration on Tax have endorsed Whole of Government approaches. While the 2016 FTA report *Tax Administrations and Capacity Building: A collective challenge* identified the value of taking a Whole of Government approach to tax and development to shape more focused and sustainable capacity building efforts (OECD, 2016[1]) the ATI Declaration 2025 builds further on this by committing its members to apply coherent and co-ordinated policies that foster domestic resource mobilisation and combat tax-related illicit financial flows.

There is, however, relatively little analysis on to what degree countries are actually pursuing Whole of Government approaches. As such, the OECD undertook a survey of the main providers of development assistance to tax to identify the current practices and lessons learned to tackle key challenges when implementing this approach. The survey looked in particular at practices such as steering, co-ordinating and designing coherent strategies and programmes, providing long-term funding needed for capacity building, finding available skilled staff and monitoring progress and feeding lessons into decision-making. This annex summarises the findings of this survey across the key areas of Whole of Government approaches; the overall framework, governance, funding, programme design, implementation and evaluation, and policy coherence.

While this survey looked at Whole of Government approaches to providers of development assistance in taxation, Whole of Government approaches are also equally important in developing countries to enable the tax system to be fully integrated into the wider public sector. If there is demand, a further study may be undertaken to investigate Whole of Government approaches in developing countries.

Overall Framework

While the level of complexity of a framework will differ depending on the scale of activities, a shared vision and objectives are at the heart of Whole of Government approaches and can be beneficial to all countries. Such a shared vision and objectives appear important for ministries/agencies implementing projects for another ministry/agency, especially where those implementing are being asked to contribute their own resources.

Most governments have a general approach on cross-departmental working. However, within this general approach, only a minority have a specific cross government tax and development framework; though the practice is spreading. Examples include the Netherlands, which has a tax and development strategy agreed at cabinet level, and the United Kingdom, which has a common Tax for Development vision shared among the Department for International Development at the time of the survey, HM Treasury and HMRC.

Those governments without a specific framework reported more challenges in Whole of Government working, including conflicts between agencies/departments, especially in terms of priority setting, and a lack of clarity on strategy and objectives for tax administrations providing capacity building.

Governance and ways of working

While countries need to create a governance structure and ways of working that fit their context, the starting point should be an assessment of the vision and ambition for tax and development activities, including the resources available, extent of bilateral programming, and the potential impact of improving policy coherence. This will help countries identify how integrated their governance and ways of working need to be.

There are a range of existing practices as regards governance and ways of working; while each country takes a different approach, four broad categories can be identified (Table 2.A.1.). At the most integrated end some countries have formal frameworks to address both capacity building and policy coherence issues. For most countries, if they have a clear cross-government governance framework it is focussed on capacity building. Countries with cross-government frameworks highlight the benefits it brings, with the ability to triangulate information and insights across agencies, improving the ability to both identify and maximise opportunities for effective engagement on tax and development.

Annex Table 2.A.1. Approaches to Governance

	Examples
Comprehensive (covering both policy coherence on tax related issues and capacity building)	• Policy coherence led by Ministry of Finance, Capacity Building by Ministry of Foreign Affairs, other departments/agencies formally included • Overarching committee of Ministry of Finance, Ministry of Foreign Affairs, Tax Authority and Development Agency providing strategy and policy guidance
Integrated governance for capacity building only	• Bilateral assistance co-ordinated between Development Agency, Ministry of Foreign Affairs and Tax Authority; multilateral assistance led be Ministry of Finance • Dedicated capacity building unit in Tax Authority (with formal role for other departments), rest of programming led by Development Agency
Outsourcing	• Development Agency has overall control, with opportunities for other departments/agencies to become part of specific projects
Autonomy	• Different departments/agencies have high level of autonomy (including use of own resources), co-ordination is ad-hoc/based on personal links

Source: OECD Secretariat based on survey responses

In most systems where there is a formal governance structure in place, there is split authority with different ministries/agencies leading different aspects of the programme. While this may make sense in terms of having the most appropriate ministry/agency leading certain workstreams, it can create challenges in ensuring co-ordination and communication between workstreams, and risks losing opportunities for improvements from sharing lessons learned across workstreams. This challenge is particularly salient when co-ordinating bilateral and multilateral support as development agencies and ministries of Foreign Affairs tend to be engaged on the bilateral portfolio but are less involved with multilateral organisations working on tax – traditionally within the responsibilities of ministries of Finance or Economy.

The lack of formal governance structures at the top to encourage such co-ordination and communication limits the ability to provide comprehensive support: from designing relevant laws and policies to applying technical tools in one country and linking support to fair domestic resource mobilisation to quality public spending. It can also increase the risk of designing domestic and international policies, strategies and programmes that are not coherent and might have competing objectives in terms of development. Where there are less established governance arrangements, cross-government working appears to be much more reliant on personal connections, which makes joint working much more ad hoc, focussed on smaller, discrete projects, and vulnerable to personnel change.

One approach to working that does appear to be uniformly successful is facilitating the movement of staff between ministries/agencies. This is reported to facilitate not only bringing technical expertise but also in-depth understanding of how other ministries/agencies work, helping improve communication. Such movement of staff currently predominately happens in counties with more formal frameworks, but it is an approach that all countries should seek to encourage.

Funding

Developing effective tax systems is a long-term process, and as such needs commitments to match, rather than isolated episodic projects (see (Murray, Oliver and Wyatt, 2014[5]) for analysis on this challenge in the Pacific), establishing long-term thematic funding can reduce the risk of tax projects being piecemeal, un-strategic and short-term. Ensuring that funding is available across government to enable Whole of Government approaches to be implemented is therefore vital.

There are a variety of funding models that countries use to facilitate access to funding for tax and development activities across government departments (and some use more than one). Table 2.A.2. below outlines the main approaches identified and their key features.

Annex Table 2.A.2. Main approaches to funding Tax and Development activities across government

	Frequency	Key Features
Dedicated ODA funding		
Development Agency responsible for funding – with ability to transfer to implementing departments	Most common	• Variety of instruments used to provide transfers • Can be provided from central and/or country programme funds • Needs tax to be identified as a for country programme priority to access funds • Risks of misalignment between development agency priorities and where expertise could be best deployed/is most needed • Often short-term isolated projects • Can be difficult for other ministries/agencies to influence/recommend activities
Long-term arrangements for funding across departments	Only a couple of examples	• Provides reliable funding for capacity building activities of tax authority • Enables longer term projects to be established and can 'institutionalise' development considerations in other ministries/agencies
Departments can make applications to Treasury ODA board for funding development projects	Only a couple of examples	• Provides an alternative to Development Agency as a source of ODA funding • Gives implementing ministry/agency more scope to design activities • Risks being completely isolated from wider development activities - this can be mitigated by including development ministry/agency a formal role in treasury approval process.
Non-dedicated funding		
Implementing department uses own resources	Several countries have no funding relationships	• Risks competition between development and domestic priorities • Can make even small funding requirements difficult to meet • Limited resources can be spread too thin or duplicate efforts

Source: OECD Secretariat based on survey responses

Given that tax activities are only a small fraction of Official Development Assistance (around 0.2% of total ODA) it is unlikely that specific funding mechanisms will be established for tax activities, requiring most countries to have to find solutions within their existing ODA processes. Given most countries have a variety of modalities for providing ODA, options will be available, but may not currently be being used.

Ensuring that those from outside the Development Agency implementing tax projects can access ODA funding appears to be an important issue, as those countries where ODA funds were not accessible highlighted it placed development objectives in direct competition with domestic revenue collection priorities, often resulting in difficulty in obtaining any funding, even for small projects.

Where ODA funds are accessible, the main challenges are in ensuring that opportunities for tax projects are identified early enough in the funding decision making process, and in making longer term funding available.

Most Development Agencies have a set of priority countries for their ODA spend and at the country level, funding is often focussed on a small number of priority areas. These priorities may not align with the countries that are most in need of support on tax, (see (Lundstøl, 2018[6]) for a review of Norway). Some countries also reported challenges in responding to requests for assistance coming through the Revenue Authority due to a lack of mechanisms to evaluate and prioritise such requests and acquire necessary funding. Including other departments more systematically in the process of assessing and determining priorities can help reduce the risks of under prioritising opportunities to use Whole of Government expertise in delivering development assistance in tax.

Programme Design

Only a few countries have clear processes for including multiple agencies/ministries in tax and development programme design. The most advanced go beyond the main three partners (Development Agency, Ministry of Finance, Tax Authority) to proactively identify other potential partners to design and implement the programmes both within and outside of government (see Box 2.A.1. for the Swedish approach).

Annex Box 2.A.1. Sweden - Promoting a holistic Whole of Government approach on tax together with other Public Agencies

In Sweden, the Tax Agency's support to capacity building is funded through the National Development Aid strategies and goes towards the same goals as other Public Agencies involved in international development aid. Taxation is only a means to an end in this perspective. There is an effort to find synergies through arrangements where several Public Agencies from different areas co-operate in order to have a broader and bigger impact. It can be an extensive co-operation through joint projects or on smaller scale by supporting with experts for specific missions. Such teaming up is made possible by an active network of Public Agencies as well as co-ordinated trainings and meetings by the Swedish International Development Agency. The model promotes a coherent, contextually adapted, approach regarding both what Swedish agencies support and how. It makes it possible to include and reach out to more institutions and broader areas in the recipient country.

For example, in a bilateral project in Moldova (2018-21), the Swedish Tax Agency and its counterpart the State Tax Service of Moldova worked together in with a second project headed by the Swedish Police Authority. The objective of this collaboration was to improve the quality of enforcement documents issued by the Moldovan Police Authority (e.g. fines). The collaboration was successful and with joined efforts from both projects the quality of the enforcement documents was raised through standardisation.

Source: Sweden (2022).

Where the processes are more ad hoc, the risks of more disjointed programme increase. Development agencies may bring in tax expertise too late to enable the full potential to be realised or, especially where funding is separate, tax authorities may design programmes independently of the rest of government, risking missed opportunities to integrate tax assistance into wider development support.

Countries should aim to ensure that cross-government discussions take place sufficiently early to enable different viewpoints and expertise to influence the design of programmes, not just the implementation.

Multilateral programmes can also be a useful option for many countries to provide whole of government engagement, within a multilateral programme. Especially where bilateral country programmes are limited, participating in multilateral programmes (e.g. Tax Inspectors Without Borders (TIWB), Tax Administration Diagnostic Assessment Tool) can provide a way for countries to use both their development assistance and tax expertise to support capacity building without having to establish an administratively burdensome bilateral programme (though TIWB programmes can also be integrated into a broader bilateral programme where there is a demand for TIWB style assistance to complement the wider programme). It also provides a route to facilitate the provision of expertise to countries which are not prioritised domestically for development co-operation.

Programme Implementation

Technical implementation is generally left to those from the relevant departments, often with the implementing partner having significant autonomy. While this provides departments with the flexibility to develop approaches that work for them, it can be challenging. For those departments establishing units to deliver tax and development programming (often within international tax teams of tax administrations), adapting to the requirements of delivering development assistance introduces new challenges than can be complex to resolve, especially where resourcing is limited and development priorities have to co-exist with other departmental priorities.

The main challenges identified in implementation are: the availability of staff, the language skills available within the implementing department staff, and ensuring that implementing staff are able to provide advice adapted to the local circumstances, rather than merely proposing solutions based on the approach in their own country.

While the availability of funding can help encourage managers to release expert staff (see funding section above), for areas where skilled staff are in short supply, and in high demand for other high priority projects (e.g. transfer pricing staff) a more comprehensive proposition on the value and/or importance of the development programme and releasing staff can be needed (see also evaluation section below). Managers may also be encouraged to release staff where they can see the potential for participation in staff development, for example the TIWB mentorship scheme provides training for mentee experts as part of the delivery of TIWB programmes.

There is a clear role for development agencies and/or foreign ministries to support implementing staff in preparing for and understanding local contexts to enhance the impact of assistance and ensure the long-term benefits of assistance.

Evaluation

Monitoring and evaluation commonly reflects governance structures. Where there is no formal governance framework, evaluation is generally the responsibility of each ministry and will look narrowly at specific activities. Where there is a formal framework in place more integrated evaluations across the entire tax and development strategy may take place, but due to the small number of countries with such frameworks in place, these are limited in number.[3]

Most survey responses focussed on the evaluation of specific projects/activities, with a focus on short/medium term outputs and outcomes. The longer term impacts are less well monitored, not least as they are only measurable after several years, often after projects have concluded. In some cases, there appears to be a risk of double reporting requirements, with the implementing ministry reporting, and the development agency requiring additional reporting.

There is a growing range of tools and instruments in the tax and development landscape (see 2019 PCT report), which may help align reporting and evaluation in certain areas. Where developing countries have a Medium-Term Revenue Strategy (MTRS – see (De Mooij, 2018[7])) this should provide a framework for all development partners to align their support. It may also provide a framework for co-ordinating reporting and evaluation, reducing reporting burdens on partner countries.

A lack of feedback to technical experts (and their superiors) was raised as an issue in several countries, including for those participating in multilateral programmes. This can affect the willingness for experts to participate and/or for senior staff to release expertise for capacity building.

It is especially important to provide feedback that is relevant to the objectives and processes of department/agency from which expert staff have come from (a shared vision on tax and development across government makes this easier). Such feedback can also help build awareness and support for further tax and development work within departments that have less experience of development activities.

Policy Coherence

Whilst tax is a sovereign issue, globalisation means that tax (and related) policies in one country can have a significant impact in others, including developing countries. The IMF identified a number of ‘spillovers’ in international corporate taxation, where policies in some countries could affect either directly or indirectly on developing countries (IMF, 2014[8]). For instance, policies around corporate transparency and regulation, bank secrecy, willingness to exchange information have all been identified as having an impact on developing countries tax systems (OECD, 2017[9]). In addition, national tax policies can have an impact on global public goods impacting indirectly developing countries. For instance, well-designed systems of energy taxation encourage citizens and investors to favour clean over polluting energy sources. Introducing sustainable development considerations into domestic tax (and related) policy is not necessarily an easy process; the lead ministry may have limited awareness of the impacts of policy in developing countries, and few avenues to monitor them. Only one country, the Netherlands, had a clear policy and approach on policy coherence for tax and development, with the Ministry of Finance leading. Through this approach the Netherlands have taken several measures, including being the first country to undertake a spillover analysis on their tax treaties, and deciding to stop requesting tax exemptions on bilateral Official Development Assistance (see Box 2.A.2).

Annex Box 2.A.2. Reviewing ODA tax exemptions

The requirement from many development partners (traditional donors) for tax exemptions to be granted on ODA funded goods and services has been increasing questioned from a policy coherence perspective. Such requirements can appear incoherent with the prevailing narrative that tax exemptions and incentives should be entered into with caution due to concerns over value for money, and risks of market distortion and diversion of resources in the tax administration. In recognition of this the Addis Ababa Action Agenda commits that '*we will also consider not requesting tax exemptions on goods and services delivered as government-to-government aid, beginning with renouncing repayments of value-added taxes and import levies'*.

As existing policies and practices on ODA taxation vary, the OECD Development Assistance Committee have agreed to establish an ODA taxation transparency hub as a key step to provide resources, and examples and lessons from others, to help countries reviewing their policies. This hub, to be launched in 2021, will provide details and links to DAC members policies and practices on ODA taxation, as well as collating research and guidance from a range of institutions.

Several countries have already undertaken such reviews of ODA taxation policy, one example is the Netherlands. Since January 2016 the Netherlands has refrained from asking for exemptions on import levies/customs duties and VAT on goods and services provided in the context of government-to-government ODA projects.

This policy change followed a Whole of Government approach announced by a joint letter from the Minister of Foreign Trade and Development Cooperation and the State Secretary of Finance during the Financing for Development Conference of July 2015. The policy announcement had been preceded by an internal cross-government working group which had amongst other actions surveyed existing practice across the most important countries, which revealed that 60% of embassies were already refraining from seeking such exemptions, even where the legal basis existed. Consultations were also undertaken with the private sector, to alert them to the upcoming changes, and discuss concerns.

The Netherlands also sought to encourage other countries, including the EU, to adopt a similar policy. While these were not completely successful they did contribute to the issue being included in the Addis Ababa Action Agenda.

Source: OECD Secretariat with additional information from the Netherlands.

Most countries have an overarching approach on policy coherence across government, which often include annual cross-government meetings or reports, but in practice ad hoc approaches dominate for tax and development policy coherence. Multilateral initiatives (including G7 and G20) are the stimulus for cross-government working on policy coherence in tax for some countries.

A lack of clear structure has not stopped countries from taking individual actions on policy coherence (many isolated examples were provided), but it does appear to have prevented the development of a more strategic approach, including agreement on what priorities should be.

The OECD Framework for Policy Coherence for Sustainable Development (PCSD Framework) provides guidance on how to analyse, apply and track progress on policy coherence, and can help countries in developing a Whole of Government approach to policy coherence on tax. The PCSD Framework can be applied to both the overall policy coherence strategy and in respect to specific policy areas. The 2016 publication *Better Policies for Sustainable Development 2016* (OECD, 2016[10]) includes a chapter applying the framework to illicit financial flows, which could be a useful starting point for countries in this area.

Conclusion

Countries have dramatically different resources to commit to supporting tax and development initiatives, and so there will not be a one-size-fits-all approach to Whole of Government that will be appropriate for all. Each country will have to find approaches that fit their priorities, of resources, and ODA funding mechanisms. There are however some common elements that countries should keep in mind as they review their approach to Whole of Government working on tax and development see Box 2.A.3.

Annex Box 2.A.3. Common elements for Whole of Government approaches to tax and development

- A shared vision and objectives across government
- Encouragement and facilitation of staff movement between ministries/agencies
- Identifying funding mechanisms that enable all ministries/agencies to access ODA funds, on appropriate timescales
- Ensure early cross-government consultation on programme priorities and design
- Consider whether engagement in multilateral initiatives can increase impact

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Notes

[1] For more information on ODA see https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm (accessed 1 June 2022).

[2] In 2020, the OECD Forum on Tax Administration (FTA) Capacity Building Network (CBN) conducted among its members a survey on the organisation of capacity building activities. The survey was completed by 18 CBN members that provide bilateral capacity building assistance.

[3] The Netherlands for example has undertaken an evaluation *A taxing issue - Evaluation of the Dutch government's policy on strengthening developing countries' tax systems (2012-2021)* (Ministry of Foreign Affairs of the Netherlands, 2021[24]). Another such evaluation is the working paper *Sweden's Development Support to Tax Systems* (Markensten, 2018[23]).

3 Understanding the landscape

Introduction

Whilst capacity building assistance should be demand-led, the sustainable success of assistance also depends on how development partners handle the requests they receive. It is incumbent on the development partners to fully consider requests and complete further intelligence gathering to understand where the assistance would sit within the requested jurisdiction's overall domestic revenue mobilisation (DRM) strategy.

This will help ensure that the assistance results in both short-term gains and can help bring about a sustainable long-term success. All partners should ensure that the efforts are not contrary to assistance provided by other development partners. They should make certain that projects do not simply duplicate other assistance initiatives, repeat assistance provided by other providers or have no added value to the jurisdiction's wider DRM strategy.

Understanding the wider capacity building landscape within the partner jurisdiction is therefore of utmost importance to the success of any capacity building assistance initiative. Obtaining this detailed understanding should involve:

- ***Understanding the wider capacity building environment in the potential partner jurisdiction*** to identify the overall scope and acceptance for capacity building assistance.
- ***Reviewing a partner jurisdictions wider DRM strategy*** to identify where a particular request fits within the wider strategy and to challenge whether assistance might be more fruitful if provided in other areas. It is always important to remember that assistance should be demand-led but a collaborative process can ensure that all parties identify the optimum focus areas.
- ***Understanding past, current and planned capacity building work*** to avoid duplication of efforts and potentially enable a co-ordinated approach to the delivery of technical assistance. Written, agreed programmes of work with accompanying metrics can be valuable here.
- ***Obtaining a diagnostic overview of the requesting administration*** to better understand its level of maturity and to identify needs.

This chapter explores these areas in more detail, and it is important to note that throughout all of these processes, the development partner tax administration should collaborate closely with the partner tax administration and any other donor organisations that are active in the same areas.

Box 3.1. Methodology for defining the project: The French experience

As the French experience gained in the field of international co-operation suggests, a mission is likely to benefit from arranging a strategic visit to the partner jurisdiction by the development partner. This helps to minimise operational duplication, encourage co-operation and target co-ordinated action. Meeting with the partner jurisdiction's tax counterparts and other stakeholders, including customs, the court of auditors, the budget department, the ministry of finance, as well as with the embassy, the EU delegation, the French Agency for Development, the International Monetary Fund (IMF) and the World Bank Group (WBG) ensures effective planning focused on the three key questions: why, for whom and for what outcome.

It is important to clarify the objectives and expectations of the jurisdiction that requires assistance to identify opportunities for change and the level of involvement. This will allow the development partner administration to better understand underlying considerations driving the partner administration's request, and its needs. For example, the development partner administration will have to adjust its approach depending on whether the request for assistance comes from the presidency, the minister, or the director-general, or whether it is driven by an external stakeholder. The quality of the exchanges between the development partner and the partner jurisdiction is a decisive factor as multiple potentially competing objectives may have to be balanced. Considerations worth exploring during these exchanges include national-level priorities as well as those of the tax administration, the purpose of the mission, the expectations, and the type and extent of assistance required.

Dialogue in advance of any delivery of assistance may help to identify unforeseen functional impacts/risks, which may point to the need for substantive change to the request for assistance. In order to support a sufficiently well-rounded understanding of the considerations at play, consulting officials at the director-general and director levels from each affected government bodies is essential. In this way, the development partner would be in a position to scope the dimensions and nuances of the request and to explore ways to best design the mission to effectively address them, before the team of experts, including a project manager is deployed to undertake data collection and analysis.

Source: France (2021).

Understanding the capacity building environment in a partner jurisdiction

> "*It is the enabling environment that sets the overall scope for capacity development.*" (UNDP, 2009[11])

Understanding the wider context for capacity building in the potential partner jurisdiction is key for successful capacity development. The partner jurisdiction should own and drive the change process and it is essential that the political establishment, the national and local authorities, the citizens and other stakeholders support it. Otherwise, there is a risk that the success of a capacity building programme is short-lived. Therefore, some of the questions that the development partner may wish to consider when receiving a request are:

- What is the political environment and commitment to reform?
- Who are the main actors in the jurisdiction and what is their potential role in this process?
- What is the level of infrastructure?
- Are there any other significant development programmes underway and, if so, who is delivering those?
- What are the key demands for sustainable capacity development in the jurisdiction?

Finding answers to those questions may not be a simple undertaking, particularly for a tax administration, which may not have had any previous contact with the requesting jurisdiction or any other ties to it (such as in-country experts). However, other parts of government or other development assistance stakeholders may have that knowledge and could provide advice. This could include:

- A jurisdiction's own development agency;
- The foreign affairs office, including embassies and consulates in the potential partner jurisdiction (or, in the absence of such, in a neighbouring jurisdiction); and
- Other providers of capacity development, such as international organisations (IOs), non-governmental organisations (NGOs) and other members of the OECD's Forum on Tax Administration (FTA) Capacity Building Network (CBN).

Reviewing a partner jurisdiction's wider DRM strategy

The mobilisation and effective use of domestic resources is key to sustainable development. It encompasses both tax policy and tax administration measures, where:

- The tax policy element would look at establishing the tax base, including the suitable mix of tax types and the scope of taxation; and
- The tax administration element would look after collecting the payments due in transparent, fair, effective and efficient manner.

Mobilising domestic resources is important but it is vital to take into account the means of mobilisation, as taxes can have unintended consequences, or be perceived as unfair. To ensure success, tax policy and tax administration need to go hand in hand. A sound and comprehensive DRM strategy, which clearly identifies priorities and implementation processes, is crucial. This will allow all stakeholders to track progress and focus precious resources on priority areas. The importance of such sustainable development strategies is also underlined in the 2015 Addis Ababa Action Agenda: "We reiterate that each country has primary responsibility for its own economic and social development and that the role of national policies and development strategies cannot be overemphasized." (United Nations, 2015[4])

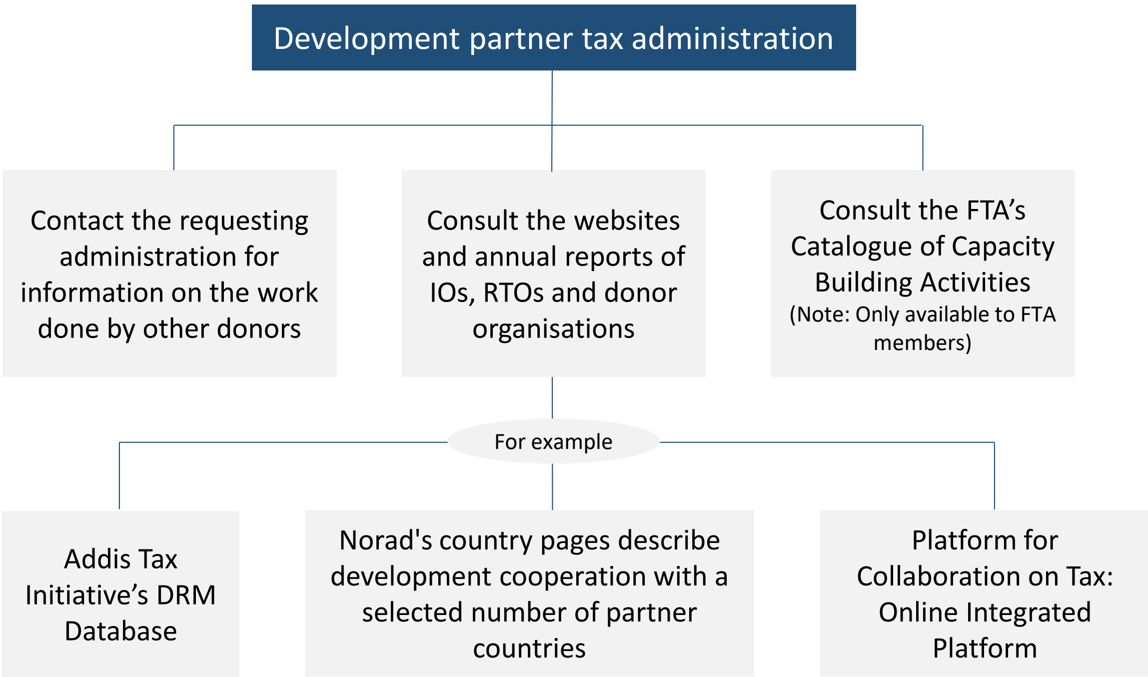
Against this, in 2016, the Platform for Collaboration on Tax (PCT)[1] introduced the concept of a Medium-Term Revenue Strategy (MTRS). An MTRS is a strategic approach drawn-up and owned by the developing country's government and authorities, with support from development partners, which "will require reforms to tax policy, administration, and the legal framework to be tightly co-ordinated." (Platform for Collaboration on Tax, 2016[12]) By 2021, twenty-five countries had engaged with PCT partners in discussion, formulating or implementing an MTRS.[2]

When receiving requests for technical assistance, development partner administrations could ask for the wider DRM strategic plan to see how a particular request fits within that strategy and discuss with the requesting administration whether there are other areas that might be more important. Where a country has already developed an MTRS or is engaged in MTRS discussions with PCT partners, the development partner may wish to consider not only reviewing the strategy to identify how to best support the MTRS implementation, but also engaging with other MTRS partners to avoid duplication and co-ordinate efforts.

Understanding past, current and planned capacity building work

When reviewing requests for technical assistance, it is helpful to get a better understanding of past, present or future work by other development partners, such as other tax administrations, IOs or regional tax organisations (RTOs). Having this information in advance of committing to technical assistance is an important step to avoid duplication and can potentially enable a co-ordinated approach to delivery, ensuring optimal investment of resources while working toward shared goals.

Figure 3.1. Understanding who does what, where and when



Source: OECD

There are many organisations providing assistance on tax administration related matters. It therefore might not be a simple task to identify all the activity, but there are some approaches and tools that may help in this respect (see Figure 3.1.).

Obtaining information from the requesting administration

The development partner could contact the requesting administration and ask for an overview of the technical assistance projects that have been carried out over the past years, those that are ongoing and those are scheduled to take place in the future. The overview should include a brief summary of the work and details regarding the organisation(s) providing the assistance, including details of contact persons within both the donor organisation(s) and the requesting administration.

Consulting the websites and annual reports of IOs, RTOs and donor organisations

Online research using information from IOs, RTOs and donor organisations can be cumbersome, given the large number of actors in the space. For example, the Addis Tax Initiative (ATI), a multi-stakeholder partnership that aims to enhance DRM in partner countries, counts twenty development partners as members and has another twenty supporting organisations (Addis Tax Initiative, 2022[13]).

Tax administrations, as well as other stakeholders providing assistance to tax administrations in developing countries, would therefore benefit from collectively tracking certain parameters of international assistance efforts, including: (i) the identity of the donors, and recipients; (ii) the target area(s) of tax administration and (iii) the mode / method of delivery.

Helpfully, some organisations have already started capturing some of this information in publicly accessible online databases. These add value to the wider landscape, by highlighting where allocation of resources can have the most impact and minimising the likelihood of having multiple donors provide competing assistance. Examples include:

- The ***ATI's DRM Database***. The ATI has developed an online DRM Database which provides an overview of technical assistance projects carried out by ATI development partners in ATI partner countries. The database is backward looking and currently contains information for the years 2015 to 2018. It contains short descriptions of all type of DRM projects carried out by the development partners, including tax administration related work. (Addis Tax Initiative, 2022[14])
- The ***Online Integrated Platform*** (OIP): The OIP is an online database of PCT partners' DRM activities and projects. The OIP allows to search for tax-related projects and activities implemented by PCT partners by country, regions or organisation. (Platform for Collaboration on Tax, 2022[15])

Consulting the FTA's catalogue of activities

Members of the FTA's CBN have also started capturing information on capacity building activities they are undertaking. In early 2020, the CBN established a catalogue of its members' activities, to better understand who is doing what, where and when. The catalogue provides high-level details on technical assistance missions that have been completed, that are ongoing, and that are being planned.

It captures activities carried out since 2017 and classifies them into twelve categories grouped into two sections: (i) institutional governance, management and support, and (ii) core function of the tax administration (see Table 3.1.).

Table 3.1. Building blocks of the FTA's catalogue of capacity building activities

Institutional governance, management and support	Core function of the Tax Administration
Governance – The institutional or structural framework that determines a tax administration's responsibility, authority, and accountability.	**Taxpayer registration** – A comprehensive system of registration and taxpayer identification is critical for the effective operation of the tax system. It is the basis for supporting self-assessment, value-added and withholding regimes, as well as third party reporting and data matching.
Risk management – The identification, evaluation, and minimisation of risks to the organisation (enterprise risk management) and revenue objectives (compliance risk management).	**Taxpayer service** – An important support for voluntary compliance, the bedrock of effective tax administration, is the provision of effective and easy to use taxpayer services, both on a reactive and proactive basis.
Organisational management – The process of structuring, planning and directing the resources and members of the organisation to achieve its goal.	**Filing of declarations** – The principle means by which a tax liability is established.
Information technology and data management – The process of overseeing all matters related to IT operations and resources within the administration, including data management and security, to ensure that they meet current and future requirements.	**Audit and other verification methods** – Activities that encompass functions that assess the accuracy and completeness of taxpayer reported information.
Human resource management – The strategic approach to the effective management of people to ensure that the administration recruits and retains staff with the right skills, motivation and integrity to deliver the administration's strategic objectives.	**Payment and debt collection** – Payment of tax constitutes one of the most common interactions between taxpayers and tax administrations. Where tax is not paid on time, tax administrations need to have the processes in place to effectively and efficiently collect outstanding arrears.
	Dispute resolution – Effective access to tax dispute processes are an essential feature of a tax system as they safeguard taxpayer rights and ensure appropriate checks and balances exist on the exercising of tax powers by the tax administration.
	International taxation – The application and interaction of tax laws of different jurisdictions to taxpayers as well as the application of international standards by tax administrations.

The catalogue can also display linkages between tax administrations' respective efforts, enabling them to provide assistance in a more efficient and effective fashion. A more detailed overview of the catalogue and a summary of the outcomes of its 2021 update is contained in Box 3.2.

Box 3.2. The FTA's catalogue of capacity building activities: 2022 update

To get a better understanding of what tax administrations are doing, where and when, and to see where FTA members are building relationships with developing countries, the FTA's Capacity Building Network launched in December 2019 a new survey to capture high-level information on all bilateral capacity building activities that tax administrations are doing, including:

- The ***activity status***: completed, ongoing or planned;
- How the activity is ***carried out***: by the administration on its own or in partnership with others such as international or regional tax organisations or other agencies of the tax administration's jurisdiction;
- The ***purpose*** of the activity: diagnostics, design, implementation, or monitoring and evaluation; and
- The ***area that was supported*** using a set of twelve building blocks as described in Table 2.1.

Survey outcomes resulted in the 2020 version of the catalogue which was subsequently updated in 2021 and 2022. In 2022, twenty-six FTA member administrations completed the update and nineteen of them provide capacity building assistance to national or sub-national tax administrations in other jurisdictions.

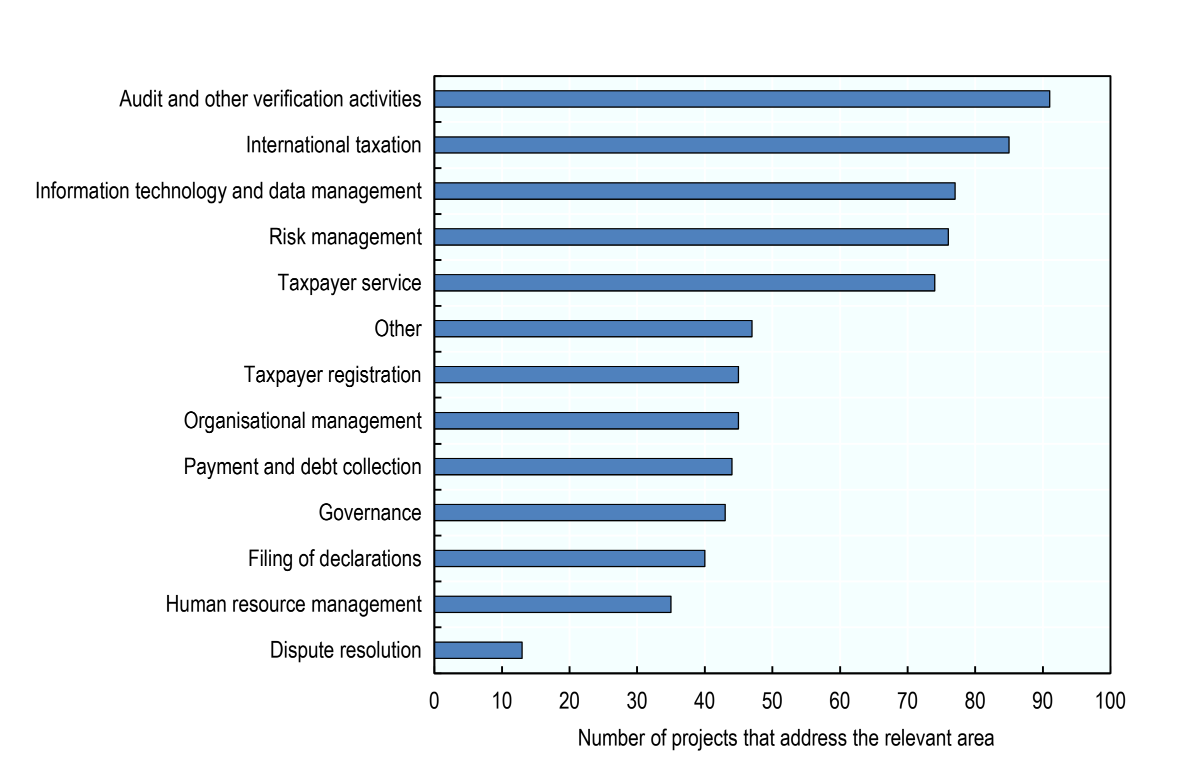
The 2022 version of the catalogue shows that FTA members are engaged in 110 partner jurisdictions establishing 201 bilateral relationships. The information shows that 118 projects were completed between 2017 and 2022, while 84 projects are ongoing and another 28 are planned.

As regards the classification of the activities, the areas in which most assistance is provide are: audit and other verification activities, international taxation, information technology and data management, risk management and taxpayer service. Figure 3.2. provides an overview referring to the building blocks of the FTA catalogue.

The catalogue shows further that 98 projects were or are carried out by the administrations themselves, while the remaining were or are carried out in partnership with other stakeholders.

An anonymised sample of the Word version of the catalogue is contained in Annex 3.A. In addition to the Word version, FTA members also have access to an Excel version. It is planned to update the catalogue on a regular basis.

Figure 3.2. Areas of capacity building assistance



Note: A project can address several areas. Therefore, the number of areas addressed is greater than the number of projects.
Source: FTA catalogue of activities survey.

The catalogue confirmed that there were several instances where FTA member administrations were providing, or plan to provide, assistance to the same recipient, and on the same general topic. When these potential overlaps are identified, the respective administrations engage in more in-depth discussions to better understand the specific details of a particular effort and to determine similarities and differences between the two interventions. These discussions can lead to a common understanding of how programmes can complement each other or perhaps lead to collaboration. For example, an effort intended to focus broadly on debt collection would eventually include discussions concerning a range of sub-issues such as new IT capacity, organisational issues, the use of behavioural insights, or support for other aspects of tax debt management.

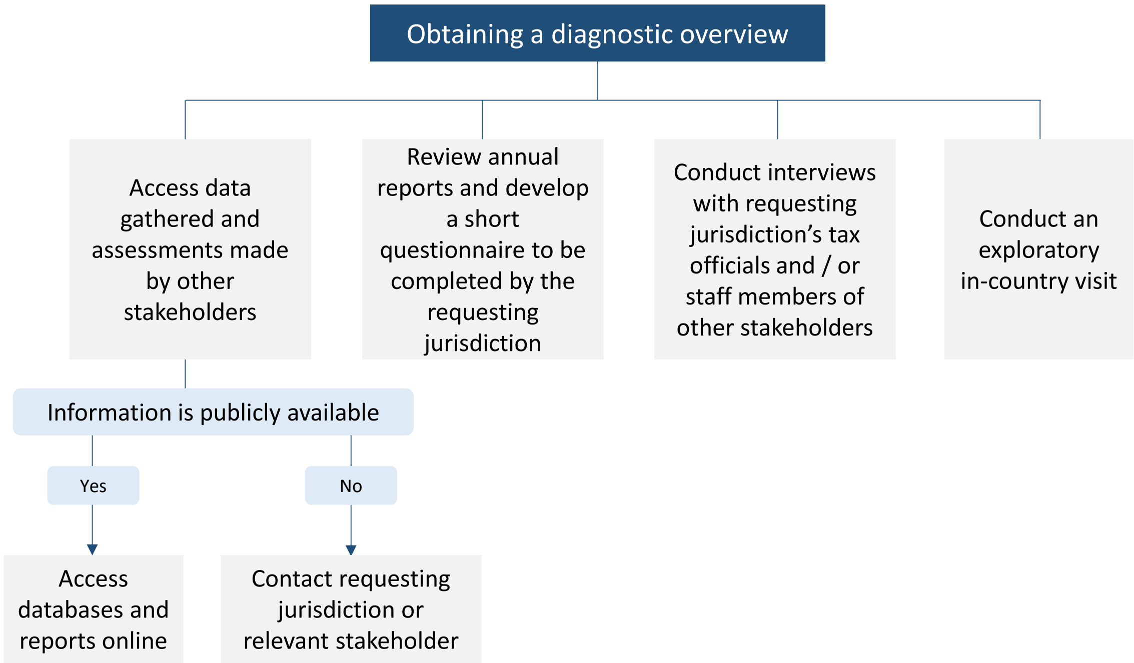
Obtaining a diagnostic overview of the partner jurisdiction's tax administration

Development partner administrations that receive requests for technical assistance should use their own experience of building a sustainable tax administration and work with the requesting administration to identify those areas where the assistance can have the greatest positive impact. This should include an investigation of the administration's maturity in key functions.

This diagnostic overview of the requesting administration is absolutely imperative before commencing any technical assistance as this will ensure the long-term success of any initiative.

A starting point for such an analysis could be accessing the data gathered and the assessments made by other stakeholders. This could be further supplemented through short questionnaires, interviews (face-to-face or virtual) and exploratory in-country visits (see Figure 3.3.).

Figure 3.3. Obtaining a diagnostic overview of the partner jurisdictions tax administration



Source: OECD

Accessing data gathered and assessments made by other stakeholders

Recognising the importance of having a diagnostic overview of the tax administration in a partner jurisdiction, many stakeholders have developed tools and frameworks to assess tax administrations and wider tax system reforms.

The data gathered through these tools and the subsequent assessments provide a comprehensive overview of a potential partner's tax administration. They assist in identifying strengths and weaknesses and might serve as a good starting point for development partners to better understand the needs of a requesting administration. A development partner may therefore choose to first turn towards any existing assessments made by other stakeholders before conducting additional diagnostic analysis of its own.

As the number of tools continue to grow, selecting the right tool(s) becomes a more complex decision. A 2019 report published by the PCT provides a comprehensive overview of the tools and frameworks available to support capacity-building activities and contains a specific section on diagnostic tools and frameworks and data gathering tools (Platform for Collaboration on Tax, 2019[16]). Table 3.2., based on the PCT report, shows the large number of available tools.

To clarify what those tools are trying to achieve, the Norwegian Agency for Development Cooperation (Norad) published a comparison of a selection of tools and frameworks, including their scope, coverage and other relevant characteristics, such as how the outcomes and results are disseminated. (Norad, 2020[17])

Table 3.2. Mapping of tools and frameworks to support tax system reform (TSR)

TSR phases	Mapping of tools and frameworks to support tax system reform	Tools / frameworks
Diagnostic of current situation	**TADAT by multiple DPs** to assess tax administration performance from outcome perspective **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/WBGs TPAF** to analyse 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 **CD missions to TS diagnostic** to assess strengths and weaknesses of policy and revenue agencies	**Diagnostic tools / frameworks**
	ISORA by CIAT/IMF/IOTA/OECD to collect tax administration data on operations and other characteristics (the ADB also participates in ISORA) **USAID's CTD** to collect a broad array of quantitative and qualitative indicators of tax systems **ATAF's ATO** a tax administration survey ATAF conducts with its member countries **WBG's DB** to collect perception indexes in some specific tax policy and administration topics **Revenue Statistics by multiple DPs** to collect key data on tax (and non-tax) revenues **ATI indicators** to support the ATI monitoring framework **ISOCA by IMF/WCO** to collect customs data on operations and other characteristics	**Data gathering tools**
Reform strategy design	**CD missions to comprehensive TSR design** to advise countries on the design of comprehensive tax system reform **CD missions to targeted TSR design** to advice countries on the design of targeted tax system reform not necessarily in a comprehensive manner **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 **WBG's DIAMOND** to conduct drill-down assessments on specific operations and support areas to complement outcome-based tools **OECD/UN's TIWB** to strengthen skills of tax administration auditors to enhance audit function **Papers, toolkits and technical notes by multiple DPs** to systematise and disseminate international trends/good practice **Training by multiple DPs** to strengthen skills of tax administration officials at managerial and operational levels **FTA's CBN** to co-ordinate CB programmes provides by FTA members in specific areas of tax administration **OECD (and partners) / Global Forum** to provide support on legislative, regulatory, administrative reform; organisational change, capacity building and training **CD programme to TSR implementation** to support implementation of reform strategies (comprehensive or topic-specific)	**Drilldown tools for implementation**
Monitoring and evaluation	**Various of the diagnostic and data gathering tools** **Targeted assessment of TSR programmes by multiple DPs**, e.g. IMF's RMTF mid-term evaluations **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 programmes 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**

Acronyms: ATO – African Tax Outlook; BEPS – Base Erosion and Profit Shifting; CD – Capacity Development; CTD – Collecting Taxes Database; DB – Doing Business; DIAMOND – Development of Implementation and Monitoring Directives; DPs – Development Partners; EC's FBs – European Commission's Fiscal Blueprints; FARI – Fiscal Analysis of Resource Industries; ISOCA – International Survey on Customs Administration; ISORA – International Survey on Revenue Administration; RA-GAP – Revenue Administration Gap Analysis Program; RMTF - Revenue Mobilization Thematic Fund; TADAT – Tax Administration Diagnostic Assessment Tool; TEA – Tax Expenditure Assessment; TIWB – Tax Inspectors Without Borders; and TPAF – Tax Policy Diagnostic Framework.

Source: Based on Figure A-1 of Platform for Collaboration on Tax (2019), *PCT Progress Report 2018-2019*, www.tax-platform.org/sites/pct/files/publications/Platform-for-Collaboration-on-Tax-PCT-Progress-Report-2018-2019.pdf (accessed 1 June 2022).

However, when trying to access the data and assessment reports from those tools and frameworks it is evident that not all information is publicly available. Often it is the jurisdiction receiving the assistance which decides whether to publish reports.

Where data or assessments are not published, it may still be possible to identify whether a certain tool or framework was applied. This is the case, for example, in relation to TADAT assessments where the list of jurisdictions that underwent an assessment are published on the TADAT website. Table 3.3. provides an overview of how to access such information for a selected number of tools and frameworks.

Table 3.3. Accessing publicly available information from selected tax administration diagnostic tools and frameworks

Tool / framework	Understanding whether the tools / frameworks were applied	Data / assessments publicly available
ATAF's ATO	Overview of the more than 30 jurisdictions that participated in the African Tax Outlook available at: www.ataftax.org/african-tax-outlook	Data is made available through the ATAF Databank (https://ato.ataftax.org/atafdatabank/) and through ATO publications (https://ato.ataftax.org/atafdatabank/publications)
Global Revenue Statistics	Data for the more than 110 jurisdictions covered by the Global Revenue Statistics Database can be accessed and downloaded at: https://stats.oecd.org/Index.aspx?DataSetCode=RS_GBL	
ISORA	Overview of the more than 150 jurisdictions that completed the ISORA survey (covering performance information on, for example, registration, return filing, payment, debt collection, audit, staff and budget) available at: https://data.rafit.org/	Since ISORA 2020 (covering fiscal years 2018 and 2019), data for all participating administrations is made publicly available at: https://data.rafit.org/?sk=5a3bd47d-bec2-41a9-8f37-e5dbb98e3dcf&sId=1637191240032. Data from previous ISORA survey rounds is available to participating administrations via a secure section of the RA-FIT data portal. Further, data for selected jurisdictions is published by the FTA through the Tax Administration Series (www.oecd.org/tax/forum-on-tax-administration/database/) and the ADB through their Comparative Analysis of Tax Administration in Asia and the Pacific Series (www.adb.org/publications/series/comparative-analysis-tax-administration-asia-pacific). In addition, CIAT publishes some jurisdiction specific information through working papers (www.ciat.org).
TADAT	Overview of the close to 120 completed assessments available at: www.tadat.org/completedAssessments	Selected assessment reports are available at: www.tadat.org/performanceAssessmentReports
USAID's CTD	The Collecting Taxes Database with information on 200 national tax systems and a database visualisation tool are available at: www.usaid.gov/what-we-do/economic-growth-and-trade/domestic-resource-mobilization/collecting-taxes-database	
WBG's Tax DIAMOND	Information about planned and completed assessment can be requested from support@taxdiamond.org.	–

Note: Information and links to websites as of 1 June 2022.
Sources: OECD Secretariat research and Norad (2020), *Reforms of Tax Administration and Systems: A Mapping of Current Analytical Tools and Frameworks*, www.norad.no/en/toolspublications/publications/2020/reforms-of-tax-administration-and-systems-a-mapping-of-current-analytical-tools-and-frameworks/ (accessed on 1 June 2022).

While the publication of results of the assessments and data gathering exercises would be welcome, it is also important to identify whether an assessment has been undertaken or whether an administration participated in a survey. This awareness allows the development partner administration to contact the requesting administration and ask for:

- A copy of the data that was provided to other stakeholders; and / or
- The assessment reports that were written-up by development partners.

In this respect, more transparency about completed (and planned) assessments by development partners would be welcome. This could help to avoid duplication of efforts and minimise the compliance burdens for partner administrations which must focus scarce resources on building a functioning administration. To minimise the risk for overlapping assessments and to enable repeated use of results, all stakeholders should ensure they work closely together.

Review annual reports and use short questionnaires to gather additional information

The ISORA data shows that 93% of administrations that participated in the 2016 ISORA survey round produce an annual report (Crandall, Gavin and Masters, 2019[18]). While only about two-thirds of those administrations publish their annual report (and often those are only available in the jurisdiction's official languages), often those reports include performance related information which can be used to obtain a high-level diagnostic overview.

Where the report is not easily accessible, it may be helpful for the development partner to request a copy of annual reports and a translation if necessary.

While the information in those reports may not be detailed, it may give an indication of other available information about the administration, such as performance indicators, and a short follow-up survey could be developed to gather missing data.

Conduct interviews

Interviews with tax administration officials can help gain insight into the level of maturity of the requesting administration's operational performance and to identify where the pressure points lie. The direct exchange of information and views through such interviews may allow gathering information that typically cannot be obtained from surveys or email exchanges.

The development partner administration may also consider discussing with experts of other donor organisations who have experience working directly in a particular jurisdiction. Such information is a valuable resource to assist with consideration of a request for assistance.

Conduct an exploratory in-country visit

In-country exploratory visits can validate or complete information gathered through peer consultations, guidance from other development stakeholders, interviews, and other online sources. They can also provide a first-hand exploration of the administration, as well as helping to build relationships with relevant officials.

Box 3.3. Getting to know your host partner: A Norwegian perspective

The Norwegian Tax Administration uses the following approach when trying to understand the capacity building landscape within a host jurisdiction, and in particular the partner tax administration.

Step 1 – Homework: Country background research

When a formal request has been received from the partner tax administration, the following sources and documents should be explored and reviewed if available for the partner jurisdiction:

- IMF Article IV reports;
- WBG public expenditure reviews;
- Political economy analysis from the Chr. Michelsen Institute;
- Public Expenditure and Financial Accountability reports;
- WBG Doing Business reports (with focus on paying taxes);

- Partner jurisdiction's web pages;
- Partner tax administration's annual reports;
- Partner tax administration's strategies; and
- ISORA, OECD Global Revenue Statistics and ATAF's ATO data.

Step 2 – Get to know the "assessment history" of the partner

The "assessment history" for the partner jurisdiction is important to understand the strengths and weaknesses in the system of tax administration. International organisations or other stakeholders have undertaken a large number of assessments. For example, close to 100 TADAT assessments have been conducted since the framework was launched in 2015 and it is likely that the partner tax administration has had one or several assessment that might be relevant. In this respect, the results from the following assessment tools and framework are explored if available:

- TADAT assessments;
- WBG Tax Diamond assessments; and
- Tax gap studies (for example, IMF RA-GAP reports).

Step 3 – Co-ordination with other Capacity Building organisations

Understanding the capacity building environment in the partner jurisdiction is crucial to avoid overlap. To understand who is doing what, where and when the following sources are explored:

- The PCT's OIP, including follow-up/dialogue with local or regional representatives from the WBG and the IMF.
- The FTA catalogue of capacity building activities, including follow-up/dialogue with the tax administration(s) active in the partner jurisdiction.
- Capacity building activities carried out by other donors not covered by FTA catalogue or the OIP, for example, USAID, the German Corporation for International Cooperation GmbH or the United Kingdom's Foreign, Commonwealth and Development Office.

Step 4 – Diagnostic of current situation

If no assessment of the strengths and weaknesses of the system of the partner tax administration has been undertaken, consideration should be given to make an objective diagnostic assessment the starting point for the capacity building project. In this respect, it is also considered to carry out the assessment in co-operation with other stakeholders that are interested in understanding the current situation in the partner tax administration and areas for improvement.

Source: Norway (2021).

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Notes

[1] The PCT is a joint initiative of the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN), and the World Bank Group (WBG).

[2] A status and progress update on MTRS, including the list of twenty-five countries, is part of the PCT Progress Report 2021. (Platform for Collaboration on Tax, 2021[25])

Annex 3.A. Sample of the catalogue of capacity building activity country sheets

Country Z (Partner jurisdiction)

Development partner Activities that are ongoing, planned or have been completed since January 2017.	Activity **status**			Activity **carried out** by the development partner…				**Purpose of the activity** referring to the Tax System Reform Stages				**Area(s)** in which **technical assistance** was, is or will be provided:												
					In partnership with…																			
	Completed within 2017 – 2020	Ongoing	Planned	On its own	International or regional tax organisations	Other agencies of the development partners	Other partners	Diagnostics*	Design	Implementation	Monitoring and evaluation	Governance	Risk management	Organisational management	Information technology and data management	Human resource management	Taxpayer registration	Taxpayer service	Filing of declarations	Payment and debt collection	Audit and other verification activities	Dispute resolution	International taxation	Other
Country A	☒	☐	☐	☐	☐	☒	☐	☐	☐	☐	☒	☐	☐	☐	☒	☐	☐	☐	☐	☐	☒	☐	☒	☐
Country B	☐	☒	☐	☒	☐	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☒	☐
Country C	☒	☐	☐	☐	☒	☐	☐	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐

* For projects in the diagnostics phase, the area(s) in which technical assistance was, is or will be provided are not indicated, as the purpose for diagnostics is to identify areas for co-operation.

4 Mission preparation

Introduction

The processes described in the previous chapter are necessary for the development partner administration to confirm its commitment to deliver assistance. Once this is done, and connection is established, the two administrations can work together, using the initial diagnosis, to make a more detailed assessment of potential work areas. The *capacity development partnership template* in Annex 4.A could be used to inform the scope and objectives of the capacity building programme, as well as gain a deeper understanding of expectations of the recipient tax administration. The template should be prepared early in the planning process once contact has been established between the two administrations.

A scoping mission might also be helpful in this process. This could be part of the exploratory in-country visit mentioned in Chapter 3, which could not only be used to get a diagnostic overview and potential work areas but might also help to identify other local stakeholders.

By working collaboratively to achieve a common understanding of the activities' goals and outcomes, the two administrations can, depending on the nature of the programme, develop formal framework agreements, such as a memorandum of understanding and a project schedule / work plan. A terms of reference could further define the roles and responsibilities, duties, rights, and reporting requirements of both parties. It also provides tools that can assist in strong Governance of a project.

Box 4.1. Project governance: The South African approach

As regards project governance, the South African Revenue Service (SARS) uses two key instruments: the terms of reference signed by both the heads of the partner administration and the development partner administration, and an action / work plan. The terms of reference become the official agreement and the work plan supports the agreement and implementation.

The work plan is fluid and can be changed by the technical teams as work develops. The terms of reference, however, follow a formal process for any amendments and changes. The terms of reference are always project specific and outline all requirements including governance and recourse in the event of governance failures on both sides.

Source: South Africa (2022).

While these documents are not intended to be prescriptive, a formalised record of scope and objectives may be helpful to develop a joint understanding of the agreed outputs of the capacity building programme. Otherwise, a lack of co-ordination and official commitment could jeopardise the whole activity, and risk the programme moving away from its intended deliverables. In addition, if deviations occur from the original documented plan, modifications should be made to the documents and approved by both the host and development partner. Annex 4.B contains links to examples of *memoranda of understanding* and a *work plan* that can be adapted to suit the particular activity.

The contents of the framework documents will depend on a number of factors, such as the duration of the programme, the length of missions, potential secondments of experts to the recipient administration, the number of targeted areas in which assistance will be provided, etc. While some aspects could be covered in the framework documents, others (such as secondments) may require additional formal agreements or exchanges of letters.

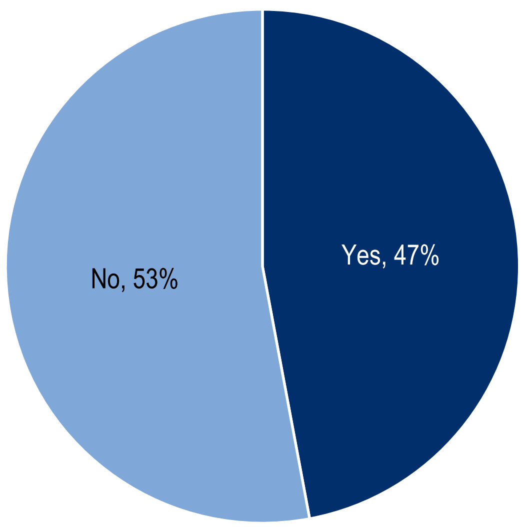
However, what is clear from the outset is that both the development partner and recipient need to commit to and invest in the success of the capacity building assistance programme. The recipient must be genuinely willing and prepared to receive assistance in tax issues, and the development partner must be willing and prepared to commit its resources to the planned activities.

General mission preparation

Once the programme scope and objectives are identified and agreed, both tax administrations should start the preparatory work for the assistance to be carried out. Here it is important that the development partner and host tax administrations agree on how the assistance will be provided. This could involve short-term missions with an expert periodically providing on-site assistance or remote desk-based assistance, or longer-term missions where an expert would provide assistance on targeted issues on a full-time basis in the host administration.

Figure 4.1. Use of long-term experts posted to the partner jurisdiction's administration to co-ordinate work

Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

Identifying experts

The development partner administration's first step is to find suitable experts.

The role of the expert involves the transfer of knowledge and the provision of hands-on assistance to the host administration while they work with local tax officials. The expert does not take the place of local staff and does not have formal responsibilities within the host tax administration. The expert shares their experience, expertise, and skills with the recipient, with the recipient then making use of this expertise for the benefit of their own organisation.

Identifying the expert(s) within the development partner organisation who are best placed to deliver the mission is key to the success. This should not only involve looking at technical expertise but also at relationship skills and cultural sensitivity, as engagement and knowledge transfer is typically a critical activity during the mission.

Among OECD Forum on Tax Administration (FTA) Capacity Building Network (CBN) member administrations there are several ways of identifying experts and the following three emerge as the most used processes:

- Identification and nomination through the relevant functional areas;
- An internal advertisement and application process; and
- Selection from a dedicated team of experts or pool of experts.

In rare cases, some administrations also use external consultants as experts.

Box 4.2. Identifying experts: Country examples

South Africa

For finding the right experts, the South African Revenue Service first assesses the request and identifies the relevant divisions, which are then asked to nominate suitable experts. The central international co-operation team fulfils the role of project co-ordination including the management and duration of time spent by the experts in the programme. To manage performance issues managers must officially release the experts on the basis of agreed time with international co-operation, this is negotiated on the basis of a completed programme / project design.

Spain

The Spanish Tax Agency does not have a dedicated team of capacity building experts nor a pool of experts. Instead it follows one of the three approaches below for identifying experts for capacity building missions. The approach taken typically depends on the capacity building activity for which experts are needed:

- The relevant departments within the agency select experts, this is for example in relation to IT system or risk management related activities;
- An open application process through the agency's intranet which is followed by interviews and/or business cases if necessary; or
- Through requests for experts from international organisations which have to be approved by the agency.

To ensure that experts are released from their actual work and to avoid performance issues of the organisation, the International Relations Unit of the Spanish Tax Agency always contacts the head of the expert's office and/or department asking for an official approval and informing the relevant people of the expected mission related workload for the expert.

Sources: South Africa (2022) and Spain (2020).

Technical skills and availability for the required timeframe are the main considerations, while language skills may also be a condition, depending on the location and working language of the host administration.

Management approval is usually required to participate in assistance activities, while arrangements are made to ensure the expert's regular workload is covered during their absence.

It is also worth noting that the vast majority of administrations do not provide any form of direct incentives for staff to contribute to capacity building activities. While administrations cover all costs related to missions, the main incentive for staff is gaining new experiences as well as career and personal development.

Dedicated expert teams and pools

Only two administrations (Japan and the United Kingdom) have dedicated teams of experts for capacity building activities. These experts are responsible for delivering capacity building programmes on their areas of expertise with recipient organisations. The number of experts and range of competence are identified by the capacity building unit of the development partner organisation when considering demand for capacity building support.

While dedicated expert teams are the exception, ten tax administrations maintain a roster of experts from which they can select the staff member who best meets the requirements of the mission. (This includes the United Kingdom which has both a dedicated team and a roster.) Rosters can be made up of current staff, with two administrations also relying on retirees or officials of other government agencies to round out their pool of experts (see Table 4.1).

The number of experts in those pools varies significantly among tax administrations but is often around 50 officials. Only Norway and France seem to have significantly larger pools with around 150 and 700 officials, respectively. The number of experts in a pool is also driven by the overall amount of assistance an administration is providing.

Rosters are mainly populated through internal advertising and an application process, while some tax administrations find experts more organically, by word-of-mouth, identified through performance and reputation. Several administrations also indicated using the processes put in place for responding to calls for experts made by international organisations to populate their internal pool.

Table 4.1. Dedicated expert teams and pools

Percent of administrations that have …					
A dedicated team of experts	A dedicated pool of experts	Type of experts in the dedicated pool			External consultants as experts
		Current staff	Retired staff	Officials from other government agencies	
11%	56%	100%	20%	10%	11%

Source: FTA CBN survey on the organisation of capacity building activities (2020).

Once an expert is identified, they will become part of the planning and preparation process, staying appraised of developments and offering information and expertise, where required. This also includes determining the exact mission dates in co-operation with the host administration.

Non-disclosure agreements

Where it is expected that the expert may have access to confidential information during the mission, the development partner administration and the host administration should prepare a non-disclosure agreement to be signed by the expert.

Documentation and study material

To prepare for the mission, the expert should have a good understanding of the mission relevant tax policy and the tax administration background in the host jurisdiction. To support this, the host administration should provide necessary documentation such as primary and secondary laws, regulations or internal circulars, international directives, organograms, workflows and IT systems descriptions. By studying those documents, the expert can provide relevant and targeted assistance from the outset.

At the same time, the development partner administration may wish to consider providing the host administration with mission-relevant study material. This could include documentation similar to that which the host administration is asked to provide (laws, regulations, process charts, etc.) as well as presentations, e-learning material, guidance, reports drafted by other bodies, etc. By reviewing and studying those documents, the host administration officials can prepare themselves best for the period when the expert is available (whether on-site or remotely) so that they can directly engage in detailed discussions and knowledge transfer with the expert.

On-site missions

There are many practical elements to consider when preparing for a mission in another jurisdiction. Experts must be aware of and sensitive to the different cultural and social contexts of the host jurisdiction and host tax administration, including local customs and habits. Understanding these elements are often as important as technical skills, to ensure effective knowledge sharing achieve the mission's goals.

Figure 4.2. Practical and logistical things to consider when going on mission

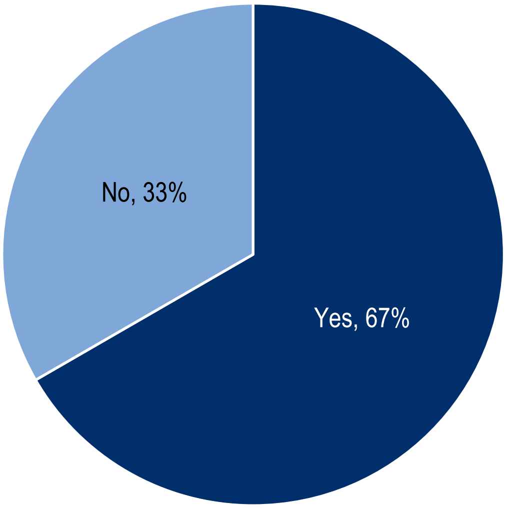
Source: OECD.

The development partner administration should consider preparing guidance documents that allow experts to become familiar with customs, traditions and culture of the host jurisdiction. This should preferably be done in co-operation with the host tax administration. Documents could also be reviewed by other government officials that are already in the host jurisdiction, for example, embassy officials. For example, the **Italian Revenue Agency** has a dedicated unit and telephone number where employees interested in carrying out a work activity abroad can immediately access information on practical issues. A practical guide and a "Frequent Asked Questions" document are also available on the revenue agency's dedicated intranet website "Working abroad".

As mentioned in Chapter 3, contacts with the embassy, consulate or other representatives in the host jurisdiction are important to build an in-depth understanding of the host country, a clear understanding of how political economic factors are likely to influence reform efforts, the current national policies and plans for reform (if they exist), and the past history of implementing reform (especially those supported by other development partner tax administrations). Further, they serve as important contact points for the expert in emergencies or when assistance is needed. Experts should therefore be encouraged to liaise with embassy, consulate or other representatives upon arrival in the host jurisdiction.

Figure 4.3. Using other government officials that are already in the host jurisdiction to consult and co-ordinate work

Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

Box 4.3. Making use of local contacts: The Italian approach

The Italian Revenue Agency collaborates with field offices of the Italian Agency for Development Cooperation, or officials at the Italian embassies:

- To co-ordinate the capacity building activities;
- To deepen knowledge of host jurisdictions; and
- To make contact in host jurisdictions.

Source: Italy (2020).

As noted in Chapter 2, to support experts with practical and logistical matters and to co-ordinate activities, many tax administrations have a central team or a blended co-ordination and delivery team. Where those teams do not exist, it is often the expert's functional area that takes on responsibility for the mission's logistics.

The practical and logistical matters that experts, and those that provide them with support, need to consider as part of travelling to and working in a foreign country can be substantial. The following sections describe some of those practical elements in more detail. An in-depth checklist for preparing for missions is included in Annex 4.C.

It should be noted that none of the following paragraphs or the checklist are requirements for all developing country organisations. Instead, they should be understood as suggestions to ensure all aspects have been considered when preparing to deliver capacity building assistance.

Visas and working permits

When providing on-site assistance in the host jurisdiction the expert will often work in the administration along with other tax officials. For that, the expert may need to obtain a work permit and a visa. It is therefore advisable to examine the pre-conditions that must be met before working in the host jurisdiction, including visa requirements, and any documentation needed for travel through other jurisdictions on the way to the host jurisdiction. The ministry of foreign affairs or the embassy in the host jurisdiction may be able to provide assistance during this process.

For example, the **Dutch Tax Administration** uses the services of the Dutch Ministry of Foreign Affairs for visa applications. As a consequence, the passport of the expert is stamped and thus upgraded to a service passport (which is similar to a diplomatic passport). This clarifies the status of the expert.

Applying for visas and work permits should be done well in advance of the mission dates as this can take considerable time, particularly if several visas need to be obtained and the experts passport has to be provided to several foreign authorities. The host administration may also be able to provide supporting documents, e.g. an invitation letter, to expedite the application process.

For longer-term mission of several months, it should also be established whether there are income tax implications as regards the salary payments made to the expert.

Health-related matters

Support for experts should take into account any common communicable diseases, healthcare infrastructure, and access to medication and healthcare staff.

To minimise any health-related issues during and following the mission, the expert should:

- Obtain medical advice and guidance, including advice on food and water;
- Ensure all required and recommended vaccinations are up-to-date;
- Purchase and bring appropriate travel medicine and a first-aid kit;
- Obtain appropriate insurance coverage; and
- Establish the location of doctors and hospitals that speak the expert's preferred languages.

For much of the above, the officials of other government departments that are already in the host jurisdiction (e.g. at embassies) may be a valuable resource.

Box 4.4. Supporting experts in health-related matters: The Canadian approach

Canadian officials travelling abroad for business purposes are subject to established travel policies and directives which provide them with the administrative information and procedures to plan their trip effectively. Appropriate safeguards are established through these directives and put in place before the expert is deployed (i.e. travel and medical insurances, proper travel documents, contact with Canadian embassy abroad, and registration on the list of travellers). As part of the overall trip planning, experts are provided with any travel advisories issued by Global Affairs Canada, which identify any security and health concerns for the host jurisdiction.

Source: Canada (2020).

Safety and security

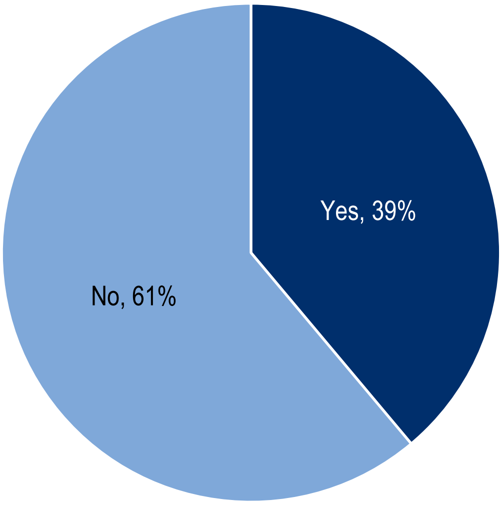
The safety and security of their experts is of great concern to tax administrations, particularly in situations where experts are sent into regions that have increased risk. To better understand the situation in the host jurisdiction, the administration could conduct a general safety review, for example by consulting the foreign affairs department and embassies or consulates in the host jurisdiction. This could be supplemented through information from third parties such as other international organisations (for example, the United Nations Department of Safety and Security [UNDSS]) and companies that specialise in security and travel risk management.

In anticipation of an emergency, administrations should strongly consider drawing up a contingency plan and registering experts with the embassy or consulate (or in the absence of those, with institutions in neighbouring jurisdictions, any other official contact in the requesting jurisdiction or the United Nations security field office) for emergency assistance. This could be supplemented with third parties that the expert can contact (or vice-versa) in security situations. Surprisingly, only about 40% of administrations have a contingency plan in place (see Figure 4.4) even though some indicated that they do not have a general plan but special instructions for each project, or that emergency situations would be managed by other parts of government. In any case, experts should be provided with guidelines and documents that illustrate the steps to take in case of an emergency. This should include a list of emergency contacts that are available 24/7.

To provide additional security and assurance to experts, several administrations are also providing specialised security training, often in co-operation with other parts of government. Box 4.5 contains brief descriptions of the approaches taken by some administrations. In addition, administrations could consider reaching out (for example, via the ministry of foreign affairs) to the UNDSS which offers online training courses (United Nations, 2022[19]).

Figure 4.4. Contingency plan to assist experts in case of emergencies in place

Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

Box 4.5. Ensuring safety and security: Country examples

Finland

The Finnish Tax Administration uses a third-party application that provides real-time security alerts, security information and travel plans to experts. The system allows the third-party provider to locate the expert (via the mobile phone) and to connect the expert with corporate security teams in real-time.

In addition, the administration has a security unit with a 24/7 emergency call service.

France

Long-term experts are provided with the opportunity to have a week-long army survival training covering situations such as kidnapping and a public security crisis. This training can be compulsory for certain jurisdictions.

In case of emergencies, the experts will be assisted by Expertise France, the French international technical co-operation agency, which has a security directorate co-ordinating work with embassies on the field.

Italy

The Italian Revenue Agency participates in international co-operation initiatives by providing technical assistance, training and sharing best practises. In most cases, capacity building projects involve the participation of experts in working visits, and short-term missions abroad. For the implementation of such projects and the safety of its staff abroad the tax authority has since 2017 taken out an insurance for tax officials who are temporarily on a mission in a foreign jurisdiction for a limited period of time. Over the years, this has made it possible to deal with various critical and urgent situations that arise when travelling abroad. The initiative is highly appreciated by staff working in an international context.

South Africa

The South African Revenue Service (SARS) generally follows the government Department of International Relations and Cooperation (DIRCO) guidelines and country risk assessment. In instances where there is increased risk and concern DIRCO is asked to confirm in writing the risk and the decision to release experts is either withheld or left to the experts to decide with precautionary measures given in the case of emergencies. In addition, it is normally requested that the partner administration be the ones that receive the experts from arrival at the airport and facilitate all their in-country movement up to departure. This is to ensure that SARS is always in-touch and in the know of the whereabouts of the experts whilst on mission.

Sweden

Before sending experts to another jurisdiction, the Swedish Tax Agency (STA) conducts a security analysis of the host jurisdiction regarding all types of security issues. The outcomes of that analysis, is provided to and discussed with all STA personnel involved in the project such as short-term and long-term experts as well as project managers. The same persons also attend a Hostile Environment Awareness Training (HEAT). The HEAT training is provided by an external educator specialised in security training.

Further, the STA used a digital calendar function which shows the travel plan for all experts. The experts are also provided with a field security kit which contains a first aid kit, a smoke alarm, a compass and a tourniquet. Finally, the STA has a security unit with a 24/7 emergency call service.

Sources: Finland (2020), France (2020), Italy (2022), South Africa (2022) and Sweden (2022).

Having a clear policy on information and communication technology (ICT) security is also important when sending experts on missions.

In a connected world, experts will undoubtedly take personal as well as professional ICT devices to the host jurisdiction. This may pose potential threats (such as malware) to the expert's home administration when the expert:

- Connects to the home administration's systems using unsecure channels;
- Connects to the host administration's ICT systems from home administration owned devices; or
- Tries to connect personal devices to professional devices.

To avoid any security breaches, the development partner administration's ICT department should be consulted regarding the use of ICT equipment (such as laptop, mobile phone, tablets) in the host jurisdiction and whether specific security updates need to be made. In certain cases, it might be advisable to provide the expert with specifically procured ICT equipment. In addition, the expert should be provided with guidelines regarding the potential security issues that may arise and how they can be avoided.

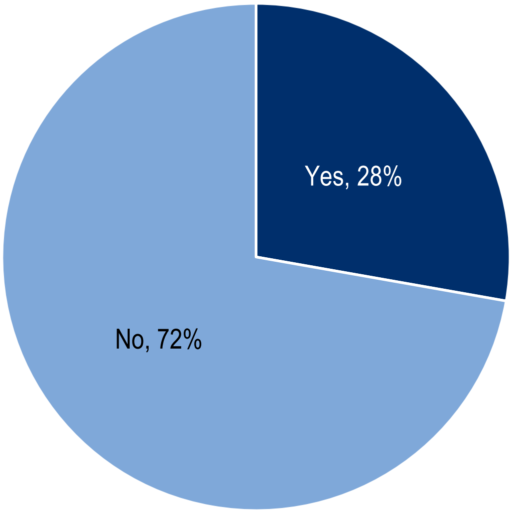
Travel arrangements

Travel arrangements should only be confirmed once all visa, health and security preparations have been addressed. Development partner administrations may find it helpful to liaise with the partner administration to arrange travel.

Development partner administrations should also clarify expectations around travel and expense claims with their experts prior to travel.

Figure 4.5. Making use of the embassy infrastructure for officials to stay

Percent of administrations



Source: FTA CBN survey on the organisation of capacity building activities (2020).

Preparing experts through training programmes

With so many factors to consider before experts travel to the host administration, it may be advantageous to provide them with specific training, particularly those that are providing assistance for the first time. Written documents and guidelines can be very helpful but workshops and hands-on training, for example imitating real-life situations, may help experts to remember how to react when the time comes.

Such approaches are already applied by many administrations when it comes to providing experts with security training (see Box 4.5.) but there are many other topics where specific training might be beneficial, such as teaching skills, health, culture, political environment, and ICT. The relevant topics may be identified by consulting areas within the development partner administration. Likewise, other government departments that are focused on development, health, and security could be engaged in their areas of expertise, providing not only guidelines but also personal briefings.

The ***Canada Revenue Agency***, for example, provides experts with the opportunity to receive training on international etiquette and protocol. These courses are provided through various settings: virtual, face-to-face, and classroom. Supporting training material is also provided. The ***Swedish Tax Agency*** organises a kick-off conference with lectures and workshops before the start of a new capacity building project.

Finally, it can be useful to bring together experts who are selected to go on mission with those who have worked in (or with) the host administration previously. Talking to and learning from officials who have first-hand experience can be very valuable. Former experts may also be willing to assist the expert in building relationships with host administration officials they know from previous missions. It might therefore be useful to keep a database of experts that are willing to co-operate and communicate to those that are new in the capacity building space.

Preparing the host administration

As part of the mission preparation, the expert should also consider the logistical arrangements in the host administration, including a regular workspace and any necessary equipment. In situations where administrations have long-term experts or resident advisors in the partner jurisdiction, those officials may be able to assist in these type of preparations.

To maximise the benefits of in-person visits, the expert should plan meetings with all key officials in the host administration well in advance of travelling. The host administration may wish to identify a liaison officer within the administration to handle logistics and co-ordinate arrangements.

It may be that host administration officials and the expert do not share the same native language. To ensure the success of the mission, a common working language should be agreed in advance. Ideally, all officials would be able to communicate effectively on technical tax issues. The host administration and the expert should agree whether it might be necessary to involve interpreters during the mission. Where this is the case, the terms of reference for the mission should note responsibilities for organising the interpretation service and who will bear the costs.

It may also be beneficial to consider any cultural differences and their impact on conversations between the expert and officials at the host administration. Former experts, external consultants and colleagues in the host administration could provide valuable information.

Remote / virtual missions

While on-site missions are probably the standard form of implementing bilateral capacity building projects, the COVID-19 pandemic has led development partner organisations to review the way in which they deliver assistance. This has highlighted the potential of remote or virtual missions (hereafter referred to as "remote missions") to deliver assistance.

Remote missions can be a valuable tool in capacity building, in times where cross-border travel is greatly reduced or expensive. As many tax administrations have introduced and enhanced their remote working capabilities, this has allowed development partner organisations to expand the range and impact of capacity building assistance that can be conducted remotely, with experts working from their home jurisdiction. Remote missions may allow for more frequent contact with the recipient authority and may be preferred by both parties to in-person missions.

ICT requirements

The conversion of activities to an online environment requires a strong investment in ICT on both sides.

When considering the use of remote missions, it is therefore important for the development partner administration to confirm with the receiving administration the minimum ICT requirements for the mission to be carried out remotely. This would include looking at the hardware and internet capabilities of the administration but also the officials involved in the project as they may also work remotely and may not be fully equipped working at home or may have internet connectivity problems.

If the receiving administration does not have the required ICT equipment, the development partner administration could consider procuring necessary equipment for the administration and the officials involved. Another approach could be to rent fully equipped meeting space in the host country from specialist third party providers.

Box 4.6. Procuring ICT equipment

The Swedish Tax Agency (STA) operates the International Capability Building Programme (ICBP). The ICBP is a 12-month (part-time) programme, where officials from Tax Agencies and Ministries of Finances of partner jurisdictions:

- Get insights and knowledge in various topics relevant for voluntary tax compliance, and that assist in identifying the key constraints for improving voluntary tax compliance in their own jurisdictions;
- Learn a problem-solving method called “Problem Driven Iterative Adaptation” (PDIA) and apply that method to solve actual problems; and
- Benchmark and build networks with colleagues from other jurisdictions.

The first programme-round was launched in 2020 with participants from Kenya, Nigeria, South Africa and Zambia. STA experts systematically support teams from each jurisdiction during the problem-solving phases by meeting virtually every second week and through in-country visits. Participants from each jurisdiction use the PDIA approach to address domestic issues by finding and implementing domestic solutions.

The programme also has three workshops (each one week) where participants from all the jurisdictions are brought together. However, due to the COVID-19 pandemic, the workshops had to be held online. To improve the online interactions and to assure good connectivity and a safe environment for the participants, the ICBP:

- Purchased good headsets and web-cameras; and
- Financed and arranged for hotel/conference room facilities in each partner jurisdiction.

Source: Sweden (2022).

Setting up meetings

Having addressed ICT requirements for virtual missions, the expert can start organising meetings in a similar manner to on-site missions. The expert should determine the most suitable video conferencing platform. For certain meetings it may be advisable to organise a test session.

Similar to on-site missions, it might be necessary to involve interpreters during those meetings. If so, responsibilities for organising the interpretation service and cost coverage should be established (see above).

Mission reporting and follow-up[1]

Reporting is necessary to keep track of a project and ensure achievement of goals, and can include quarterly reporting, other interim reporting, and a final report. Comprehensive qualitative and quantitative reporting, that effectively identifies the challenges and successes of a mission, is vital to the monitoring, evaluation, and learning process, which in turn informs subsequent missions. The host country should expect to provide input to ongoing and final reporting, whether informally or through a survey or other tool. See Annex 4.B for an example template that can be adapted to suit reporting requirements.

Upon mission completion, further activities may include:

- ***Debriefing***: The expert should prepare a detailed mission report covering aspects such as mission scope and objectives, meeting agendas, participants, summaries of discussions and agreed actions, recommendations for next steps and lessons learnt. It could also include a list of challenges encountered during the mission, both from a technical and personal perspective. The mission report should be shared amongst all stakeholders in the development partner administration. The administration should also share all or key parts of the mission report with the host administration[2] for an agreed view on the outputs of the mission and next steps, including any changes that might need to be made to assistance plans.
- ***Evaluation***: The host administration should be asked to provide an evaluation of the work of the expert. Findings should be shared and discussed with the expert. Equally (and if not already included in the mission report), the expert should provide an evaluation of the host administration's co-operation during the mission.
- ***Travel and expense claim***: The expert should be asked to prepare a travel and expense claim and include all necessary documentation as established during the mission preparation phase (see above).
- ***ICT equipment check***: As noted above, the use of the administration's ICT equipment in foreign jurisdictions may pose certain security threats. After returning from a mission, the expert should therefore immediately contact the administration's ICT department to see whether equipment used abroad needs to be checked or replaced.

Annex 4.A. Capacity development partnership template

The purpose of this template is to gain a clearer understanding of the needs and expectations of the recipient tax administration, prior to undertaking a mission. The template is to be completed by representatives from the recipient tax administration and signed-off at senior level.

1. Please describe the area where you would like assistance and the type of assistance that you had in mind:
2. What are you hoping to get out of this assistance, in practical terms?
3. How does this work fit within your administration's own training and development programme and strategy?
4. Are there particular time constraints or timing considerations for this assistance? Please explain.
5. How would you intend to disseminate the learning from this assistance to others in your tax administration?
6. Who would participate in the training, and how will you ensure that they are the right people?
7. How will you ensure appropriate gender balance in the training?

8. How would you propose to measure success of the assistance in the short and medium term, both qualitative and quantitative?

9. Please provide any relevant statistics relating to your tax administration’s performance in the area of assistance?

10. Have you had an external or internal assessment relevant to this area (e.g. an internal report, a TADAT diagnostic, external recommendations)? Please describe.

11. Who will be the senior sponsor(s) for this project?

12. Do you have the ability and willingness to receive assistance (all or some) virtually?

13. Please identify any other stakeholders (within the administration or other government).

Annex 4.B. Links to documents and templates that can assist tax administrations with organising their capacity building activities (accessed on 1 June 2022)

Memoranda of understanding (MOU)

- Link to a draft MOU used by the Italian Revenue Agency: https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/cbn-report-2022-draft-mou-italy.pdf
- Link to a list of published MOU's of the UK Foreign, Commonwealth and Development Office (FCDO): https://devtracker.fcdo.gov.uk/projects/GB-GOV-1-300578/documents

Work plan

- Link to a work plan template: https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/cbn-report-2022-work-plan-template.pdf

Mission reporting template

- Link to HMRC's Capacity Building Unit mission report template: https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/cbn-report-2022-cbu-workstream-template.pdf

Annex 4.C. Checklist for mission preparation

This checklist is meant to provide administrations and experts with an overview of things to be considered when preparing for a capacity building mission. While the main focus is on on-site missions, it does also include things to consider for remote missions.

The aim of this checklist is not to say what has to be done but rather to ensure there are no gaps when preparing to deliver assistance. It is understood that for some of the items in this checklist, some administrations will have an administrative support function that will help experts with the various processes (e.g. visa, vaccinations, travel, etc.), while in other administrations experts are only are given guidance and asked to address the specific items themselves.

Annex Table 4.C.1. Checklist for mission preparation

Main category	Sub-category	Description	Check
General items			
Experts	Identify experts	Identify potential experts to deliver the assistance (ideally via an existing database which is updated regularly).	☐
	Select experts	Contact, interview and select experts.	☐
	Involve management hierarchy	Include the expert's management hierarchy in the process to avoid performance gaps within the administration and to ensure that the expert has sufficient time and internal support to prepare for and deliver the assistance programme.	☐
	Initial meeting	Organise an initial meeting with the expert to discuss the assistance request, expectations, requirements and potential training (e.g. security training, see below).	☐
	Confidential information	Engage with the host administration to establish whether confidential information is made available during the mission. If so, sign oath of secrecy / non-disclosure agreement.	☐
Dates	Mission dates	Discuss and agree mission dates with expert and host administration.	☐
Documentation and study material	Legislation and regulations	Request mission relevant legislation and/or regulations from host administration.	☐
	Description of the administration	Request host administration to prepare a description of the administration, including organisational set-up, roles and responsibilities, workflow, information and communication technology (ICT) environment, etc.	☐
	Study material	Provide host administration with study material well in advance. Where possible, invite officials to take e-learning courses.	☐
Specific items for on-site missions			
Visa and work permit	Work permit	Examine the pre-conditions that must be met before working in the host jurisdiction.	☐
	Taxation	Establish income tax implications (including social security contributions) as regards salary payments.	☐

Main category	Sub-category	Description	Check
	Determine passport and visa requirements	Check if visa(s) are required for the host jurisdiction and any jurisdictions where stopovers are necessary. This could be done via the ministry of foreign affairs.	☐
	Who has to apply?	Establish who is responsible for obtaining the visa (expert or administration) and which supporting documents need to be provided, e.g. an employer's letter for the visa application, an invitation letter, the formal request for assistance, etc.	☐
	Functional immunity	Establish the expert's functional immunity during the mission and inform the expert accordingly. Check whether the expert needs a special passport.	☐
Health	Vaccinations	Establish the vaccination requirements for the host jurisdiction and get the necessary vaccinations.	☐
	Medical advice	Obtain medical advice (e.g. from the administration's medical service) and purchase appropriate travel medicine. The medical advice should also cover food and water.	☐
	Doctors	Establish the location of doctors and hospitals in the host jurisdiction that speak the experts preferred languages.	☐
	Insurance	Obtain appropriate insurance coverage (medical, accident, travel, etc.).	☐
	Cost coverage	Ensure the responsibility for cost coverage (medicine, insurance, etc.) is established and related payments are made.	☐
	Welfare	Provide expert with advice on welfare related issues, particularly where experts travel on long-term missions without their family. Consider offering the expert with the possibility of getting professional advice.	☐
Safety / security	Jurisdiction safety check	Conduct a general safety check of the host jurisdiction, e.g. via the ministry of foreign affairs.	☐
	Contact embassy	Contact the embassy or consulate in the host jurisdiction (or in the absence of those, with institutions in neighbouring jurisdictions) to obtain detailed safety and security information.	☐
	Register expert	Register with the embassy or consulate (or in the absence of those, with institutions in neighbouring jurisdictions, any other official contact in the requesting jurisdiction or the UN security field office) for emergency assistance.	☐
	Security training	Assess whether security training (in-person or virtual) is recommended for the host jurisdiction and participate in training. The ministry of foreign affairs may be able to connect to the UNDSS which offers training courses, see https://training.dss.un.org/ (accessed on 1 June 2022).	☐
	Contingency plan	Draw-up a contingency plan for emergencies (embassy or consulates may have those readily available).	☐
	Emergency contacts – expert	Provide the expert with an overview of the steps to take in case of an emergency, including a list of 24/7 emergency contacts.	☐
	Emergency contacts – family	Ask expert to provide personal contact details in case of any emergency.	☐

Main category	Sub-category	Description	Check
Travel	Transport	Put together a mission itinerary and book all travel, including transfers (air, rail, bus, other). If possible, request the host administration to organise for airport transfers and hotel-to-host-administration transfers during the mission.	☐
	Accommodation	Book accommodation for the expert (considerations may differ for longer-term vs shorter-term missions).	☐
	Cancellation and return policies	Establish a clear understanding of cancellation policies and potential costs in case of an early or unexpected return home.	☐
	Travel / expense claim	Establish which information (e.g. receipts, account statements, hotel invoice, boarding passes, etc.) have to be provided as part of the travel / expense claim.	☐
	Information about host jurisdiction	Obtain information on the host jurisdiction (incl. cultural and social information) to understand the do's and don'ts.	☐
	Cash payments	Establish how payments are made in the host jurisdiction (e.g. is it a cash only country) and where cash can be drawn securely.	☐
Information and communication technology (ICT)	Use of hardware	Check with your administration's ICT department regarding the use of ICT equipment (e.g. laptop, mobile phone) in the host jurisdiction and whether specific security updates need to be made. Where needed, procure necessary ICT equipment.	☐
	ICT security guidelines	Obtain guidelines regarding accessing the host administration's ICT systems from administration owned devises and the potential security issues that may arise and how they can be avoided.	☐
Preparing the host administration	Contact details	Provide the host administration with contact details and the travel itinerary.	☐
	Liaison officer	Request the host administration to select a liaison officer within the administration to handle logistics and help organise mission's meetings.	☐
	Workplace	Request the host administration to set-up a workplace within its offices.	☐
	Set-up meetings	Organise meetings with officials of the host administration and circulate meeting invites. Ensure that all required officials have accepted the meeting invites and that the host administration has reserved meetings rooms.	☐
	Interpretation	If required (e.g. expert and administration's staff do not speak the same language), liaise with the host administration to identify interpreters (e.g. staff members or external interpreters). In case of external interpreters, establish cost coverage.	☐
Upon arrival in host jurisdiction	Hotel and phone numbers	Provide hotel room number and phone numbers to contact in home administration.	☐
	Reach out to contacts	Contact the various contact persons in the host jurisdiction (e.g. embassy, consulate, liaison officer of host administration, etc.) and set-up meetings where required.	☐
	Progress updates	Provide home administration with regular updates on progress (via phone or email), including the host administration's reactions to mission's work and any issues identified. Agree frequency of updates upfront.	☐
Other	Gifts	Obtain guidelines regarding the acceptance of any gifts or other benefits.	☐

Main category	Sub-category	Description	Check
Specific items for remote / virtual missions			
Preparing the session	Video platform	Decide on the video conferencing platform to be used for the remote / virtual mission.	☐
	Internet connection	Ensure the internet connection is working well.	☐
	Interpretation	If required (e.g. expert and participants do not speak the same language), liaise with the requesting administration to identify interpreters (e.g. staff members or external interpreters). In case of external interpreters, establish cost coverage.	☐
Preparing the requesting administration	Meeting participants	Obtain a list of participants from the requesting administration.	☐
	Set-up meetings	Invite meeting participants through email / calendar invite and request a confirmation for participation in the meeting.	☐
	ICT requirements	Provide meeting participants with the minimum ICT requirements to follow the meeting (ICT equipment, bandwidth, etc.)	☐
	Procure ICT equipment	If the requesting administration does not have the required ICT equipment, see whether it is possible to procure necessary equipment for the administration or fully equipped meeting space can be rented from local third party providers.	☐
	Test session	Organise a test session to confirm everything is working well.	☐
Follow-up items			
Debriefing	Mission report	Prepare mission report and share internally. Also, consider providing all or parts of the mission report to the host administration.	☐
	Follow-up work	Contact host administration to discuss any follow-up actions.	☐
	Sharing of lessons learned	Share (and discuss) lessons learned with other government agencies (e.g. ministry of foreign affairs, donor agency, etc.).	☐
Evaluation	Evaluation of expert	Request host administration to provide an evaluation of the work.	☐
	Evaluation of host administration	Provide an evaluation of the host administration's co-operation during the mission.	☐
Travel / expense claim	Prepare	Prepare a travel / expense claim and include all necessary documentation (as established during the mission preparation phase, see above).	☐
	Process	Process the travel / expense claim.	☐
ICT equipment	ICT equipment check-up	Contact your administration's ICT department to see whether ICT equipment used in the host jurisdiction needs to be checked or replaced.	☐

References

United Nations (2022), *Online courses by the United Nations Department of Safety & Security*, [19] https://training.dss.un.org/ (accessed on 1 June 2022).

Notes

[1] This concerns direct mission follow-up items and not capacity building project monitoring or evaluation which are covered in Chapter 5.

[2] Here and in the following paragraphs this should be understood as the receiving administration in case of remote missions.

5 Monitoring, evaluation and learning

Introduction

Demands on development partner tax administrations to support tax capacity building initiatives are increasing, leading to pressure on resources and the need to ensure activities are impactful and provide value for both the provider and recipient of assistance.

Monitoring, evaluation and learning (MEL) is critical to ensure that projects deliver successful outcomes for partners and represent value for money. Success in this context is defined as bringing about sustainable behaviour change. In delivery of peer tax capacity building assistance, it is key that all parties understand and agree on the nature and extent of support being delivered and the intended outcomes of such assistance.

The core aim of MEL is to generate a clear, common understanding among all parties of a project and its intended outcomes. This common understanding extends (and is not limited) to:

- the objectives and anticipated impact of the work;
- the development of project specific measurement indicators;
- the timeframe, resources and anticipated commitment from all parties; and
- a series of assumptions: things we hold to be true, such as capability, opportunity and motivation, that inform our intervention activities.

MEL is also essential in the learning process for all parties, ensuring that experiences from projects are understood and reflected in future activities. This contributes to improved effectiveness of current and future projects. Subject to project limitations, MEL should be carried out throughout a project or programme's lifecycle, as reflected in the tax administration capacity building framework of the 2016 OECD report (OECD, 2016[1]). This might include:

- ensuring that all parties agree on what impact should be achieved at the **diagnostic** stage;
- developing a set of outputs developed by consensus at the **design** stage;
- determining whether outputs continue to reflect the purpose, and updating diagnostic and design based on this, during the **implementation** stage;
- **monitoring** that outputs are delivered;

  evaluating the impact these outputs have; and
- **learning lessons** from what happened throughout a project.

This chapter will also set out some areas for consideration and suggestions on how development partner and partner tax administrations can capture information and monitor progress throughout the course of a project.

Monitoring, evaluation and learning

What is monitoring, evaluation and learning?

This question typically produces responses from practitioners like the ones below:

> “Something you have to do.”
>
> “I’m daunted by the prospect of introducing it, but I recognise the importance of measuring our impact.”

A robust monitoring, evaluation and learning framework should underpin and inform all project and programme activities. It is a way of forensic story-telling:

> “The comprehensive art of understanding and unpicking the change that a programme hopes to achieve, interpreting the change that you do see, and empowering a programme or advisers to shift in the ways that are necessary while learning from both successes and mistakes.” (Niki Wood, MEL Specialist)

Monitoring is the “systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives”. (OECD, 2002[20]) It is an ongoing process and can take place through formal exchanges, where there are established processes for all partners to review progress, and informal exchanges where partners update each other in less structured settings. Project monitoring provides real-time feedback to inform parties on project progress. This enables donors to assess during project delivery if activities are having the intended effect.

Evaluation is conducted at specific points in the project to assess how well activities have occurred and the impact they have had relative to what was expected in the project plan. For example, monitoring may tell stakeholders how many tax inspectors were trained over a defined time period, and to what standard, but evaluation is needed to assess whether these trained tax inspectors led to any sustained improvement in the tax administrations’ performance. Evaluation allows development partner tax administrations to understand the value of the project, whether the project should be continued, and to identify lessons that can be applied to similar future projects.

Learning from projects ensures that lessons from previous activities are reflected in all future activities, leading to improved impact and value for money of interventions. Monitoring activities and regular evaluation should produce information on what impact the project or programme is having. Tax administrations can learn from this to understand what actions they should replicate or change in future projects to maximise chances of sustainable capacity development.

Use of monitoring, evaluation and learning in project phases

Project or programme interventions are part of a system, and the ability to bring about meaningful, sustainable change is not only dependent on the quality of the intervention, but on other elements of the wider system, of which capacity building providers need to have due recognition. The overall process might be described as follows:

1. Produce a Useful Theory of Change – a draft story of what is expected to happen.
2. **Monitor** if those things – the measures of success or progress – are actually happening.
3. Then **evaluate** what actually happened.
4. This then informs whether something needs to change – the **learning** element.

For MEL to be impactful, it should be considered iterative and occurring throughout a capacity building project or programme, including the diagnostic, design, implementation and closing phases, with learning in particular taking place in real time. It is vital that all parties continue to remain in agreement on the measures and targets to be assessed as one phase gives way to the next, to ensure a common view on progress.

In the diagnostic stage, before starting a capacity building project, all parties should work together to jointly agree on the deliverables of the project, as well as the measures to assess its outcome. This applies no matter the scale of a project; projects must have a clear purpose outlining what they will achieve and a clear diagnosis of the problem the activity will address is key. Development partner tax administrations should at this stage reflect on lessons from previous capacity building projects and reflect these in the design of the new initiative.

In the design stage, a project's goals should be co-designed with the partner jurisdiction tax administration. It is critical that the partner jurisdiction tax administration is involved in the setting of project goals to generate the commitment necessary for sustainable change. A project's goals should be realistic, given the environment in which tax administrations operate, and subject to regular monitoring and evaluation to ensure that they remain relevant.

In the implementation stage, development partner tax administrations should frequently monitor the activities that are being undertaken to ensure that they are being delivered according to plan. This should be undertaken in close consultation with the partner jurisdiction tax administration, with information and data from the partner jurisdiction essential to effectively monitor progress. Successful implementation outcomes, as well as any outcomes that fall short, should be tracked to improve the quality of implementation and reflected in the review of lessons learned. Honest dialogue between the development partner and partner jurisdiction is essential to openly review progress and address issues.

In the closing stage, all parties should take the opportunity to evaluate the effectiveness of the project, learn from delivery and identify where improvements could be made. These lessons can be applied to future projects the development partner tax administration may deliver. Box 5.1. illustrates the approaches taken by the tax administrations of Finland and the Netherlands as part of technical assistance programmes to support the Tanzania Revenue Authority and the Uganda Revenue Authority, respectively.

Box 5.1. Use of MEL in capacity-building missions: Country examples

Finnish Tax Administration's use of MEL in a capacity-building programme with the Tanzania Revenue Authority

Background

The Finnish Tax Administration's (Vero) Technical Assistance to the Tanzania Revenue Authority (TRA) aims at sustainably increasing the revenue and the tax compliance in Tanzania. One of the four main outputs of the project is improved implementation of measures supporting better tax compliance of business taxpayers, with particular focus on voluntary compliance.

One of the activities in the first output was to enhance the examination (desk audit) process for value added tax and corporate income tax. Some of the issues identified in the current process were the lack of standard case selection, officer instructions, customer letters or reports and lengthy approval methods.

A pilot was planned and implemented together with TRA and Vero experts to test a new method of examination. The goals of the pilot were increasing effectiveness, uniformity and efficiency of the examination process. Key changes included risk-based selection criteria and a tool to execute them; detailed instructions for each selection criteria; new process flow and key performance indicators.

Monitoring

The pilot implementation was supported by identifying champions from every pilot office and the continuous collection of feedback. Based on the feedback collected:

- Sessions with management were held to secure their on-going commitment and support; and
- The risk criteria and the instructions were improved.

In some cases, the feedback helped identifying new useful tools and approaches that some of the pilot offices applied and that the other offices were not aware of.

Evaluation

To evaluate the results of the pilot and to measure its impact on taxpayer compliance, tax revenue and the costs of TRA, a study was conducted, comparing the outcomes of the pilot with examination results from the pilot areas before and those of a comparison group (tax offices not participating in the pilot). The study was led by UNU-WIDER and included researchers from the University of Dar es Salaam and data analysts from TRA.

The goal of the study was to evaluate whether the new examination method lead to greater revenue collection and swifter processes than the old examination method. The results, which are based on a difference-in-differences strategy and administrative data from the TRA, demonstrate that the intervention increased adjusted taxable income by approximately 15 per cent during the first year of the new approach. The results are summarised in the 2021 UNU-WIDER working paper *The effects of a risk-based approach to tax examinations: Evidence from Tanzania* (Ebrahim et al., 2021[21]).

The Pilot study presents a good way of starting the co-operation between TRA and UNU-WIDER. In addition to the pilot, a broader research collaboration between UNU-WIDER and TRA is being planned with the financial support from the Norwegian Agency for Development Cooperation.

The Netherlands Tax and Customs Administration's use of MEL in a capacity-building programme with the Uganda Revenue Authority

Background

The Netherlands Tax and Customs Administration (NTCA) and the Uganda Revenue Authority (URA) agreed on a 3-year capacity building programme.

Areas for co-operation were identified using information from URA, TADAT and input from other development partners. To avoid duplication, seeking synergy with work from other development partners and alignment with the URA's strategic plan were key considerations.

Monitoring

NTCA and URA designed together a theory of change. The desired impact of the capacity building was the increase of the general level of compliance and thus an increase in domestic revenues. The impact is visualised via a set of indicators for inputs, outputs, short term outcomes and long term outcomes.

One of the indicators for long term outcomes was the commitment of senior management to the capacity building activities, measured by the number of meetings with senior management, the follow-up by senior management of recommendations and the discussion of capacity building on board level. It appeared that in an early stage of the capacity building programme that commitment was present, but could not be made visible by URA. Discussing this finding led to the appointment of a contact person at senior management level and created open communication throughout the entire programme.

Learning and evaluation

During the trainings on audit, the Dutch experts found that the use of soft skills appeared to be a hindrance for an effective audit process. This learning was used to make adjustments in the programme, with an increased focus on the soft skills for the auditors, such as interview skills, avoiding disputes et cetera. New indicators to measure the output and outcome were introduced.

At the end of the agreed support on international taxation NTCA and URA concluded that there was an additional need for further support. Both parties concluded that NTCA was likely not the best capacity building partner to cover the specific needs of URA and the request for support was handed over to another development partner.

In a comprehensive evaluation the expected impact was compared with the achieved impact. This evaluation was based on the collected information on input, output and outcome and verified with information from TADAT, and observations of civil society organisations and a group of representatives of the business community.

Sources: Finland (2022) and the Netherlands (2020).

Monitoring, evaluation and learning templates

Capturing information is critical to effective MEL. Development partner tax administrations use a range of mechanisms to track MEL information, with no standardised approaches. The use of simple MEL documentation, including templates, is key to ensure all parties are aware of the targets and the data needed to track progress.

The availability of quality data is a critical consideration for effective MEL. Data is necessary at all stages of the project, including:

- the start of projects to set a baseline,
- during projects to populate indicators, and
- the end of projects to identify if outcomes and impact have been delivered.

Unreliable, unsuitable or unavailable data creates difficulties when monitoring and evaluating capacity building projects because data is essential to develop a results framework. An inability to effectively gather the required information may impede the ability to assess the impact of support, as well as limiting the partner jurisdiction tax administration's ability to assess progress. However, more data does not equal better data. Gathering the right data is most important. Before implementing a project, the development partner tax administration should clarify what sources of data exist and can be used.

There are a number of diagnostic tools available to help development partner tax administrations identify suitable measures for capacity building assistance (see Chapter 3). Development partner tax administrations should consider if previous diagnostics have been undertaken in the recipient administration and if data is available to support MEL. Where possible, targets should be aligned with those of the partner jurisdiction tax administration's own performance targets.

Poorly defined indicators are a common problem in capacity building projects. Where possible, stakeholders should seek to use standardised indicators that are used by other development partners or recognised internationally, such as indicators *17.1.1 – Total government revenue as a proportion of GDP, by source* and *17.1.2 - Proportion of domestic budget funded by domestic taxes* of the Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development. (United Nations, 2017[22])

Aligning with other partners internationally enhances collaboration and mitigates the risk of adding to cost by developing new indicators. In circumstances where there is no suitable international indicator to adopt, development partner tax administrations should feel comfortable in creating their own indicators that suit the specific requirements of the project. Given the challenges of developing effective indicators to monitor, evaluate and learn from tax capacity building projects, the OECD's Forum on Tax Administration Capacity Building Network (CBN) has committed to share examples of both qualitative and quantitative measures that have been developed by development partner tax administrations in delivery of their work.

CBN Monitoring, Evaluation and Learning Sub-Group

The challenges in effectively monitoring, evaluating and learning from tax capacity building activities have been widely acknowledged by CBN members. These include difficulties in developing effective project indicators and a lack of familiarity with the range of diagnostic tools available.

To better identify CBN members' needs, the network conducted a survey among its members on current MEL practices.

The survey demonstrated that CBN development partner tax administrations have considerable interest in a range of MEL issues, including:

- development of suitable indicators for capacity building projects, including output, outcomes and impact indicators;
- encouraging the use of evaluation in projects;
- learning from other donor tax administrations' projects; and
- co-ordinating effectively with other development partner tax administrations, especially around accessing suitable sources of data for projects.

Following analysis of survey results, a CBN sub-group was established in 2020 to examine these MEL issues. Members include the tax administrations of Australia, France, Italy, Sweden and the United Kingdom. The group enables the sharing of knowledge and experiences of MEL in tax capacity building programmes, including examples of documentation and summaries of experiences and best practice in the use of MEL. Early discussions revealed the varied challenges of monitoring, evaluating or learning in the delivery of capacity-building projects, including the different requirements for short-term activities, such as workshops, with longer-term capacity building programmes. The subgroup will continue to explore issues related to MEL and will share insights and learning with the wider CBN.

References

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United Nations (2017), *General Assembly resolution 71/313, Work of the Statistical Commission pertaining to the 2030 Agenda for Sustainable Development, A/RES/71/313 (6 July 2017)*, United Nations, https://undocs.org/A/RES/71/313 (accessed on 1 June 2022). [22]

FORUM ON TAX ADMINISTRATION

Tax Capacity Building: A Practical Guide to Developing and Advancing Tax Capacity Building Programmes

The report *Tax Capacity Building: A Practical Guide to Developing and Advancing Tax Capacity Building Programmes* aims to assist tax administrations globally in advancing their tax capacity building programmes by describing good practices, by looking at tools and approaches that improve co-ordination, and by sharing knowledge. While the report primarily focuses on the development of a tax administration's own capacity-building programme, elements of this report may also prove useful to those providing other forms of assistance, for example, through the support of programmes undertaken by the domestic development agency or through the support of regional or multilateral initiatives.

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