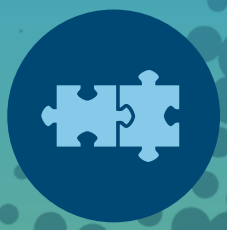
addis tax initiative

ATI Monitoring Brief 2016



ATI Commitment 3

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Contents

Monitoring Brief: ATI Commitment 3

This 2016 Monitoring Brief on Commitment 3 of the Addis Tax Initiative is the third of three ATI Monitoring Briefs, each of which is concerned with the monitoring of the fulfilment of one of the ATI commitments. The results presented are based on the replies from ATI member countries to the ATI Monitoring Survey. The Monitoring Briefs on Commitments 1 and 2 can be found online.

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Key Findings

ATI Commitment 3 is dedicated to ensuring policy coherence for sustainable development, particularly in the area of domestic revenue mobilisation. Relying on the participation and comments of the ATI member countries in the ATI Monitoring Survey (14 development partners and 8 partner countries), the 2016 Monitoring Brief on Commitment 3 of the Addis Tax Initiative presents the following key findings:

- Many partner countries and development partners are **dedicating considerable attention to international tax cooperation**, especially with respect to the OECD/G20 Base Erosion and Profit Shifting (BEPS) project and exchange of information, including additional measures to combat illicit financial flows. Outcomes are already observed.
- **The recognition of potential negative spill overs of double taxation agreements** on partner countries has led several countries to evaluate existing treaties or to place more emphasis on the overall policy effects when negotiating new agreements.
- **Awareness of the impacts of tax incentives has risen**. Some countries have even adopted legislative measures to regularly evaluate and reassess tax incentives.
- Debate over the **taxation of Official Development Assistance (ODA) has intensified discussions on whether ODA should be exempt from taxation** are happening both at an international level as well as within countries.

Introduction

The Addis Tax Initiative (ATI) is a multi-stakeholder partnership of development partners and partner countries that aims to mobilise significant increases in domestic revenue and to improve the transparency, fairness, effectiveness and efficiency of tax systems in partner countries. Launched at the Third Financing for Development Conference in 2015, the Addis Tax Initiative provides a dynamic framework for action to enable partner countries to increasingly rely on domestic revenue to fund their development agenda and meet the Sustainable Development Goals (SDGs) by 2030. Members of the Addis Tax Initiative have agreed to three overarching commitments. First, the ATI development partners commit to collectively double technical cooperation in the area of domestic revenue mobilisation by 2020. Second, the ATI partner countries commit to step up the mobilisation of domestic revenue in order to spur development, in line with the Initiative's *key principles*. Third, all ATI signatories commit to promote and ensure policy coherence for development. The purpose of the ATI monitoring is to assess the progress of ATI members in fulfilling the three commitments.

Figure 1: The Three ATI Commitments

The 2016 monitoring will analyse the results of the ATI Monitoring Surveys on the developments since the last reporting. It will be published in three individual reports, one for each of the three ATI commitments (ATI Monitoring Briefs) throughout 2018. The next comprehensive report is scheduled to be published in 2019; it will provide a mid-term review of the fulfilment of the three ATI commitments.

ATI Commitment 3

ATI Commitment 3 is dedicated to ensuring policy coherence for development, particularly in the area of domestic revenue mobilisation. It applies to all ATI signatories and demands *"to ensure that relevant domestic tax policies reflect the joint objective of supporting improvements in domestic resource mobilisation in partner countries and applying principles of transparency, efficiency, effectiveness and fairness"* (ATI Declaration 2015, p. 4). The concept of policy coherence recognises the synergies between and across different policy areas(, the tensions and trade-offs between domestic policies , regional and international standards, agreements and acknowledges the potential spillovers of domestic policies and their implications for other countries.

With ATI Commitment 3, the Addis Tax Initiative is in line with the spirit of the Addis Ababa Action Agenda, which calls for the pursuit of *"policy coherence and an enabling environment for sustainable development at all levels and by all actors"* (UN, 2015a, p. 5). Moreover, ATI Commitment 3 makes a direct contribution to SDG target 17.14. In a similar way, it relates to the OECD framework for Policy Coherence for Sustainable Development (see Box 1).

Box 1: Policy Coherence for Sustainable Development

The inclusive and partnership-based approach of the Sustainable Development Goals (SDGs) has induced a paradigm shift in the formulation of policy coherence for development. The focus of the new framework for Policy Coherence for Sustainable Development (PCSD) is "[…] to integrate the economic, social, environmental and governance dimensions of sustainable development at all stages of domestic and international policy making" (OECD, 2016a, p.83). As such, "[…] PCSD aims to increase the capacities of governments and stakeholders to identify synergies, consider trade-offs between multiple and sometimes conflicting objectives – for example between economic growth, environmental protection and reduction of carbon emissions – and address potential spill overs of domestic policies" (ibid). PCSD, thus, goes beyond a purely "do no harm" approach, where the focus lies on minimising negative spill overs of development partners' domestic and international policies on partner countries (OECD, 2016a).

Monitoring the efforts and results under ATI Commitment 3 relies on self-reporting by the ATI members as there is currently no comprehensive indicator available to assess policy coherence in the area of domestic revenue mobilisation. Nevertheless, even though a thorough evaluation and clear statements on the progress with respect to ATI Commitment 3 are not possible, the monitoring is important to contribute to sharing of knowledge and experiences with pursuing on policy coherence for development among the ATI members.

2016 Monitoring of ATI Commitment 3: Methodology

There is currently no comprehensive data available that could be used to quantify the efforts and the progress made by the ATI signatories to enhance policy coherence in the area of domestic revenue mobilisation. The process for monitoring of SDG 17.14 by the Inter-agency Expert Group on Sustainable Development Goal Indicators[1] is still ongoing and it is unclear whether it will allow for specific conclusions regarding domestic revenue mobilisation. The monitoring of the Addis Ababa Action Agenda also suggests the use of the indicator for SDG 17.14 to assess policy coherence at a national level (IATF 2016).

The *ATI Declaration* does not further specify Commitment 3, nor does it define indicators to measure the commitment. In the *ATI Monitoring Note*, it was subsequently agreed upon to use qualitative information from the ATI members to assess ATI Commitment 3. Therefore, the 2016 monitoring of ATI Commitment 3 is largely based on the ATI members' narrative contributions to the ATI Monitoring Survey and thereby following closely the methodology used for the 2015 ATI Monitoring Report on Commitment 3. Both ATI development partners and ATI partner countries have been asked in the ATI Monitoring Survey to discuss approaches and activities that are undertaken to ensure policy coherence for development in several thematic areas related to domestic revenue mobilisation.

In order to improve the comparability and consistency of the reporting, the ATI established a Consultative Group on ATI Commitment 3 to review and refine the monitoring methodology. The aim is for the ATI members to agree on a set of indicators that cover the most important topics of policy coherence in the area of domestic revenue mobilisation and that are quantitatively measurable. It is anticipated that the mid-term review 2018, to be published in 2019, will reflect the updated.

Reporting for the 2016 ATI Monitoring Brief

For the 2016 ATI Monitoring Brief, ATI partner countries and development partners were asked to provide details on their domestic strategies for policy coherence for development in relation to domestic revenue mobilisation. Moreover, they were asked about their activities and approaches in six focus areas of policy coherence: illicit financial flows, international tax cooperation, tax incentives, double taxation agreements, taxation of ODA support and domestic revenue mobilisation and green growth. Finally, the ATI members were asked to report on their progress since the 2015 ATI Monitoring Report.

14 ATI development partners and 8 ATI partner countries have replied to the 2016 ATI Monitoring Survey on policy coherence. It thus has to be kept in mind that not all ATI signatories are covered in this Monitoring Brief.

[1] The indicator selected by the Inter-agency Expert Group on Sustainable Development Goal Indicators to measure progress on SDG 17.14 is "Number of countries with mechanisms in place to enhance policy coherence of sustainable development" (UNSTATS 2018, p. 20). However, to date, there is no data available to compile this indicator and the process for monitoring SDG 17.14 is thus still ongoing.

Findings

In the following sections, summary findings regarding ATI Commitment 3 are presented. An overview of the different approaches with regards to policy coherence adopted by the ATI members can be found in the country sections.

Coherent Domestic Policies and Inter-Agency Cooperation

For countries working towards policy coherence for sustainable development, it is essential to have a comprehensive approach in policy-making that balances the economic, social and environmental dimensions of sustainable development. Such an integrated approach, considering all dimensions of development, is also referred to as "horizontal coherence" and represents one of the core principles of the policy coherence for sustainable development framework (OECD 2016a).

The principle of horizontal coherence implies that domestic revenue policies should be an integral part of a country's overall development strategy. For development partners, this means consistency between aid policy and tax policy, which includes adherence to international agreements. Such international agreements could for instance be the standards agreed upon under the BEPS project or transparency requirements with regards to beneficial ownership information. For partner countries, this applies to consistency in their national policies. On the one hand, partner countries can learn from the national policies that harm domestic revenue mobilisation and, on the other hand, partner countries may emulate successful domestic revenue mobilisation policies.

Box 2 provides some examples of how ATI members align their domestic revenue policies with the general development framework. Many development partners already address policy coherence as part of their development framework or their DRM strategies, and furthermore mention to pursue a "Whole-of-Government Approach"[2]. Moreover, policy coherence is often an integral element of their broader efforts to implement the UN 2030 Agenda for Sustainable Development. Even though all ATI partner countries that have reported on ATI Commitment 3 work towards coherent domestic policies, the 2016 ATI Monitoring Survey shows that most of them do not have a clear strategy for policy coherence in the area of domestic revenue mobilisation.

[2] The term Whole-of-Government Approach refers to the joint activities performed by various ministries, departments and public agencies with the goal to provide a common solution to a particular problem.

Box 2: Examples of Coherent Domestic Policies

Australia

Building on the close collaboration during that time, Australian Government agencies responsible for domestic tax policy (the Treasury) and administration (the Australian Taxation Office – ATO) have continued to work closely together and meet regularly with Australia's Department of Foreign Affairs and Trade (DFAT - responsible for administering Australia's overseas aid program) as part of **whole-of-Government efforts** to continue to promote these agendas. **Advancing policy coherence on tax issues across Australia's domestic and international policy sphere's is an explicit goal of DFAT** as part of its *Framework for supporting tax policy and administration through the aid program*, a framework developed in consultation with the ATO and Treasury.

Kenya

Kenya is **working towards coherent domestic policies through appropriate roles of various taxes**. Some of the suggestions to the current Medium-Term Plan include minimisation of tax incentives to areas where they demonstrate positive returns for the taxes foregone and in particular **elimination of redundant tax incentives and the use of taxes for appropriate roles**. In this regard, the VAT should serve as a broad-based consumption tax (with limited distributional functions), the Income Tax Act through progressive taxation should be the primary instrument for redistribution, excise taxes should target negative externalities and social 'bads' while protection should largely be the role of import duties.

Paraguay

Paraguay's National Development Plan 2030 is a strategy document designed to coordinate action by line departments of the Executive Branch and with different levels of government, civil society, the private sector and, where necessary, the Legislative and Judicial Branches. It is based on three strategic aims: 1. poverty reduction and social development; 2. inclusive economic growth; 3. meaningful role in the world arena. The tax authority has formulated its **Strategic Plan 2014–2018 in line with the National Development Plan 2030**. It establishes the mission to **collect taxes with integrity, efficiency and transparency**, helping taxpayers to comply with their obligations by ensuring continuous innovation in service delivery and management excellence, with a view to making every citizen a responsible and committed taxpayer. To achieve this, the focus lies in tax collection, tax scrutiny and institutional development.

Sweden

A new National Action Plan will **apply the Policy for Global Development (PGD) as a key tool for mobilising coherent whole-of-government action**. The PGD **mandated all ministries for the first time to develop internal action plans with concrete goals and clear responsibilities for the work of the PGD linked to the 2030 Agenda**. This process provided an opportunity to anticipate and manage potential conflicts of interest between sectors and between domestic and international priorities. **Policy coherence is thereby considered the backbone of PGD**. Reports to parliament every two years enhance transparency in the handling of conflicts of interest and strengthen co-ordination for policy coherence. Finally, the Government establishes that **Sweden shall be a leader in the implementation of the 2030 Agenda** both nationally and internationally, and that PGD shall continue to be a key tool in the implementation.

Coherent domestic policy as an overall goal requires that different ministries or departments begin aligning their policies, taking into account the effects on other policy areas. This inter-agency cooperation is another important aspect of horizontal policy coherence. With regards to domestic revenue mobilisation, this could mean increased cooperation between the ministry of finance and the revenue department, or increased cooperation between working groups consisting of different actors to discuss legislative changes regarding taxation. As stated in the latest OECD report on policy coherence: "Countries are increasingly recognising the need to break out of institutional and policy silos to fully realise the benefits of synergistic actions and effectively manage unavoidable trade-offs across SDGs," or more generally, across different policy goals (OECD 2018a).

The results of the 2016 ATI Monitoring Survey suggest that many ATI signatories have taken steps to implement different types of formal and informal coordinating mechanisms in the area of domestic revenue mobilisation (see Box 3). Several development partners and partner countries report that there are regular meetings between Ministry of Finance and Ministry of Foreign Affairs and/or Ministry for Development at the political level. Furthermore, respondents have emphasised the existence of working groups, where protagonists of different fields meet to discuss policies and their potential consequences from different perspectives. The views of other stakeholders, such as civil society, the research community and the private sector, are routinely taken into account in such working groups.

Box 3: Examples for Inter-agency Coordination

Canada

Finance Canada, the Canada Revenue Agency, and Global Affairs Canada have historically worked closely together as they each have a mandate on a specific dimension of international tax policy or programming. A mandate for tax policy or programming is the basis for engagement in Canada's informal whole-of-government approach to tax and development. The three **ministries collaborate when domestic resource mobilisation issues are raised in international discussions**, often related to work with the OECD, UN and G20. Among the three ministries, discussions have been underway to articulate a "whole-of-government approach" to tax and development.

European Commission

The **coordination with EU Member States as well as the coordination within European Commission services plays an important role**. The new **European Consensus on Development** of June 2017 in its Chapter on Policy Coherence for Development **highlights specific policy areas where synergies shall be sought**, among which are trade and finance. Since 2017 work on Policy Coherence for Development has been integrated in the overall Commission work related to the 2030 Agenda, as a standing agenda item of the Commission's inter-service steering group on the UN SDGs, facilitating regular review of progress on PCD commitments at EU level.

Finland

The **coordination and cooperation between different agencies are ensured through extensive sustainable development coordination mechanisms**. The work is led by the Prime Minister's Office that hosts the coordination secretariat. The secretariat has the responsibility for planning, preparing, coordinating and ensuring

the national implementation of Agenda 2030. The sustainable development coordination network, comprising representatives of all line ministries, guides the work of the secretariat. It prepares, develops and coordinates sustainable development efforts in Finland, with the **objective of increasing policy coherence with regard to and mainstreaming sustainable development as part of Government policy**.

Liberia

Inter-agency dialogues are carried out to ensure and strengthen a symbiotic relationship between stakeholders of government. Memorandum of Understanding (MoU) are developed between agencies in order to exchange third-party data and to foster the relationship. For instance, the Liberian Revenue Authority (LRA) has signed a MoU with the Financial Intelligence Unit (FIU). The FIU is set up by the Government as a semi-autonomous agency and the MoU with LRA is to collaborate and share information and technical expertise in combating IFF.

Senegal

The General Directorate of Taxes and Government Property has put in place a **permanent framework for sharing and exchanges with the General Directorate of Customs**. A meeting is held fortnightly for monitoring and oversight purposes and information exchange. In addition, a similar framework has been set up with the General Directorate of Public Accounting and the Treasury and meetings are held more frequently.

Slovak Republic

The Slovak Ministry of Finance, responsible for DRM policy in general, has a seat in the Coordination Committee of the Slovak Development Cooperation (which brings together all stakeholders active in development cooperation, including nearly all ministries, NGOs etc.), as well as the working group on PCD. The committee enables not only whole of government, but rather whole of society discussions on development cooperation issues, including mutual coordination and PCD.

Switzerland

Cooperation between different agencies is ensured through regular meetings of the working group on tax with participation of the main agencies involved, which are the State Secretariat for Economic Affairs (SECO), the Swiss Development Agency (SDC), the State Secretariat for International Finance Matters (SIF), the Swiss Federal Tax Administration (SFTA), and the Federal Department of Foreign Affairs (EDA). For example, SECO's support to the BEPS and Global Forum is fully aligned between SECO and SIF, and thus supporting countries in achieving reasonable standards of capacity in the area of international tax.

Focus Areas of Policy Coherence

Policy coherence for sustainable development is an overarching goal and applies to all policy dimensions and a variety of topics and issues. With respect to domestic revenue mobilisation, six core topics – illicit financial flows, international tax cooperation, tax incentives, double taxation agreements, taxation of ODA support and domestic revenue mobilisation and green growth – will be discussed in this 2016 ATI Monitoring Brief. In the ATI Monitoring Survey the ATI members were asked to discuss the activities they are undertaking regarding the six core topics to ensure policy coherence for development.

A. Illicit Financial Flows

One focus area of policy coherence that has received much attention is the fight against illicit financial flows (IFF). The Addis Ababa Action Agenda specifically stresses the efforts to reduce illicit financial flows by 2030[3] and SDG 16.4 refers to the goal of reducing IFF (UN 2015b). Moreover, IFFs represent one of three thematic modules in the OECD Framework for Policy Coherence for Sustainable Development (OECD 2016a).

Box 4: What are Illicit Financial Flows?

While there is no internationally agreed-upon definition of illicit financial flows, there are some common aspects in most definitions, namely a) the international dimension of illicit financial flows (cross border), b) the focus on (various types of) financial flows, and c) the illicit nature of these flows. The think-tank Global Financial Integrity (GFI), for instance, defines illicit financial flows as "illegal movements of money or capital from one country to another". According to GFI, illicit flows encompass funds that are illegally earned, transferred, and/or utilised. This also includes flows from cross-border tax evasion.

Sources: www.gfintegrity.org

The 2016 ATI Monitoring Survey asked the ATI member countries about their activities concerning policy coherence with respect to illicit financial flows.

Most respondents among the development partners mention their participation and efforts with regards to illicit financial flows and anti-money laundering in intergovernmental bodies, primarily in the Financial Action Task Force (FATF). Development partners are, furthermore, also active in the OECD Anti-Bribery Working Group, the Global Forum for Exchange of Information for Tax Purposes, the Group of States Against Corruption (GRECO) and the United Nations Convention against Corruption (UNCAC). Following mutual evaluation reports of the Financial Action Task Force, Australia as well as Canada have implemented measures to tackle the deficiencies detected, which included, among others, amendments to anti money-laundering legislation. A reform of anti-money laundering legislation has also been undertaken in Finland. The EU strengthened its legal framework to fight against money laundering (Fifth EU Anti-Money Laundering Directive of May 2018).

[3] We will redouble efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation." (UN, 2015a)

Several development partners state their efforts against IFF in cooperation with partner countries. For example, in 2017 the OECD, Kenya, Italy and Germany launched the pilot project 'Africa Academy for Tax and Financial Crime Investigation' in Nairobi.

In 2017, Finland's Government published a *political position paper* detailing its work to combat tax evasion.

Among the ATI partner countries responding to the survey, both Liberia and Malawi highlight the respective establishment of a Financial Intelligence Institution with the goal to combat money laundering, illicit financial flows and tax crime. Moreover, the development of new legislation and the amendment of existing provisions is stressed by both countries. The adoption of anti-money-laundering regulation has also been a focus in Afghanistan, in addition to the implementation of UN sanctions.

During its Presidency of the G7, Italy sponsored the signature of the "Bari declaration on fighting tax crimes and other illicit financial flows", which elicited a renewed awareness on these issues.

The Revenue Authority of Madagascar has, since 2017, participated in a National Risk Assessment on money laundering and financing of terrorism, a process set up by the World Bank and the Financial Action Task Force. Moreover, an inter-agency partnership between the revenue authority and the authority in charge of money laundering in Madagascar has been established in order to exchange information and provide mutual technical assistance. An inter-institutional agreement is also in force in Paraguay with the aim to, together with a new threshold for reporting financial transactions, combat money laundering.

B. International Tax Cooperation

Conservative estimates suggest that developing countries 100 USD annually to tax avoidance by multinational enterprises. – The magnitude of the problem underscores the importance of international tax cooperation aimed at curbing cross-border tax evasion and avoidance.

In line with the priority areas set out in the Addis Ababa Action Agenda, activities are hereby focused on the (automatic) exchange of information for tax purposes (AEoI), the provision of information on beneficial ownership and the implementation of the G20/OECD Base Erosion and Profit Shifting (BEPS) project.

The ATI member countries are intensively working on topics related to international tax cooperation and most ATI members are also active in international fora, like the Global Forum on Transparency and Exchange of Information for Tax Purposes, the UN Committee of Experts on International Cooperation in Tax Matters, or the BEPS Inclusive Framework.

Automatic Exchange of Information

Exchanging information on tax matters between different jurisdictions is a necessary requirement in the fight against cross-border tax evasion. The instrument of (automatic) exchange of information in tax matters is thus of great importance. 18 of the ATI development partners and three of the ATI partner countries (Ghana, Indonesia and Liberia) have so far signed the Multilateral Competent Authority Agreement[4] (MCAA) and many countries have started the automatic exchange of information in 2018 (status as of 29 October 2018).

[4] "The legal basis for the MCAA (which is agreed at competent authority level) rests in Article 6 of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters which provides for the automatic exchange of information between Parties to the Convention, where two Parties subsequently agree to do so" (OECD 2018).

Canada will begin the automatic exchange of information latest by September 2018.

Replies by development partners stress their process of implementing AEoI and Country-by-Country Reporting (CbCR). Ireland, for instance, was awarded the highest international rating on tax transparency and exchange of information by the OECD's Global Forum on Tax Transparency and Exchange of Information.

In 2018, Liberia signed the MCAA and is working on the ratification of the last four of 16 Tax Information and Exchange Agreements (TIEAs). Paraguay signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters ("the Convention") in 2018, and Kenya is pursuing its ratification. The Convention provides the legal basis for the MCAA and the subsequent exchange of information. Madagascar, as a new member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, has yet to adopt any specific legislative measures on the automatic exchange of information.

In 2018, Paraguay signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

Beneficial Ownership Information

The transparency of information pertaining to the beneficial owners of assets is another crucial aspect in the fight against international tax evasion. Since the beginning of 2018, the majority of companies in Sweden must register beneficial ownership information. A beneficial ownership register was also introduced in Germany in 2017 and is being developed in the Netherlands. Other ATI members (including Australia, the European Commission, Finland, Italy, Ireland, Georgia and Kenya) gave feedback that they are working towards improving beneficial ownership information through, for example, adjustments in legislation.

The Dutch Tax and Customs Administration is active in 2 countries in the context of Tax Inspectors Without Borders

Base Erosion and Project Shifting

The G20/OECD project on Base Erosion and Profit Shifting (BEPS) is another major subject in the area of international tax cooperation. All ATI development partners and several ATI partner countries (Benin, Burkina Faso, Cameroon, Georgia, Indonesia, Kenya, Liberia, Paraguay, Senegal and Sierra Leone) have joined the BEPS Inclusive Framework and are now working on the implementation of the BEPS standards, in line with their domestic capacities.

The survey responses from the ATI development partners highlight the ongoing legislative processes for the implementation of BEPS measures. Recommendations from peer reviews are taken into consideration while updating the provisions. Italy, for example, was reviewed with respect to the implementation of Action Point 5 of BEPS, Countering Harmful Tax Practices, and has subsequently begun to address the recommendations. Moreover, Switzerland and the Netherlands mention their support to partner countries regarding the implementation of BEPS minimum standards.

Georgia is actively participating in the work of the OECD and is represented in various working and steering groups/committees dealing with AEoI, Beneficial Ownership, BEPS and Country-by-Country reporting.

Similarly, for the ATI partner countries responding to the survey, work is ongoing with regards to the implementation of the BEPS minimum standards (Georgia, Kenya, Paraguay and Senegal). Germany, the Netherlands and Switzerland mention their work with partner countries on tax cooperation, such as supporting projects to implement BEPS minimum standards.

In the US, the 2017 Tax Cuts and Jobs Act implements provisions consistent with the anti-hybrid, controlled foreign corporation, and interest limitation rules recommended by the BEPS project

C. Tax Incentives for Investments

Another relevant topic for policy coherence in the area of domestic revenue mobilisation is the use of preferential corporate tax regimes aimed at attracting foreign direct investment (FDI). These include different types of tax incentives, such as the temporary exemption from corporate income tax ("tax holidays") or tax credits for investments in specific sectors. The Addis Ababa Action Agenda, in general, notes that *"tax incentives can be an appropriate policy tool [...]"* (UN, 2015a, p.13), while at the same time encouraging countries to discuss the role of tax incentives against the backdrop of a potentially harmful tax competition. The competition to attract FDI can lead to effective tax rates close to zero, which can considerably narrow the fiscal space of partner countries. Furthermore, evidence on the benefits of incentives for FDI attraction for developing countries is mixed and limited (Andersen et al. 2017).

In the 2016 ATI Monitoring Survey, two questions regarding tax incentives were asked: first, on the strategic approach ATI members are pursuing regarding tax incentives, and the authorities responsible for them; second, on how the countries are ensuring policy coherence for development with respect to those incentives.

Most development partners discuss their implementation of broad incentives – for example, to promote investment in research and development activities – as opposed to focusing on specific sectors. Incentives for addressing environmental sustainability goals are also mentioned. Some countries – Ireland, Germany and Australia – highlight the guidelines in place to ensure the cost-efficiency of tax incentives and the regular reviews of existing incentives. Slovakia, moreover, addresses incentives proposed by the European Commission. Generally, the European Commission states the need to better assess tax incentives in partner countries. Germany and Australia additionally stress that all tax incentives are made transparent.

In Germany, all subsidies including tax expenditures are subject to a Sustainability Impact Assessment which is based on Germany's national sustainability strategy.

In the ATI partner countries, most tax incentives are targeted to specific sectors or to export processing zones, such as in Malawi and Paraguay. Furthermore, the oversight and review of incentives by the respective authorities is said to play an important role. New provisions with respect to tax incentives have been enacted in Liberia and Afghanistan, regulating the granting and duration of new incentives as well as encouraging new investments. Senegal is currently in the process of rationalising the different incentives and is instituting a general law based on such measures. Kenya mentions to commitment to move away from discretionary tax incentives that still exist in some areas of the country.

With regards to policy coherence for development in the area of tax incentives, transparency is again mentioned several times. Australia claims to avoid policies that encourage harmful tax competition with other jurisdictions and the European Commission names its Platform of Tax Good Governance, which discusses the impact of EU tax policies on developing countries. In Germany, all subsidies, including tax expenditures, are subject to a sustainability assessment: for all existing subsidies, their long-term economic, environmental and social impact is evaluated and documented in a subsidy report. Impact assessments as well as cost-benefit analyses of tax incentives are institutionalised in Liberia and Senegal as well. Switzerland mentions its support to partner countries regarding policy design and cost-benefit analysis.

Working groups or committees that connect different departments or ministries and where input from various stakeholders on this issue is taken into account exist in several countries (Italy, Slovakia, and Liberia).

D. Coherence of Double Taxation Agreements

The allocation of the rights to tax incomes from cross-border transactions between different jurisdictions is governed by double taxation agreements (DTAs). The core objective of those treaties is to avoid double taxation of incomes in the two contracting countries. Double taxation agreements are also aimed at preventing the double non-taxation of incomes. Therefore, so-called anti-abuse clauses are included in tax treaties to counter tax avoidance. Tax treaties have an impact on allocation of tax revenue between the contracting partners. Tax treaties are also an important topic with securing the revenue base in partner countries.

The replies to the ATI Monitoring Survey suggest that there are varying strategies among ATI development partners with regards to double taxation agreements. The majority of the respondents claim to mainly use the OECD Model Convention. Italy, Germany and Australia mention that they add clauses from the UN Model Convention that grant more taxing rights to developing countries. On the other hand, Norway, the Netherlands, Ireland and the European Commission conducted spill-over analyses of their treaty network and the treaties of their member countries, respectively, to assess the impact the treaties have on developing countries. Subsequently, the Netherlands has offered a renegotiation of its treaties: so far, 13 double taxation agreements have been renegotiated. Norway uses the UN Model Convention as a starting point for negotiations with partner countries, thereby obtaining a certain level of consistency. Generally, it can be said that there is awareness of the possible negative effects of double taxation agreements on domestic revenue mobilisation in partner countries.

The implementation of the BEPS multilateral instrument (MLI) is an important issue for both development partners and partner countries responding to the ATI Survey, and will lead to the adoption of many treaties.

Among the ATI partner countries, Madagascar, Malawi and Afghanistan are currently in the process of negotiating new treaties. They did not further specify which model conventions will be applied therein. However, Malawi, Paraguay and Georgia highlighted the development of their own model DTAs.

E. Taxation of ODA Support

Official development assistance (ODA) has generally been exempt from taxation in partner countries. However, the debate of tax exemptions on ODA support has recently been revisited and reopened. Through a policy coherence lens, supporting countries are currently mobilising revenues and at the same time requesting tax exemptions: this does not represent a consistent approach. Against this backdrop, emerging initiatives, such as the the Platform for Collaboration on Tax (PCT) have called for review of ODA tax exemptions (PCT 2016).

Domestic policies on the taxation of ODA differ among the ATI member countries. The Netherlands, Norway and Slovenia, for example, no longer request exemption for ODA in bilateral projects. In Sweden, the preconditions and effects of a removal of tax exemptions for ODA support are being reviewed and work in this area is ongoing. Slovakia claims not to encourage ODA tax exemptions, but states that the Slovak ODA law allows for exemption from some taxes within humanitarian assistance. Although Canada has traditionally sought tax exemptions for ODA, there is an ongoing internal conversation on Canada's overall position on taxation of aid. Other development partners state their current practice of requesting ODA exemptions without further specifying whether this practice subject to review.

The ATI partner countries also gave feedback on the taxation of ODA in their jurisdictions. In most cases, ODA is exempt from taxation. In this context, however, Malawi mentions the risk of unintended non-taxation, especially on income by companies that have been engaged by development partners.

F. Domestic Revenue Mobilisation and Green Growth

The policy coherence framework has outlined the importance of promoting green growth for sustainable development (OECD 2015). Among the instruments to strengthen green growth are policies that relate to domestic revenue mobilisation and taxation. Environmental taxation includes, for instance, excises on fuels, carbon and energy taxes. It can also encompass tax exemptions or incentives for renewables, and the elimination of harmful discrepancies in the tax system (e.g. differential treatment in the taxation of gasoline and diesel). Moreover, policy coherence in the area of domestic revenue mobilisation and green growth can mean working towards the abolishment of fossil fuel subsidies (OECD 2015).

Feedback from ATI member countries indicates that most of them use taxation as a way to promote green growth. This includes carbon taxes in Sweden, Ireland and Slovenia, tax exemptions for renewables in Kenya, Malawi and Paraguay, as well as in some development partner countries, excise taxes on fossil fuels and other environmental taxes. Kenya for instance gradually increased the excises on polythene bags before banning them altogether in 2017.

Canada and Finland mentioned the abolishment of fossil fuel subsidies as a priority. Germany works together with partner countries on reforms directed at fossil fuel subsidies and environmental taxation. The European Commission supports the Sub-Committee for Environmental Taxation under the UN Committee of Experts on International Cooperation in Tax Matters.

Afghanistan and Madagascar indicate that they are planning to work on issues relating to green growth and domestic revenue mobilisation in the future.

Ireland's Department of Finance has contributed to development of the 'Carbon Tax Guide: A Handbook for Policy Makers' by the Partnership for Market Readiness (PMR) in the World Bank.

G. Other Topics

In the ATI Survey, respondents also had the opportunity to report on additional topics related to policy coherence for development. Italy and Paraguay provided information on their work in the area of health, with regards to tobacco taxation.

Box 5: Paraguay's Efforts Regarding Tobacco Taxation

In the area of health, important developments include the approving of the World Health Organization's Framework Convention on Tobacco Control. Moreover, new legislation was introduced and existing legislation amended in order to provide for the tax regime and the regulation of tobacco-related activities.

Additionally, the executive will strengthen procedures to control the production and marketing of tobacco products and implement procedures for online reporting, with a view to ensuring that the tax on tobacco is correctly assessed and collected. The tax authority established the obligation to report details of raw materials and inputs involved in the manufacture and import of tobacco products. The requirement to file this monthly return came into force in November 2016.

Sweden highlighted efforts to ensure policy coherence for sustainable development in a variety of areas, including trade or sustainable business models. Moreover, Sweden provided information on their gender perspective (see Box 6: Sweden's Gender Perspective).

Box 6: Sweden's Gender Perspective

Swedish development cooperation is also to be based on a gender perspective. Attention to gender equality throughout development cooperation is well established, but with its feminist foreign and development policy Sweden has raised its ambitions. The initiative seeks to enhance both gender equality and the full enjoyment of human rights by all women and girls, as global gender equality is essential for sustainable development. The Government is increasing its focus on gender equality by taking gender equality aspects into account throughout its development cooperation.

Sweden will work to ensure that implementation of the Sustainable Development Goals in the 2030 Agenda and the Addis Ababa Action Agenda is characterised by a gender perspective and that development initiatives at all levels contribute to meet the gender equality goal and rights-based targets

Conclusion

The feedback on the ATI Monitoring Survey clearly shows that the ATI member countries are taking their work on ATI Commitment 3 seriously. Compared to the 2015 ATI Monitoring Report, the awareness and common understanding of policy coherence for sustainable development has increased. Countries state the need for inter-agency cooperation, aligning different ministries to pursue the goal of policy coherence for development. Much work has been done and is still ongoing to strengthen international tax cooperation, especially regarding the BEPS project and exchange of information, including activities to combat illicit financial flows.

The recognition of possible negative spill overs of double taxation agreements (DTAs) on partner countries has led several countries to evaluate existing treaties or placing more emphasis the overall policy effects when negotiating new double taxation agreements. Awareness of the impacts of tax incentives has risen similarly, especially in partner countries. Legislative adaptions are undertaken to include regular evaluation and reassessment measures of the impact of tax incentives regarding various dimensions.

While the taxation of Official Development Assistance (ODA) has long been the conventional practice, discussions on whether ODA should be exempt from taxation have now intensified and are taking place both at the international level as well as within countries.

The principles of transparency and effectiveness, which are also part of the ATI Declaration, are stressed repeatedly by the ATI members responding to the 2016 ATI Monitoring Survey and can also be used as guiding principles to the discussions on integrated approaches to policy coherence for development.

Finally, measuring policy coherence for development more systematically represents an additional cornerstone in order to assess progress and develop (national) strategies for coherent policies. With regard to ATI Commitment 3, the review of the methodology to measure Commitment 3 will hopefully lead to a coherent set of indicators to better assess policy coherence in future monitoring processes.

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Afghanistan

Afghanistan made a policy shift with more focus on enabling economic growth for sustainable development with a clear focus on internationally proven experiences and adoption of the policies to **effectively utilise domestic resource mobilisation**. Besides a five-year strategic plan which focuses on reforms in revenue, Afghanistan's expenditure budget is prepared based on annual revenue target. Furthermore, the government is also responsible to achieve the IMF Revenue Target as well. Concerning international tax issues Afghanistan has initiated **negotiations on Double taxation agreements** with 4 countries.

Australia

During the G20 Presidency in 2014, Australia played a leading role in promoting an international tax agenda of which the reform of international tax settings and promoting domestic resource mobilisation were important and complementary parts. Building on the close collaboration during that time, Australian Government agencies responsible for domestic tax policy (the Treasury) and administration (the Australian Taxation Office – ATO) have continued to work closely together and meet regularly with Australia's Department of Foreign Affairs and Trade (DFAT - responsible for administering Australia's overseas aid program) as part of **whole-of-Government efforts** to continue to promote these agendas. Advancing policy coherence on tax issues across Australia's domestic and international policy spheres' is an explicit goal of DFAT as part of its *Framework for supporting tax policy and administration through the aid program*, a framework developed in consultation with the ATO and Treasury.

Engagement between the Treasury and the ATO when developing new tax policies, or reviewing the effectiveness of existing tax laws, is broad and deep, involving a range of formal officials-level forums and informal interpersonal relationships. DFAT, Treasury and the ATO cooperate at officials-level to ensure overseas aid-related technical assistance in taxation matters is coordinated.

In addition to ATI Commitment 1 **Australia signed the MLI in 2017,** which is expected to modify several of Australia's existing bilateral tax treaties (including with developing countries) to include the tax treaty-related BEPS integrity rules. Legislation to ratify the MLI was introduced into Parliament in March 2018. Furthermore, Australia remains on track to **automatically exchange information** in September 2018 as part of the Common Reporting Standard (CRS) with participating jurisdictions, including developing countries.

Canada

Finance Canada, the Canada Revenue Agency, and Global Affairs Canada have historically worked closely together as they each have a mandate on a specific dimension of international tax policy or programming. A mandate for tax policy or programming is the basis for engagement in Canada's informal **whole-of-government approach to tax and development**. The three ministries collaborate when domestic resource mobilisation issues are raised in international discussions, often related to work with the OECD, UN and G20. Among the three ministries, discussions have been underway to articulate a "whole-of-government approach" to tax and development.

Canada's Feminist International Assistance Policy, launched in June 2017, sets the broad policy framework for Canada's international assistance. The **Feminist Policy highlights Inclusive Governance** as one of six key Action Areas for Canada's international assistance. The Inclusive Governance Policy (under development) will highlight the importance of domestic revenue mobilisation/tax capacity building and will provide the broad frame for Canada's future engagement in this area.

In terms of where Canada engages on domestic revenue mobilisation/tax capacity-building, one objective that has informed its whole-of-government approach is to ensure that Canada's capacity building efforts are focused in countries where Canada has a long-term development program. For example, Canada's contribution to the **country twinning initiative under the BEPS Inclusive Framework**, led by the OECD's Global Relations Programme, was made through interdepartmental consultations on potential twinning candidates, and in consideration of Canada's broader diplomatic and development priorities.

European Commission

European Union's commitment to Policy coherence for development rely on both- legal commitment in the Treaty on the Functioning of the European Union, art 208 (*https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:12012E/TXT*)

and political commitment in the June 2017 new European Consensus on Development, paragraphs 108 to 112 (*https://ec.europa.eu/europeaid/policies/european-development-policy/european-consensus-development_en*).

The **coordination with EU Member States as well as the coordination within European Commission** services plays an important role. The new European Consensus on Development of June 2017 in its Chapter on Policy Coherence for Development highlights specific policy areas where synergies shall be sought, among which are trade and finance. In that context, the Consensus also mentions **Combating illicit financial flows (IFFs)** and tax avoidance as one of those actions to which particular attention should be given. Since 2017 work on Policy Coherence for Development has been integrated in the overall Commission work related to the 2030 Agenda, as a standing agenda item of the Commission's inter-service steering group on the UN SDGs, facilitating regular review of progress on PCD commitments at EU level.

Finland

Policy coherence for development is an integral part of the Finland's broader efforts to implement the UN 2030 Agenda for Sustainable Development. Government's report on the 2030 Agenda for Sustainable Development, published in February 2017, stresses the importance of coherence between national and international policies and builds on three policy principle: **1) long-term action and force for change, 2) policy coherence and global partnership, 3) ownership and participation** (*http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/79455/VNK_J1117_Government_Report_2030Agenda_KANSILLA_netti.pdf?sequence=1*)

The coordination and cooperation between different agencies are ensured through **extensive sustainable development coordination mechanisms**. The work is led by the **Prime Minister's Office that hosts the coordination secretariat**. The secretariat has the responsibility for planning, preparing, coordinating and ensuring the national implementation of Agenda 2030. The sustainable development coordination network, comprising representatives of all line ministries, guides the work of the secretariat. It prepares, develops and coordinates sustainable development efforts in Finland, with the objective of increasing policy coherence with regard to and mainstreaming sustainable development as part of Government policy.

Moreover, The National Commission on Sustainable Development (NCSD), a Prime Minister-led multi-stakeholder forum, brings together public and private sector, CSOs and Academia, and municipalities and regions with the task of integrating sustainable development into Finnish policies, measures and everyday practices at different levels. In addition, the Development Policy Committee (DPC), a parliamentary body, is tasked to follow up on SDG implementation from the development policy perspective, including with regard to SDG-17, and monitor the implementation of the Government programme in compliance with development policy guidelines.

Georgia

Currently Georgia has negotiated and concluded agreements on the „**Avoidance of Double Taxation and the Prevention of Fiscal Evasion on with respect to Taxes Income and on Capital**" with 54 partner states. These agreements include treaties with all EU member states, as well as the OECD countries and Georgia's major trade and economic partners.

In 2016 Georgia became an associate **member of the inclusive framework** for the implementation of BEPS package (minimum standards), while also an elected member of the Steering Group.

In 2017 together with 70 Ministers and other high-level representatives **Georgia signed the Multilateral Convention** to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("Multilateral Instrument" or "MLI") and became a member of the Bureau of the Forum on Harmful Tax Practices.

Germany

Germany follows a **whole of government approach**, especially to implement the 2030 Agenda and achieve the Sustainable Development Goals (SDGs). The German Sustainable Development Strategy, adopted by the cabinet in January 2017 and updated in November 2018, is the key policy instrument for implementation of the 2030 Agenda under the direct aegis of the Federal Chancellery. It also contains the ambition to use the 2030 Agenda as an opportunity to increase efforts for policy coherence with particular reference to SDG 17.14. Germany considers policy coherence as an important factor for effective policymaking.

The BMZ has therefore launched a **joint inter-ministerial fund for political cooperation**. This fund, aims, inter alia, to foster a comprehensive approach to fighting illicit financial flows i.e. from money laundering, tax evasion or corruption from and into developing countries across sectors, countries and regions by for example working with agencies in partner countries to improve investigation capacities or international legal cooperation.

This also goes hand in hand with strengthening domestic revenue mobilisation in developing countries (e.g. capacity building for improved public revenue, SDG 17) and with the achievement of the other SDGs, which underscores the integrative character of all the goals and the key role of Goal 16. In Germany's "**Marshall Plan with Africa**", strengthening sustainable investment and domestic revenue mobilisation in Africa are central initiatives.

The Addis Tax Initiative (ATI) plays a central role in coordinated capacity building support. The Federal Ministry for Economic Cooperation and Development (BMZ) is part of the ATI Steering Committee. Capacity building of tax administrations in developing countries is already supported in various ways by BMZ and will be further coordinated by the Addis Tax Initiative.

BMZ is co-financing the International Tax Compact (ITC), which brings together a broad variety of development actors working in the field of development and taxation. The ITC is pooling available capacities and resources and prevents duplication of existing structures.

Ireland

Ireland has included a 2030 Vision as part of the SDG National Implementation Plan 2018-2020, setting out an ambitious set of high-level commitments which address the 17 SDGs. This 2030 Vision will be reviewed as part of the development of each new SDG Implementation Plan, to ensure that it remains challenging and ambitious in light of Ireland's ongoing development (*https://www.dccae.gov.ie/documents/DCCAE-National-Implement-Plan.pdf*)

The Government has decided national implementation of the SDGs will be subject to **political oversight through the Cabinet**, where each Minister will have responsibility for implementing individual SDG targets related to their functions.

Drawing on the experience of the Department of Foreign Affairs and Trade, in subsequent years other Departments will consider how an SDG tagging process would be implemented for their own departmental budgets. Additionally, The Irish Revenue Commissioners, as part of the SDG and Whole of Government approach, are exploring concrete opportunities to **expand their relationships with tax administrations in developing contexts**. Building on previous positive engagements with tax administrations, and with strong commitment from the Revenue Chairman and Board, the Department of Foreign Affairs and trade, Development cooperation Division (DCD) is facilitating a mapping of demand from our key partner countries and other strategic partners to develop a set of concrete opportunities to expand on this interest and as part of our ATI commitments; including mutual learning and knowledge sharing, support to capacity building; peer-to-peer learning and/or technical expertise exchanges.

Italy

Within the domain of development cooperation, policy coherence between different sectorial policies is ensured by the overarching strategic framework contained in the Three-year Programming and Policy Planning Document (PPPD), which binds all actors and stakeholders involved in development cooperation activities.

The *PPPD 2016-2018*, updated for the *2017-2019* period, defines a comprehensive policy approach that makes the 2030 Agenda central to Italy's development policies. Among other relevant areas, priority is assigned to domestic resource mobilisation, primarily in the field of taxation after Italy joined the Addis Tax Initiative in 2015 as a founding member.

Italian development cooperation objectives are integral part of the **National Sustainable Development Strategy (NSDS)**, a global framework for sustainable development designed in order implement the 2030 Agenda for Sustainable Development across all internal and external policies, in a comprehensive and strategic approach.

In order to shape a global level playing field, without prejudices for developing countries, **Italy enforced seriously all international standards in tax matters**, including the adoption of the Multilateral Instrument. It expresses a strong commitment in the **fight against international tax evasion and avoidance as well as against the illicit financial flows**, which jeopardise economic and financial stability as well as fiscal sovereignty of developing countries. To this purpose, Italy provided premises, training and financial contribution to the *OECD International Academy for Tax Crime Investigation* in Ostia, Rome, where more than 550 investigators from over 80 countries were trained. Furthermore, in 2017 Italy together with Germany, OECD and Kenya funded the establishment of the *Africa Academy for Tax and Financial Crime investigation* in Nairobi, Kenya to satisfy the training needs in this field in the African continent.

Kenya

Kenya is working towards coherent domestic policies through appropriate roles of various taxes. Some of the suggestions to the current Medium Term Plan include minimisation of tax incentives to areas where they demonstrate positive returns for the taxes foregone and in particular **elimination of redundant tax incentives** and the use of taxes for appropriate roles. in this regard the VAT should serve as a broad-based consumption tax (with limited distributional functions), the Income Tax Act through progressive taxation should be the primary instrument for redistribution, Excise taxes should target negative externalities and social 'bads' while protection should largely be the role of import duties.

Various government agencies collaborate on a number of issues that are of interest to them through **Memorandum of Association** like a multi-agency approach in the fight against illicit trade or the pre-export Verification of Conformity implemented by Kenya Bureau of Standards, Kenya Revenue Authority and Kenya Ports Authority.

Since 2016 Kenya curbed environmental degradation by passing the Climate Change Act (CCA) and the Forest Conservation Management Act (FCMA) in 2016. The Act gives the Cabinet secretary power to grant incentives to those who promote activities that mitigate the adverse effects of climate change. Article 69 of the Constitution requires an increase of Kenya's forest cover to at least 10 per cent of the land mass thus the FCMA is expected to contribute in attaining this much as it's not implemented yet. However, once implemented, it will give the Cabinet secretary power to provide tax and other fiscal incentives to increase investments in forest land use and forest resource utilisation.

Liberia

The expansion of the tax base through domestic resource mobilisation remains cardinal on the agenda of the Liberian Government. Considering this critical nature, the Government through support from some of its donor partners, developed a draft **Domestic Resource Mobilisation Strategy**. The Strategy is aimed at widen the fiscal space, thus granting policy makers the necessary policy space to make decision aim at addressing the socio-economic needs of the people of Liberia.

Inter-Agency dialogues are carried out to ensure and foster a symbiotic relationship between stakeholders of government. Memorandum of Understanding (MoU) are developed and between agencies for the fostering of relationship and the gathering of third-party data.

Liberia has signed a MoU with the Financial Intelligence Unit (FIU). The Unit is set up by the Government as a semi-autonomous agency and the MoU with LRA is to collaborate and share information and technical expertise in combating IFF. In addition, Liberia Revenue Authority signed off to the ATAF Mutual Agreement on Information Exchange and this document is the base for info exchange amongst ATAF about 33 members' countries. LRA signed MoUs with Rwanda Revenue Authority (RRA), ZIMRA, Estonia Tax Agency, Nigeria Federal Inland Revenue Service (FIRS).

Madagascar

At present, Madagascar still lacks a framework document on fiscal policy. Currently all policy derives from the **government's National Development Plan (NDP)**. This focuses on core themes, which do not explicitly feature domestic resource mobilisation.

The Tax Administration is following the outlines of a **strategy to modernise public finances**. However, the small number of proposals put forward to improve the legislation derive from development projects or from the concerns of investors.

The Management and Communication Service, which reports to the Tax Directorate (DGI), coordinates the aid provided by development partners. This approach has been adopted to prevent projects from being duplicated or possible conflicts between partners. The Research and Tax Audit Department (DRCF) has a research unit that serves as the direct point of contact for the different agencies, in particular the Independent Anti-Corruption Bureau (BIANCO), the Malagasy Financial Intelligence Service (SAMIFIN) and the Customs Directorate (DGD).

To date, the DGI has signed four cooperation protocols with the DGD, the CNaPS national social security fund, the Ministry of Trade via the National Authority for Trade Remedies (ANMCC), and SAMIFIN. The last two were signed this year. These protocols are mainly focused on information exchange.

Malawi

Malawi does not have a strategy yet for policy coherence for domestic revenue mobilisation, but currently the Revenue Policies are guided by the existing tax legislation and the **Malawi Growth and Development Strategy** (MGDS III).

The Government established a ***"One Stop Service Centre"*** where key institutions work under one roof. The reform is aimed at improving the efficiency of public service delivery. Some of the institutions under ***"One Stop Service Centre"*** include Malawi Revenue Authority (MRA), Immigration Department and Road Traffic and Safety Services.

Additionally, the Ministries and Agencies develop and sign cooperation agreements for enhancing and accounting for revenue collection among themselves.

Netherlands

The Netherlands has a strategy and the Ministry of Foreign Affairs sends **annually a progress report on policy coherence** to Parliament (*www.government.nl*).

There is close **coordination with the Ministry of Finance** to ensure that Dutch tax policy does not harm developing countries. The Netherlands pursues an active policy to ensure that the Dutch tax system is not used for tax avoidance and evasion through the Netherlands. New measures include a new withholding tax on royalties and interest payments to low-tax and uncooperative jurisdictions from 2021. Also, additional substance requirements (to qualify for Dutch residence of companies) are being introduced. The Netherlands supports the proposal of the European Commission for public country-by-country reporting.

An important achievement since 2016 has been the **renegotiation of tax treaties with developing countries to include anti-abuse provisions**. Furthermore, the Netherlands has taken concrete actions to make the Netherlands unattractive to use the Netherlands for tax planning purposes only. Finally, the step to actually stop asking for tax exemptions is an important signal to be coherent in its policy towards developing partner countries.

Norway

Domestically the Ministry of Finance engages with the Ministry of Foreign Affairs as well as supported by the Norwegian Agency for Development Cooperation in development related aspects. There is no specific report or strategy currently in place regarding the coherency of domestic policies in the area of domestic revenue mobilisation, but there are a number of dialogues and some incipient initiatives driven both by domestic and international joint reforms that are relevant.

It is also relevant to mention that Norway has, as a follow up to the MDGs and now the SDGs, for several years now, been producing an **annual report on Policy Coherence to Development** that is submitted to Parliament. Related to this work and in preparing the annual report, inter-ministerial and multi-actor advisory groups, working groups, consultative bodies and committees have been established. The Ministry of Foreign Affairs through its Section on Development Policy is the coordinating unit for this work. A recent independent evaluation carried out by Norad examined this work (*https://www.norad.no/om-bistand/publikasjon/2018/evaluation-of-norwegian-efforts-to-ensure-policy-coherence-for-development/*).

Since 2016 Norway has **introduced country by country reporting** following mainly the model approach recommended by action 13 under the OECD BEPS process. Norway has in mid-2018, presented a white paper to parliament with proposed specific legislation regarding the **establishment of a beneficial ownership register** in line with the anti-money laundering directive of the EU and recommendations from the Financial Action Task Force (FATF) on the same. Furthermore, a number of other OECD BEPS actions are also in the process of being considered and/or introduced, held together with guidance from FATF, EU and other relevant authorities that promote international cooperation and progress in this area.

Paraguay

Paraguay's **National Development Plan 2030** is a strategy document designed to coordinate action by line departments of the Executive Branch and with different levels of government, civil society, the private sector and, where necessary, the Legislative and Judicial Branches. It is based on three strategic aims: 1. poverty reduction and social development; 2. inclusive economic growth; 3. meaningful role in the world arena.

The tax authority has formulated its **Strategic Plan 2014–2018** in line with the National Development Plan 2030. It establishes the mission to collect taxes with integrity, efficiency and transparency, helping taxpayers to comply with their obligations by ensuring continuous innovation in service delivery and management excellence, with a view to making every citizen a responsible and committed taxpayer. To achieve this, the focus lies tax collection, tax scrutiny and institutional development.

There are arrangements in place for strategic cooperation between different government agencies. With a view to ensuring coordinated efforts in this respect, a National Economic Team has been formed as an advisory body on government economic policy. An Inter-institutional Technical Team has also been created, which is responsible for the development and monitoring of strategic activities to enhance the business environment.

In addition, **cooperation agreements have been established between institutions** for the exchange of information to enable them to effectively perform their respective functions, with a view to achieving the goals set out in the National Development Plan and to optimising domestic revenue mobilisation.

Senegal

Senegal has a coherent policy in place to mobilise revenue. The General Directorate of Taxes and Government Property (DGID) relies on a strategy contained in the **Tax Administration Strategic Development Plan** (PDSAF) and on a performance contract signed with its oversight body.

The General Directorate of Taxes and Government Property has put in place a **permanent framework for sharing and exchanges** with the General Directorate of Customs. A meeting is held fortnightly for monitoring and oversight purposes and information exchange. In addition, a similar framework has been set up with the General Directorate of Public Accounting and the Treasury and meetings are held more frequently.

Slovak Republic

In 2014, a **working group on Policy Coherence for Development (PCD)** was created under the Coordination Committee of the Slovak Development Cooperation, which is an advisory body to the Ministry of Foreign and European Affairs. This group got off to a positive start and a number of ministries identified potential issues of incoherence in areas of national or EU competence – including for example trade, agriculture subsidies or climate change. A formalised national strategy has yet to be developed, and it is currently under consideration by relevant actors whether it will be a standalone strategy, or a part of the new Slovak mid-term strategy for development cooperation (2019 – 2023).

The Slovak Ministry of Finance, responsible for DRM policy in general, has a seat in the Coordination Committee of the Slovak Development Cooperation (which brings together all stakeholders active in development cooperation, including nearly all ministries, NGOs etc.), as well as the working group on PCD. The committee enables not only **whole of government**, but rather whole of society discussions on development cooperation issues, including mutual coordination and PCD.

Slovenia

Slovenia has built regular cooperation activities and **inter-ministerial coordination**, where state authorities have also several legal obligations to exchange information between different agencies. According to Criminal Procedure Act every state agency should provide support to the State Prosecutor, the State Prosecutor could establish Joint Investigative Group where different state agencies share their information in relation to particular case and according to the Act on **Prevention of Money Laundering and Terrorist Financing**, Financial Intelligence Unit shall provide data from their evidences to Tax Authority etc. Besides that, state agencies conclude bilateral agreements on cooperation and exchange information.

Since to 2016 the main focus on policy coherence was on **domestic revenue mobilisation and green growth**. In 2018 the Slovenian Government carried out the activities for the purpose of encouraging green growth with Government Strategic Development Project. The Green Budget Reform report defines all the environmentally friendly and harmful practices and incentives to assess which practices and incentives are focused to green growth and environmental positive economy. Green Budget Reform also introduces environmental test for future legislative proposal and policy proposal with which will be enabled for government to get acquainted with how certain proposals affect environment.

Sweden

The policy framework outlines the direction of Swedish development cooperation and humanitarian assistance. This is then applied in budgets and through the Government's instructions, in strategies (geographic, thematic and organisational strategies for multilateral organisations) and in appropriation directions. Implementation and results are followed up on the basis of these instruments and are reported to the Swedish Parliament in the budget. Work on development effectiveness covers all development actors – states as well as multilateral organisations, civil society, the research community and the private sector.

A new National Action Plan will apply the **Policy for Global Development (PGD) as a key tool for mobilising coherent whole-of-government action**. The PDG mandated all ministries for the first time to develop internal action plans with concrete goals and clear responsibilities for the work of the PGD linked to the 2030 Agenda. This process provided an opportunity to anticipate and manage potential conflicts of interest between sectors and between domestic and international priorities. Policy coherence is thereby considered as the backbone of PGD. Reports to parliament every two years enhance transparency in the handling of conflicts of interest and strengthen co-ordination for policy coherence. Finally, the Government establishes that Sweden shall be a leader in the implementation of the 2030 Agenda both nationally and internationally, and that PGD shall continue to be a key tool in the implementation.

Concerning the capital flight and tax evasion the primary responsibility is within the Ministry of Finance. Other relevant ministries include the Ministry of Enterprise and Innovation, the Ministry of Justice and the Ministry of Foreign Affairs. There is a very good cooperation between different Agencies' active in development projects. Swedish Tax Agency (STA) had e.g. a joint project in Moldova with The Swedish Enforcement Agency. In Albania and Kosovo STA worked together with the Swedish Cadastral Agency.

The **Nordic countries have worked together negotiating Tax Information Exchange Agreement** and the cooperation with their partners have given good results against illicit flows and combat tax evasion and tax avoidance. OECD (Global Forum and FTA/JITSIC) anticipated the Nordic Approach as an approach to follow for other countries. Sweden signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS on June 7, 2017.

Switzerland

Switzerland is working towards coherent domestic policies in the area of domestic revenue mobilisation through organising joint missions/events and working groups with the participation of different agencies. Furthermore, the Swiss Development Agency commissioned a study to analyse the coherence of Swiss Policy in International Taxation (*https://www.newsd.admin.ch/newsd/message/attachments/45658.pdf*)

Cooperation between different agencies is ensured through regular meetings of the **working group on tax** with participation of the main agencies involved, which are the State Secretariat for Economic Affairs (SECO), Swiss Development Agency (SDC), the State Secretariat for International Finance Matters (SIF), the Swiss Federal Tax Administration (SFTA), and the Federal Department of Foreign Affairs (EDA). For example, SECO's support to the BEPS and Global Forum is fully aligned between SECO and SIF, and thus supporting countries in achieving reasonable standards of capacity in the area of international tax.

United States

Inter-agency co-operation:
The National Security Council leads a well-established process of bringing together all agencies involved internationally to discuss various development issues and address questions of policy coherence. This process is supplemented and complemented by regular electronic and personal contacts among officials and staff working on issues of common interest.

Illicit financial flows:
Information is available on the Terrorism and Illicit Finance Resource Page:
https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/default.aspx.

International tax cooperation:
As stated above, information is available on recently signed U.S. income tax treaties, protocols, and tax information exchange agreements (TIEAs) and the accompanying Treasury Department tax treaty technical explanations at *https://www.treasury.gov/resource-center/tax-policy/treaties/Pages/treaties.aspx*. With respect to automatic exchange of information, the United States has undertaken automatic information exchanges pursuant to the Foreign Account Tax Compliance Act (FATCA) from 2015 and has entered into intergovernmental agreements with other jurisdictions to do so. Beneficial ownership reporting requirements are contained within a number of federal and state laws and regulations. Most recently, the United States began implementing the "Customer Due Diligence Requirements for Financial Institutions" (31 CFR 1010.230) that creates new due diligence obligations for banks and other financial institutions. With respect to BEPS, the 2017 Tax Cuts and Jobs Act implements provisions consistent with the anti-hybrid, controlled foreign corporation, and interest limitation rules recommended by the BEPS project. Additionally, the newly-enacted Base Erosion and Anti-Abuse Tax (BEAT) is an additional tax imposed on global companies that have substantial gross receipts and make significant base-eroding payments to foreign-related parties. Country by Country reporting provisions are set forth at: https://www.irs.gov/businesses/international-businesses/country-by-country-reporting-guidance and Treasury Regulations § 1.6038-4 at *https://www.law.cornell.edu/cfr/text/26/1.6038-4*. FATCA information is available at: *https://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca*.

Tax incentives for investment:
The tax expenditure budget, based on legislation in effect from July 2017, is set forth at *https://www.treasury.gov/resource-center/tax-policy/Documents/Tax-Expenditures-FY2019.pdf*. Many of the listed tax expenditures intend to have the direct or indirect effect of promoting investment. Tax incentives largely arise out of specific legislation, not executive discretion. A number of states and localities also provide tax incentives for investment.

Double taxation agreements:
Information is available at the Treaties and TIEA Resource Page: *https://www.treasury.gov/resource-center/tax-policy/treaties/Pages/treaties.aspx*, with citations to treaty and TIEA partners as well as the text of such documents, including the US Model Income Tax Convention.

Taxation of ODA support:
Section 7013 of the Appropriations Bill for the fiscal year ending September 30, 2019, addresses the issue of taxation of U.S. foreign assistance: *https://www.congress.gov/bill/115th-congress/house-bill/6385/text/rh?overview=closed&format=txt*

Green growth:
Tax expenditures identified for Natural Resources and Environment are described in *https://www.treasury.gov/resource-center/tax-policy/Documents/Tax-Expenditures-FY2019.pdf* at pages 7 and 8 and for Energy at pages 4 -7.

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