

Outcome of the meeting of ATI Consultative Group 2

| | |
|---------------|---|
| Date: | 1 July 2019 |
| Location: | Berlin, Germany |
| Participants: | Jhalak Adhikari (Nepal) Lawrence Arnold (OTF) Nathan Coplin (Oxfam) Dhundi Dahal (Nepal) Gregory De Paepe (BMGF) David Dod (USAID) Joseph Dokekana (Solomon Islands) Wellington Jah (Liberia) Mari Khurtsidze (Georgia) Dachi Kinkladze (Georgia) Barun Koirala (GIZ, Nepal) Collen Lediga (ITC Secretariat) Mark Montgomery (Ireland) John Mpoha (Malawi) Thomas Nah (Liberia) Oliver Petzold (OECD) Zoniaina Rakotomalala (Madagascar) Gayline Vuluku (Kenya) Andrew Wainer (Save the Children) |
| Agenda: | 1) New indicators for the monitoring of ATI Commitment 2 2) ATI pilot study on monitoring indicators 3) Potential future activities |

1) New indicators for the monitoring of ATI Commitment 2

The ATI Consultative Group 2 deliberated on the final list of indicators for monitoring the progress of the ATI partner countries in fulfilment of the ATI Commitment 2. The following list comprising of 11 indicators were approved:

1. **Revenue trends** (tax revenue and non-tax revenue, including grants)
2. **Timely filing of declaration** (on-time filing rates)
3. **Timely payment of taxes** (on-time payment rate)
4. **Use of electronic services** (e-filing rate and payment rates)
5. **Effective audit programme** (value of audit effort, audit hit rate)

6. **Effective arrears management** (stock and flow of tax arrears)
7. **Use of dispute mechanism** (use of internal administrative review procedures, use of external review procedures)
8. **Revenue productivity** (VAT efficiency)
9. **Impactful taxation** (tax-free threshold, progressivity of the tax structure, Impactful of taxation on inequality)
10. **Tax expenditure estimation** (tax expenditure as a percentage of government revenue, transparency of tax expenditure)
11. **Public accountability** (publication of reports, strategic plans and taxpayer surveys)

Discussions on the ATI indicators extended to reiteration of the importance of improving data quality and encouraging the Addis Tax Initiative to continue collaborating with other institutions that collect tax administrative and financial data of countries. The purpose of such collaboration is to ensure a joint and cleaner database. It was also emphasised that ATI partner countries should be encouraged to use taxpayer surveys as instruments for monitoring their implemented DRM reforms. Results from such surveys ensures that tax policies and administrative regulations in a country are not divorced from the actual realities that taxpayers face.

2) ATI pilot study on monitoring indicators

To practically assess the newly adopted set of indicators for monitoring progress towards the fulfilment of ATI Commitment 2, ATI partner countries were invited to participate in the piloting of the indicators. The purpose of the pilot is to determine if there are any data gaps in countries, how those gaps can be closed and how the quality of the data used in reporting on the indicators can be improved. Eleven ATI partner countries expressed their interest in being part of the pilot countries for the new indicators. The pilot countries are as follows:

1. Cameroon
2. Georgia
3. Ghana
4. Kenya
5. Liberia
6. Madagascar
7. Malawi
8. Nepal
9. Solomon Islands
10. The Gambia
11. Namibia

3) Potential future activities

Another aim of the meeting was to provide the ATI Consultative Group 2 members with an opportunity to discuss and identify activities that can delivered by the group until 31 December 2020.

The ATI Consultative Group 2 decided that tax expenditure measurement and reporting can play a role in fiscal management and thus affect DRM efforts. To this regard, the meeting decided on undertaking a case study that looks at the state of tax expenditure reporting exclusively in ATI partner countries and in collaboration with ATI Consultative Group 3, which also looks at the topic albeit with a stronger focus on ATI development partners.

The ATI Consultative Group 2 also recognised great steps taken by a number of ATI partner countries in developing their DRM strategies. The importance of assisting ATI partner countries with developing their DRM strategies to aid in planning and implementing some reforms needed to step up domestic revenues was highlighted. The meeting agreed on carrying out a study that will assist in the development of best practice and guidelines on how countries can go about developing and implementing their DRM strategies.

The ATI Consultative Group 2 also agreed on another case study on countries who have managed to improve on some of the DRM indicators in order to allow for exchange of lessons on how the reform process was undertaken, challenges faced, and factors that contributed to the success of the reforms.

The ATI Consultative Group 2 tasked the Secretariat of the Addis Tax Initiative to develop concept notes for all the agreed deliverables as outlined below:

1. Pilot of the new ATI indicators
2. Tax expenditure case study in ATI partner countries
3. Development and implementation of a DRM strategy
4. ATI partner countries' DRM success cases

The concept note per each deliverable will cover the milestones (timelines and activities), resources required and the lead persons for each of the deliverables. It was noted that, in consideration of on-going work of the Secretariat of the Addis Tax Initiative, the available time and resources, implementation of the deliverables is likely to take place in the coming year.