



Strengthening Domestic Revenue Mobilisation and Fighting Tax Avoidance

6th International Workshop on
Domestic Revenue Mobilisation in Developing Countries

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Unit A4 – Budget Support, Public Finance Management, Domestic Revenue Mobilisation

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1. Political context

Domestic Revenue Mobilisation (DRM) and international agreements

- Addis Ababa Action Agenda on Financing for Development (2015)
 - Addis Tax Initiative
- Agenda 2030 – Sustainable Development Goals (2015)
- Paris Agreement on Climate Change (2015)
- European Consensus on Development (2017)
endorsed by 28 EU Member States and the EU Institutions

European Consensus on Development



People

**Human
development
and dignity**



Planet

**Protecting the
environment,
managing
natural
resources and
tackling
climate change**



Prosperity

**Inclusive
and
sustainable
growth and
jobs**



Peace

**Peaceful and
inclusive
societies,
democracy,
effective and
accountable
institutions,
rule of law
and human
rights for all**



Partnership

**The EU as a
force for
implemen-
tation of the
2030
Agenda**

DRM - context and challenges

Global context

- 2009 financial crisis
- Extended period of low commodity prices

Global challenges

- Tax avoidance (Apple / Google cases)
- Tax evasion (Luxleaks, Panama Papers, Paradise Papers)
- Illicit financial flows
- Transfer mispricing
- Money laundering

→ erosion of a country's ability to raise domestic revenues

DRM - challenges and opportunities

Challenges at the country level

- **Political:** political will for reform versus lobby by special interest groups to obtain tax incentives and favourable treatment.
- **Administrative:** lack of skilled personnel, lack of tax collection infrastructure.
- **Economic:** narrow tax base, large informal sector, overdependence on natural resources.

Opportunities

- Establish a **fairer taxation system**
- Encourage **good governance** and **inclusiveness**
- Maintain / improve opportunities for **sustainable economic growth**

→ **establish a sound basis for sustainable development**

2. EU internal and external response

EU internal response

- **The EU Anti-Tax Avoidance Package (ATAP, January 2016)**
 - For a fairer, simpler and more effective corporate taxation in the EU
 - **Communication on an External Strategy for Effective Taxation** (sets out a process to create a common EU list of **non-cooperative jurisdictions** for tax purposes)

- **Amendment to the Fourth Anti-Money Laundering Directive (AMLD, July 2016)**

to further reinforce EU rules on anti-money laundering to counter terrorist financing and increase transparency about who owns companies and trusts

EU external response

EU support to **global, regional and national** initiatives to enhance domestic revenue mobilisation (DRM) ...

... in concert with efforts to strengthen **public finance management**, the **transparency of public finance** and of **public spending**.

Collect more – spend better



see: <https://ec.europa.eu/europeaid/sites/devco/files/swd-collect-more-spend-better.pdf>



EU support to global DRM initiatives

- Addis Tax Initiative (ATI)
- IMF Trust Funds (Revenue Mobilisation, Management of Natural Resources Wealth)
- Tax Administration Diagnostic Assessment Tool (TADAT)
- Public Expenditure and Financial Accountability (PEFA) assessment
- UN Committee of Experts on International Cooperation in Tax Matters
- OECD Base Erosion and Profit Shifting (BEPS) Inclusive Framework
- OECD revenue statistics (in Africa, Asia and Latin America)
- Extractive Industries Transparency Initiative (EITI)

EU support to regional DRM initiatives

- EU regional programmes (e.g. on fiscal transition in West Africa)
- IMF Regional Technical Assistance Centres (RTACs)
 - Pacific Financial Technical Assistance Centre (PFTAC)
 - South Asia Training and Technical Assistance Centre (SARTTAC)
 - RTACs in Africa, Central America and the Caribbean
- African Tax Administration Forum (ATAF)
- Centre de Recherche des Dirigeants des Administrations Fiscales (CREDAF)
- EU-GIZ Panafrican Programme (ATAF-CABRI-AFROSAI-AFROPAC)

EU support to national DRM initiatives

- Support to tax policy analysis and reform (e.g. via IMF Revenue Mobilisation Trust Fund or via World Bank Global Tax Programme)
- Assessment of tax administrations (e.g. via Tax Administration Diagnostic Assessment Tool – TADAT)
- Support to countering tax avoidance, tax evasion and illicit financial flows (e.g. via OECD Global Forum on exchange of information for tax purposes, OECD Inclusive Framework on Base Erosion and Profit Shifting)

EU support to national DRM initiatives

- DRM support via bilateral EU programmes, in particular in the context of budget support programmes

To be further developed:

- Work on a Medium-term Revenue Strategy (MTRS)
(see concept note at https://www.taxcompact.net/documents/itc-ati-tax-and-development-conference-2017/conference/day-1/Breakout%20Session%20I_B%20Aid%20Effectiveness_MTRS%20Draft%20Concept%20Note.pdf)
- Work on the link between investment frameworks and taxation

3. Conclusions

- **Important international DRM commitments by countries and development partners**
(e.g in the Addis Ababa Action Agenda)
- **Policy needs to be translated into action**
 - by partner countries (political economy and will, capacity, transparency)
 - by development partners (policy dialogue and support to national DRM agendas; international collaboration to fight tax avoidance, tax evasion and illicit financial flows)



Thank you!

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