

FOCUS SESSION 19:

More and Better Development Cooperation for Domestic Resource Mobilization

16 April 2014, 8.00 – 9.15h, Diezmo 2

Objectives:

- Extend the political commitment for more and better development assistance as well as for a comprehensive approach to good financial governance;
- Endorse the “Key guiding principles for revenue mobilization in fragile states” as identified in the 2014 OECD report and
- Present and welcome the development of the ‘Tax Administration Diagnostic Assessment Tool’ (TADAT).

Participants:

- Mr. Angel Gurría, Secretary General, OECD
- Ms. Ursula Müller, Director General, Federal Ministry for Economic Cooperation and Development (BMZ), Germany
- Mr. Abul Maal A Muhith, Finance Minister, Bangladesh
- Mr. Lincoln Marais, Director for Strategic Planning, African Tax Administration Forum (ATAF)
- Mr. Frank Matsaert, CEO of TradeMark East Africa
- Mr. Eduardo Bohorquez, Director Transparency International Mexico
- Mr. David Anthony Kloeden, Head of TADAT Secretariat, IMF
- Mr. Klaus Rudischhauser, Deputy DG of DEVCO, EU-Commission (Floor)
- Ms. Ruth Goodwin-Groen, The Better Than Cash Alliance (Floor)
- Mr. Peter Moors, DG of Development Cooperation, Belgium (Moderator)

Key issues discussed:

- **The importance of increasing aid to tax:** Referring to the Plenary Session ‘Partnering for effective taxation and domestic resource mobilization (DRM) for development’, the panel stressed the fact that investment of ODA in building tax systems can yield impressive returns. Despite this evidence, aid to tax systems remains low, given that short-termism often prevails and that other aid deliverables are more visible. Comments from the floor invited participants to partner more closely with the ‘sectors’ and to take into account linkages between revenue and expenditure sides in order to increase tax revenues and aid. Participants also underlined the critical importance of supporting DRM in Fragile States.

- **The importance of a holistic and systemic approach to DRM:** In order to increase the quality of support to DRM, the panel discussed the importance of taking into account the political economy of tax reforms (in particular ownership and political will) as well as of embedding tax reforms in broader governance reforms, by involving not only tax administrations, but also Ministries of Finance, sub-national governments, Parliaments and civil society, in order to increase accountability. The private sector (including informal businesses) was also quoted as an important actor. The draft Principles for International Engagement in Supporting Developing Countries in Revenue Matters were presented as a relevant tool for ensuring the quality of aid to tax matters.
- **The importance of taking into account the regional dimension of tax issues:** The panel pointed out to the importance of the interrelations between the national and regional levels. The regional aspect covers the harmonization of tax law and regulation and cooperation on borders in terms of customs as well as corruption management (by the introduction of single crossing points for instance). In this context, the panel also referred to the regional networks in the area of tax administration, such as ATAF (African Tax Administration Forum), which were presented as a good entry point to support tax administrations.
- **The role of development cooperation:** The panelists called for practical tools to be developed (such as tools for social participation) rather than research papers as well as focus on capacity development and knowledge sharing in order to strengthen tax administrations. The discussion highlighted the importance of better matching the strategies of development providers with partner countries' DRM needs. The new Tax Administration Diagnostic Assessment Tool (TADAT) was presented as a relevant framework for assessing the strengths and weaknesses of a country's tax administration.

Main conclusions and next steps:

International assistance for DRM is seen as an important catalyst for broader governance reforms and development. DRM is crucial in building sustainable states and represents an excellent investment for the development community. The international community needs to commit itself to do more and better in relation with DRM. They need to refine ways to measure aid going to tax system development in order to inform discussions, embedded in the post-2015 framework. Partner countries need support to adapt to the new international tax rules (BEPS and automatic exchange of information) and to combat illicit financial flows, but it is also important to ensure that the countries have the basics right. Monitoring

Related Links:

- [Report Domestic Revenue Mobilization in Fragile States](#) (OECD, 2014)
- Good Financial Governance in German Development Cooperation, Executive Summary (BMZ, 2014)
- [Tax Administration Diagnostic Assessment Tool](#) (IMF)
- [Effective Institutions Platform](#)