

Quality tax aid?

A review of Nordic countries' support for domestic resource mobilisation through multilateral institutions

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Acronyms

AAAA	Addis Ababa Action Agenda
ATAF	African Tax Administration Forum
ATI	Addis Tax Initiative
BEPS	Base Erosion and Profit Shifting
DAC	Development Assistance Committee (of the OECD)
DRM	Domestic Resource Mobilisation
EITI	Extractive Industry Transparency Initiative
FfD	Financing for Development
GTP	Global Tax Program (of the World Bank)
IFFs	Illicit Financial Flows
IMF	International Monetary Fund
MFA	Ministry of Foreign Affairs
MOPAN	Multilateral Organisation Performance Assessment Network
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PCT	Platform for Collaboration on Tax
PCSD	Policy Coherence for Sustainable Development
RMTF	Revenue Mobilisation Trust Fund
SDG	Sustainable Development Goals
TIWB	Tax Inspectors Without Borders
UNDP	United Nations Development Program
UNECA	UN Economic Commission for Africa
WBG	World Bank Group

Foreword



With this report we wish to assess whether the aims of the ATI, and particularly the goals related to progressivity and inequality, are embedded in the work of these international institutions, supported by the Nordic countries.

At a time of a global pandemic and climate crisis, the mobilisation of sufficient progressive domestic tax revenues has never been more urgent. This is in particular crucial in developing countries that have been fighting challenges on multiple fronts since long before Covid-19. The Sustainable Development Goals include target 17.1, which underlines the fact that Domestic Resource Mobilisation (DRM) and international cooperation on tax related issues are central to financing development. However, as the latest global tax scandal, the Pandora Papers, has reminded us, the question is not only about lack of resources, but about redistribution and fairness.

Denmark, Finland, Norway and Sweden have a history of being committed donors supporting DRM in developing countries. They have been part of the Addis Tax Initiative since it was launched in 2015. In the new ATI Declaration 2025 they have committed to increase their Official Development Assistance (ODA), enhance DRM on the basis of equitable tax policies, and apply coherent and coordinated policies that foster DRM and combat tax-related Illicit Financial Flows (IFFs).

A significant and increasing amount of Nordic aid to tax related issues goes to supporting projects and initiatives carried out by multilateral institutions, including the The International Monetary Fund and the World Bank. With this report we wish to assess whether the aims of the ATI, and particularly the goals related to progressivity and inequality, are embedded in the work of these international institutions, supported by the Nordic countries.

This report is part of a series of reports on the support of Nordic countries for DRM. The first report, *Nordic Countries' Support for Tax & Development* (2019), was on the bilateral cooperation and coordination between the Nordic countries. The policy brief *Nordic aid for mobilising tax revenues for development and reducing inequality* (2020) covered key new developments including that there has been a significant shift in Nordic aid for DRM from bilateral to multilateral cooperation.

We hope that the [Quality tax aid?](#) report will spur the discussions and actions to take Nordic tax aid a step closer to achieving the commitments set out in the ATI declaration 2025, especially in relation to the issues of progressive tax systems and policy coherence.

The Nordic Alliance for Tax Justice

1. Introduction

Domestic resources are widely recognised as central to ensuring sufficient, sustainable and democratic funding for sustainable development and achieving Sustainable Development Goals (SDGs).¹ Domestic resource mobilisation (DRM) was put high on the international development agenda by the 2030 Agenda and the Addis Ababa Action Agenda, agreed at the Third International Conference on Financing for Development (FfD) in 2015. The Covid-19 pandemic has made the already challenging situation of public finances in developing countries even more difficult. Increased needs around public expenditure, uncertainty considering aid flows, decreasing private investments and spiking debt servicing costs provide additional pressure on domestic resources, making the need to improve revenue collection more urgent than ever. Economic and social inequalities have also deepened, highlighting the need for more progressive fiscal policies.²

The Nordic countries have a long tradition of robust taxation systems, which have allowed them to build some of the best functioning welfare states in the world. This perspective and experience are reflected in the approach that the Nordic governments and civil society have taken towards supporting strong and effective tax systems in the Global South. For years, Denmark, Finland, Norway and Sweden have been committed donors supporting initiatives around DRM in developing countries and – since 2015 – they have all been members of the Addis Tax Initiative (ATI), one of the key initiatives in this area. In 2019, Nordic support for DRM accounted for over 20% of total aid for this sector provided by the OECD Development Assistance Committee (DAC) members.³ The Nordic countries support DRM initiatives primarily



The aid for DRM landscape has been changing dynamically in recent years.

through bilateral cooperation with partner country governments, contributions to multilateral institutions and projects, and funding for civil society in donor and partner countries.

The aid for DRM landscape has been changing dynamically in recent years. The World Bank reports to have become the largest operator of development funding focusing on public revenue collection, supporting DRM lending and technical assistance programmes in over 100 partner countries around the world.⁴ The International

- 1 <https://developmentfinance.un.org/domestic-revenue-mobilization> [15.10.2021]
- 2 United Nations, *Financing for Sustainable Development Report 2021*, 2021
- 3 <stats.oecd.org> [15.10.2021]
- 4 As of January 2021. Source: <https://www.worldbank.org/en/topic/taxes-and-government-revenue#2> [15.10.2021]



Monetary Fund (IMF) remains an important actor, providing technical support, developing tools for tax administrations and wielding significant – and, in the eyes of some, controversial⁵ – influence on countries’ tax systems through its lending and surveillance operations. This report comes at a time of an ongoing process of global tax policy reform at the OECD/G20 Inclusive Framework on BEPS, which has been criticised for unfair outcomes and the lack of involvement from developing countries.⁶ The OECD also runs several capacity-building initiatives in the area of taxation and development⁷, though not on the same scale as the World Bank and the IMF. Last but not least among the key multilateral actors in DRM, the United Nations (UN) through several bodies and processes plays an important role both in international tax policy debates and capacity building. These four actors aren’t the only multilateral organisations working with DRM. Regional organisations, such as the African Tax Administration Forum (ATAF), and regional development banks in particular have been increasingly active in this field.

This report is part of a series of reports taking a close look at the support of Nordic countries for DRM. The first report, *Nordic Countries’ Support for Tax & Development*, published in 2019, examined bilateral cooperation and coordination between the Nordic countries, while the 2020 *Policy brief Nordic aid for mobilising tax revenues for development and reducing inequality* took stock of the key new developments. The policy brief also highlighted the fact that there has been a significant shift in Nordic aid for DRM from bilateral to multilateral cooperation.

This report deals with the topic of multilateral cooperation on DRM by the Nordic countries, inspecting the frameworks for cooperation, main programmes and results. It also touches on the issues of effectiveness, policy coherence and the wider impact of these actors on the capacity of developing countries to collect tax. Since the World Bank Group (WBG) and the IMF received over 60% of the Nordic ODA for DRM directed through multilateral channels in the recent years⁸, the report focuses more on these two institutions, their programmes and operations. The report aims to provide a critical analysis of the ongoing multilateral initiatives on DRM supported by Nordic countries and formulate recommendations aimed at improving the overall effectiveness and coherence of Nordic countries’ support in line with their international and national commitments.

- 5 See e.g. Oxfam, *Is IMF Tax Policy Progressive?*, 2017
- 6 Eurodad, *Who is really at the table when global tax rules get decided?*, 2021
- 7 <https://www.oecd.org/tax/global/tax-capacity-building-developing-countries.htm> [15.10.2021]
- 8 stats.oecd.org, data for years 2015–2019 [15.10.2021]

2. Frameworks and commitments



The Nordic countries are some of the most committed donors in the area of DRM.

The Nordic countries are some of the most committed donors in the area of DRM. Their commitments towards supporting effective and progressive taxation as well as policy coherence for sustainable development (PCSD) are expressed in a number of national strategic documents and international frameworks, including the Sustainable Development Goals (SDGs), the Addis Ababa Action Agenda (AAAA) and the Addis Tax Initiative (ATI), launched in 2015 and recently renewed.

DRM is central to all the SDGs across the board as a crucial component for securing financing for their fulfilment, a fact which has been widely recognised in both political statements and in research. It has also been captured in SDG 17.1 which commits countries to “strengthen domestic resource mobilisation, including through international support to developing countries to improve domestic capacity for tax and other revenue collection”.⁹ In the AAAA, countries have also put DRM at the centre of the development finance agenda, declaring that “We recognize that significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing sustainable development and achieving the sustainable development goals.” The declaration continues with a commitment to

9 <https://sdgs.un.org/goals/goal17> [15.10.2021]

“enhancing revenue administration through modernised, progressive tax systems, improved tax policy and more efficient tax collection”.¹⁰

The ATI, launched at the occasion of the Third International Conference on Financing for Development, which produced the AAAA in 2015, set more precise commitments on improving taxation systems both for developing countries and donors wanting to contribute to this area. All four Nordic countries joined the ATI in 2015 and remain committed for the second phase, launched in 2020, for another 5 years. The first ATI declaration made three main commitments:¹¹

1. Stepping up Technical Cooperation in Tax/Domestic Revenue Mobilization;
2. Enhancing Domestic Revenue Mobilization so as to Spur Development; and
3. Ensuring Policy Coherence.

In November 2020, a new declaration – the ATI Declaration 2025 – was agreed upon with commitments to be reached by 2025. This builds on the first declaration and expands the top-line commitments as follows:¹²



All four Nordic countries joined the ATI in 2015 and remain committed for the second phase, launched in 2020, for another 5 years.

1. ATI partner countries commit to enhance DRM on the basis of equitable tax policies as well as efficient, effective and transparent revenue administrations. ATI development partners commit to support such reforms;
2. ATI development partners collectively commit to maintain or surpass the 2020 global target level (USD 441.1 million) of DRM cooperation for country-owned tax reforms;
3. ATI members commit to apply coherent and coordinated policies that foster DRM and combat tax-related illicit financial flows (IFFs);
4. ATI members commit to enhance space and capacity for accountability stakeholders in partner countries to engage in tax and revenue matters.

Each of these commitments is broken down into more specific ones. The declaration also outlines “partnership principles”, building on the development effectiveness standards. It also commits the partners to further develop the monitoring framework and approach.

Denmark, Finland and Sweden, as Member States of the European Union (EU) have also committed themselves to supporting DRM through the EU Consensus on Development (2017), which states that “The EU and its Member States will work with partner countries to promote progressive taxation, anti-corruption measures and redistributive public expenditure policies, and to tackle illicit financial flows so as to promote access to quality basic services for all.”¹³

- 10 United Nations, *Addis Ababa Action Agenda*, 2015
- 11 Addis Tax Initiative, *Financing for Development Conference The Addis Tax Initiative – Declaration*, 2015
- 12 Addis Tax Initiative, *Tax systems that work for people and advance the Sustainable Development Goals – ATI declaration 2025, 2020*
- 13 EU, *The new European consensus on development ‘our world, our dignity, our future’*, 2017

While national strategies are in most cases less detailed than the ATI declaration in terms of specifying the amount and type of support for DRM, they do however provide an important reference for this area of development cooperation and policy.

Denmark's development strategy 2021-2025 *The World We Share* reiterates the country's commitment to the SDGs and the AAAA, as well as to strengthening tax systems in partner countries and combatting tax evasion and avoidance.¹⁴

Finland's development strategy *One world, common future* also stresses the commitment to support developing countries' capacity to collect taxes.¹⁵ *The Taxation for development* programme document¹⁶ outlines in detail Finland's commitment to strengthening national tax systems and the role of developing countries in setting global tax standards. Commitment to supporting DRM is reflected also in the *Theories of Change and Aggregate Indicators for Finland's Development Policy 2020*¹⁷, where one of the key outcomes focus on "More effective and accountable public sector with transparent and inequality reducing tax system". These approaches were further reiterated in the recent *Report on Development Policy across Parliamentary Terms in the Institutional Repository for the Government*.¹⁸

Norway's long running support for strengthening taxation systems in developing countries has been captured, among others, in the *Common Responsibility for Common Future strategy*¹⁹ and further fleshed out in the *Tax for Development* programme²⁰, renewed until 2025. While the *Norad's strategy towards 2030*²¹ does not mention DRM explicitly, as it remains at a top-level narrative, the topic of taxation and other domestic resources remains high on Norway's agenda and is expected to appear distinctly in the operationalisation of the strategy.



ILLUSTRATION: Global Alliance for Tax Justice

- 14 Ministry of Foreign Affairs of Denmark, *The World We Share. Denmark's strategy for development cooperation and humanitarian action*, 2021
- 15 Ministry for Foreign Affairs of Finland, *Finland's Development Policy. One world, common future – towards sustainable development*, 2016
- 16 Ministry for Foreign Affairs of Finland, *Taxation for development. Finland's Action Programme 2020–2023*, 2020
- 17 Ministry for Foreign Affairs of Finland, *Theories of Change and Aggregate Indicators for Finland's Development Policy 2020*, 2020
- 18 Ministry for Foreign Affairs of Finland, *Report on Development Policy across Parliamentary Terms in the Institutional Repository for the Government*, 2021
- 19 Norwegian Ministry of Foreign Affairs, *Common Responsibility for Common Future. The Sustainable Development Goals and Norway's Development Policy, Report to the Storting*, 2016–2017
- 20 <https://www.norad.no/en/front/the-knowledge-bank/programmes-in-the-knowledge-bank/tax-for-development/> [15.10.2021]
- 21 NORAD, *Norad's strategy towards 2030*, 2021



The AAAA and the EU Consensus on Development directly refer to the objective of progressive taxation.

Sweden's development policy framework²² and the *Strategy for global development cooperation in sustainable economic development 2018–2022* both reiterate the country's commitment to supporting DRM. The strategy reiterates the commitment towards the 2030 Agenda and the AAAA and states: "More effective domestic resource mobilisation, increased financial stability and counteracting corruption" as key objectives.²³ A new position paper on FfD, expected to be published in the autumn of 2021, will deepen the analysis and flesh out the government's approach to this agenda.

It is important to mention that while not all of these declarations and strategies refer explicitly to the equity aspects in tax systems or support programmes, the international ones in particular make clear the importance of domestic revenue for fighting poverty and inequality. The AAAA and the EU Consensus on Development directly refer to the objective of progressive taxation. The ATI, having been criticised by various actors for not paying enough attention to the fairness aspects in the first phase, has included a reference to "equitable taxation" and "progressive revenue sources" in the new declaration, under the first commitment, where the members promise to "support reforms to foster equity of tax systems in partner countries in order to reduce inequalities and advance the social contract."²⁴

- 22 Government of Sweden, *Policy framework for Swedish development cooperation and humanitarian assistance*, 2016
- 23 Ministry for Foreign Affairs, *Strategy for Sweden's global development cooperation in sustainable economic development 2018–2022*, 2018
- 24 Addis Tax Initiative, *Tax systems that work for people and advance the Sustainable Development Goals – ATI declaration 2025*, 2020

Equitable, progressive, fair – taxation and inequality

Fiscal policies have been widely recognised as key to fighting economic inequalities, including through SDG 10, target 4. While historically more attention was put on the expenditure side of fiscal policies in this regard, the impact that taxation policies have is equally important. While researchers continue to investigate the precise effects of different types of taxes in different contexts, the 2014 UN Special Rapporteur on extreme poverty and human rights summarised well in her report what the research so far points to as general patterns: “Overall, high tax rates for goods and services and low rates for income, wealth and property bring about inequitable and discriminatory outcomes.” and “Progressive tax systems, in particular direct taxes, are one of the most important tools available to Governments in addressing income inequality.”

Most development actors active in DRM now talk about the need not only to collect more tax revenue, but also about doing it in a way that contributes to reducing inequalities - or at least does not perpetuate the existing ones. Many sources would use the technical term of progressive taxation, which refers to the effective tax rate increasing with a person’s income or wealth. Fair taxation is a slightly broader and less strictly defined concept, preferred by some actors for its capacity to capture both progressivity and other considerations, such as ensuring little or no taxation for groups with the lowest incomes. While some actors also use equitable taxation in this context, it could be a more problematic term, as it might legitimise a more flat distribution of tax contributions, undermining tax systems’ potential to help reduce existing inequalities.

References: IMF, *Fiscal Policy and Income Inequality*, IMF Policy Paper, 2014; UN, *Report of the Special Rapporteur on extreme poverty and human rights*, A/HRC/26/28, 2014

Another important angle is the Policy Coherence for Sustainable Development (PCSD) principle, which obliges countries to consider the impact of broader policies on developing countries, ensuring coherence with development policy objectives. This principle is particularly important in the area of DRM, where donor countries' taxation policies can have a significant impact on partner countries' domestic revenue. Double taxation agreements between donor and partner countries are one clear example²⁵, but these interdependencies go much further, including into donor countries' positions in international taxation policy processes that help shape international taxation rules, which have impact on developing countries too.

As with support to DRM, the Nordic countries made commitments to the PCSD principle through a number of international and national documents. At international level, enhancing PCSD is one of the targets under SDG 17 and one of the commitments in both ATI declarations. The EU member states are legally obliged to consider PCSD through the Treaty on the Functioning of the EU (TFEU)²⁶. All Nordic countries have also included PCSD in national planning, although it could be argued that implementation of this principle in the area of taxation leaves room for improvement – or at least for further analysis.

All Nordic countries put multilateral cooperation high on the agenda in their development cooperation strategies and have developed a number of framework documents to guide their engagement.

[Denmark](#) is a strong supporter of the multilateral system, recognising its importance for a small country like itself. It also recognises how cooperation with large multilateral development agencies not only contributes to results, but also provides Denmark with a strong international brand.²⁷ The Danish development cooperation strategy also cites multilateral cooperation as one of the important points of influence: "Through an independent Danish entry point to the organisations, we will be able to influence international responses and initiatives that we find important. Despite being a small country, we can achieve influence far beyond what could be expected for a country our size if

we make a focused effort, have good arguments and best practices"²⁸. ODA through multilateral channels (core contributions and earmarked funding) accounted for more than half of Denmark's ODA in 2019.²⁹ Danish multilateral contributions are steered by the *Guidelines for Management of Danish Core (including Soft Earmarked) Support to Multilateral and International Organisations* (2020).³⁰ Denmark also has a dedicated strategy for cooperation with the World Bank³¹ and a number of other multilateral actors.

- 24 Addis Tax Initiative, *Tax systems that work for people and advance the Sustainable Development Goals - ATI declaration 2025, 2020*
- 25 ActionAid, *Mistreated*, 2016
- 26 TFEU, article 208
- 27 Ministry of Foreign Affairs of Denmark, *Guidelines for Management of Danish Core (including Soft Earmarked) Support to Multilateral and International Organisations*, 2020
- 28 Ministry of Foreign Affairs of Denmark, *The World 2030. Denmark's strategy for development cooperation and humanitarian action*, 2017
- 29 OECD, *Development Co-operation Profiles*, 2021
- 30 As the guidelines state, they do not cover earmarked support and only partly financial contributions below 10 million annual DKK.
- 31 DANIDA, *Strategy for Denmark's Cooperation with the World Bank Group 2019 - 2023*, 2019

Finland also puts multilateral cooperation high on their agenda concerning its capacity to strengthen multilateral rules and increase operational capacity, calling it “one of the cornerstones of Finnish development policy”³² and allocating almost half of its total ODA to core multilateral contributions and more through earmarked funding.³³ While Finland does not seem to have a dedicated multilateral development cooperation strategy, this channel is mentioned prominently in the development strategy as well as in the supporting theories of change. More specifically, in the area of DRM, the *Theories of Change and Aggregate Indicators for Finland’s Development Policy 2020*³⁴, apart from defining DRM support objectives, set more specific objectives for policy influencing in the multilateral setting.

Norway is a committed supporter of multilateralism as well as multilateral donor with more than half of ODA channelled to or through multilateral actors.³⁵ The country’s multilateral cooperation is guided by the white paper *Norway’s Role and Interests in Multilateral Cooperation*, which highlights, amongst others, the OECD as a crucial partner for cooperation on tax matters and outlines Norway’s plans for support of the Illicit Financial Flows (IFF) agenda at the UN.³⁶ International cooperation is also one of the key areas of Norway’s Tax for Development programme, where the OECD, the IMF and the WB have all been mentioned as important partners³⁷.

Sweden’s multilateral aid accounts for just over half of the total assistance provided by the country and focuses on the UN, World Bank and the EU.³⁸ It is guided by the *Strategy for Multilateral Development Policy*, which explains the overall aim “to achieve the most effective possible impact for Sweden’s development policy objectives, while supporting other foreign and sectoral policy goals”.³⁹ Sweden also has a specific strategy for cooperation with the WBG, which clarifies in the area of DRM that “The WBG is to support domestic resource mobilisation through effective and fair tax systems and tax administrations.”⁴⁰

What the Nordic countries apparently share when it comes to their approach to multilateral coope-

ration is the commitment to multilateralism as a principle; recognition of the value that multilateral cooperation can bring to relatively small countries like them; as well as at least some level of transparency in the strategies for engagement with multilateral actors. All Nordic countries contribute significant funds in both core contributions to multilateral development actors and in earmarked funding.

It should be noted that while national strategies in the Nordic countries often outline principles and directions for cooperation with large multilateral actors such as the WBG and the UN, such strategies in the context of international development are not available for the IMF. This is likely due to the fact that even though central in DRM work the IMF is not usually considered an international development partner in other thematic areas and overall receives ODA funds that are small in comparison to funds received by actors such as the WBG or the UN.⁴¹

- 32 Ministry for Foreign Affairs of Finland, *Report on Development Policy across Parliamentary Terms in the Institutional Repository for the Government*, 2021
- 33 OECD, *Development Co-operation Profiles*, 2021
- 34 Ministry for Foreign Affairs of Finland, *Theories of Change and Aggregate Indicators for Finland’s Development Policy 2020*, 2020
- 35 OECD, *Development Co-operation Profiles*, 2021
- 36 Ministry of Foreign Affairs of Norway, *Norway’s Role and Interests in Multilateral Cooperation*, 2018-2019
- 37 NORAD, *Tax for Development Portfolio Strategy 2020-2025*, 2020
- 38 OECD, *Development Co-operation Profiles*, 2021
- 39 Ministry for Foreign Affairs of Sweden, *Strategy for Multilateral Development Policy*, 2017
- 40 Ministry for Foreign Affairs of Sweden, *Strategy for Sweden’s cooperation with the World Bank Group 2020-2023*
- 41 stats.oecd.org [15.10.2021]

“Multi-bi” cooperation

Earmarked funding for multilateral organisations, in many cases provided through specific trust funds, is often referred to as “multi-bi” cooperation. It is different from core contributions to these organisations, which are not directed towards any specific programme or country, and different from bilateral cooperation where donor countries work directly with partner countries without passing through an international organisation.

“Multi-bi” cooperation has been growing in recent years in real terms, accompanied by a decline in the share of core contributions. Like any channel and trends, earmarked funding has its advantages and disadvantages, triggering questions around fragmentation, effectiveness, ownership and predictability of such flows.

References: OECD, *Multilateral development finance 2020*, 2020.



3. Figures

By 2018 the ATI partners collectively increased their support to DRM by 69%⁴², out of their target of doubling it by 2020. At the time of writing this report, detailed figures on 2020 ODA for DRM were not yet available, nor had the ATI reported on the level of achievement of this target. It also remains unclear what impact the Covid-19 pandemic has had on ODA for DRM levels, which have likely suffered as funds were moved to healthcare and social protection initiatives.

Based on 2019 figures and preliminary information from national sources, subject to verification when official OECD 2020 data is made available, it can be expected that in 2020 Norway doubled the ODA for DRM compared to 2015 levels, in line with the collective ATI commitment, while Sweden and Denmark noted a significant increase (see Figure 1). Finland did not meet the target increase, but committed to achieving it by 2022.⁴³



The share of ODA provided through multilateral actors has been rising.

42 Addis Tax Initiative, *ATI monitoring report 2018*, 2020

43 Ministry for Foreign Affairs of Finland, *Taxation for development. Finland's Action Programme 2020-2023*, 2020



The World Bank Group Headquarters, Washington, D.C.

Figure 1. Nordic countries' total ODA to DRM and ODA to DRM to and through multilateral actors (USD million)⁴⁴



Concerning aid channels, globally the share of ODA provided through multilateral actors has been rising,⁴⁶ and it has also been a trend in ODA for DRM globally.⁴⁷ The same trend, only more pronounced, can be observed for the Nordic countries collectively (see Figure 2).

44 It is important to note that the above mentioned statistics only capture flows reported under the Domestic Resource Mobilisation purpose code (15114), which was introduced only in 2016 (for 2015 flows) initially as a voluntary code. These factors might mean that the statistics provided do not necessarily provide a full picture of ODA for DRM flows, especially in the first years of the ATI. An example of statistical difference between DRM code of OECD/DAC and the national DRM-statistics concerns general support given for the African Tax Administration Forum ATAF. OECD/DAC does not include this support to its statistics to avoid double calculation but as actors like ATAF do not report its activities to OECD/DAC this support is not calculated at all. For example, Finland has given different amounts of general support for ATAF in 2015–2019, all together USD 1.4 million

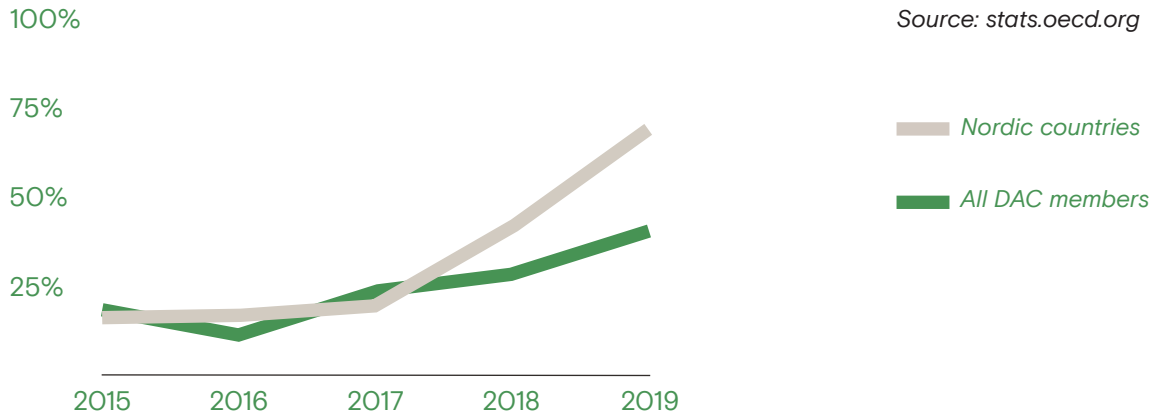
45 The MFA of Denmark clarified that the originally recorded 2015 ODA for DRM amount (DKK 47.9 million, which amounts to app. USD 7.4 million) was later corrected to DKK 20.4 million (app. USD 3.16 million) as at first it mistakenly included a project with a minimal focus on taxation.

46 OECD, *Development Co-operation Profiles – Development co-operation during the COVID-19 pandemic: An analysis of 2020 figures and 2021 trends to watch*. 2021

47 Oxfam, *Doubling down on “DRM”*, 2018 and stats.oecd.org

Source: stats.oecd.org for the 15114 CRS code. Data for Denmark's total ODA for DRM in 2015 are based on data provided by the Danish MFA⁴⁵.

Figure 2. Share of ODA for DRM channelled through multilateral organisations.

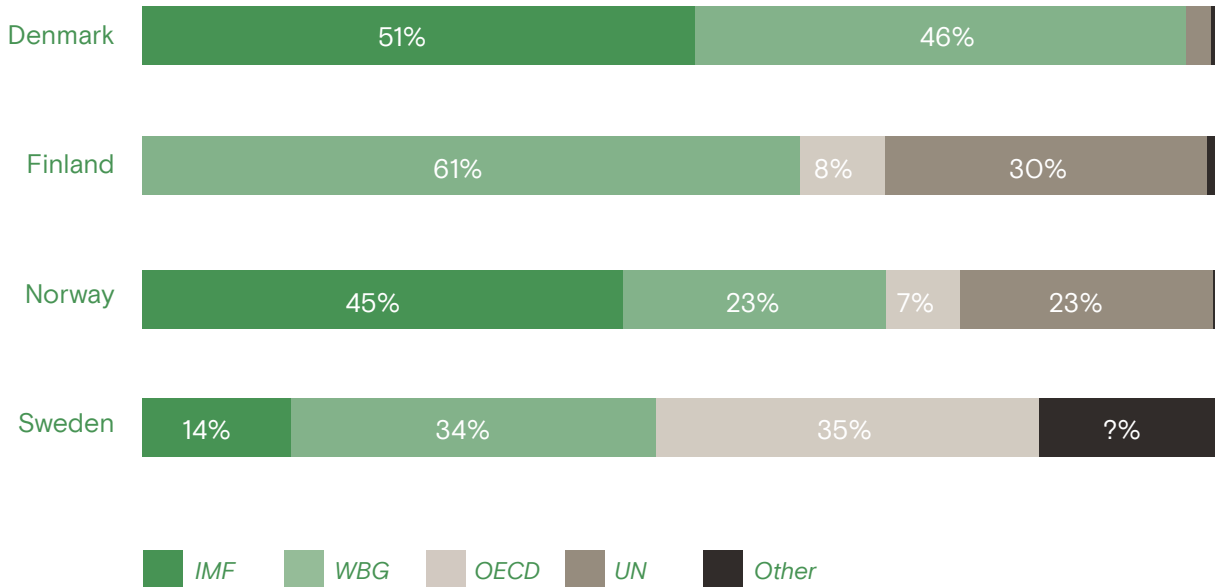


At national level, however, the share of ODA for DRM provided through multilateral channels changed significantly from year to year (see Figure 1). In 2019, the share of ODA for DRM through multilateral channels was the highest so far for the Nordic countries collectively. It reached around half of total ODA for DRM in Sweden and Finland, over 70% in Norway and 94% in Denmark. The average for DAC members that year was 41%. One important factor affecting the level of transfers and contributing to fluctuations are replenishment processes of different multilateral programmes and funds. Once available, data for 2020 will confirm whether this trend continues. The 2020 policy brief preceding this report demonstrated that the increase in the funds for multilateral institutions occurred mostly at the expense of bilateral cooperation for which the share of funds has significantly declined. The

share of ODA for DRM funds received by civil society kept oscillating between 13% and 24%.⁴⁸ What also differs significantly between countries and years are multilateral organisations to which the funding is directed. Figure 3 shows the share of the multilateral ODA for DRM that the four largest actors received from each of the Nordic countries. Because of the fluctuations from year to year, the chart shows cumulative amounts for the last five years for which data is available (2015–2019).

⁴⁸ Tax Justice Norway and others, *Nordic aid for mobilising tax revenues for development and reducing inequality, 2020*

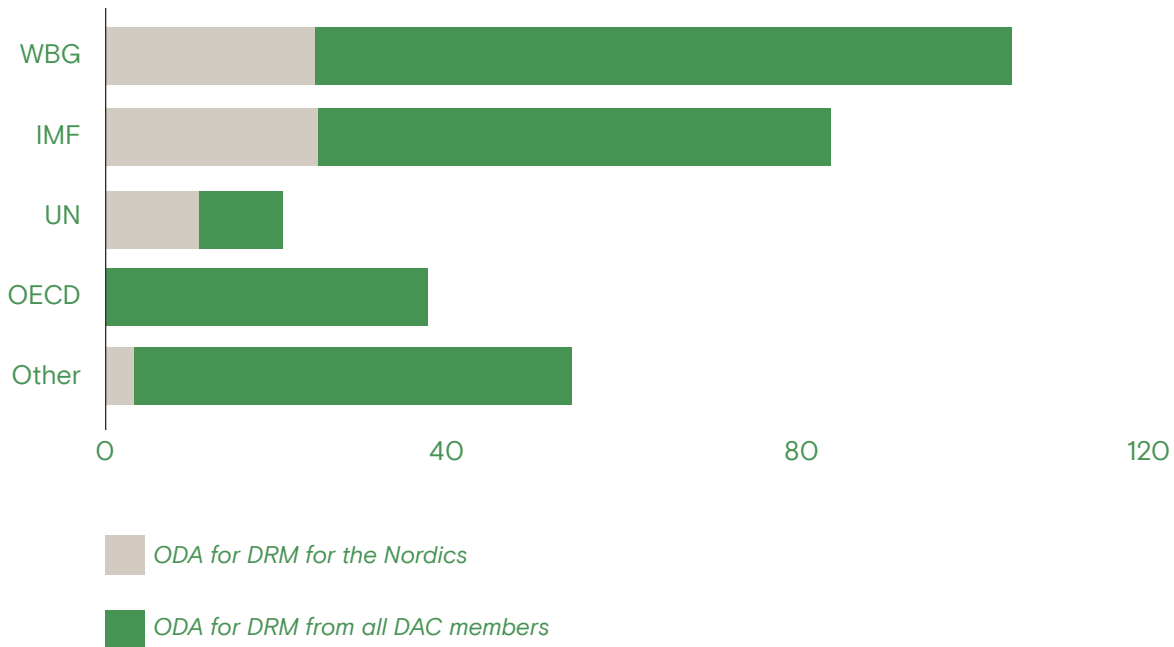
Figure 3. Shares of Nordic ODA for DRM through multilateral channels by the top recipients (cumulative for years 2015–2019).



Source: stats.oecd.org

During these years Denmark channelled almost all its aid to tax through almost only to the IMF and the WBG, while Norway distributed funds to all four actors. Finland directed more than 60% of its multilateral DRM funds to the WBG. Sweden mainly supported the programmes of the WBG and the OECD. Overall, the WBG and the IMF received the most funding, approximately a third of total Nordic multilateral ODA for DRM each, while the UN and the OECD received 15% and 12% respectively.

Figure 4. **Nordic contribution in total DAC members' DRM funding for selected multilateral actors (cumulative for years 2015–2019, USD million)**



Source: stats.oecd.org

The Nordic countries accounted for over 20% of total DAC funding for DRM in 2019, despite their relatively small size compared to some of the other DAC members. Figure 4 shows the importance of the Nordic countries in DRM funding for multilateral actors. Between 2015 and 2019 funds from the Nordic countries accounted for over 20% of the DRM funds received by the WBG, the IMF and the OECD. They provided over half of the funds UN organisations received for DRM.

4. Actors and programmes

The international DRM operational landscape has been changing dynamically in the recent years, in particular after the 2015 Addis Ababa FfD conference and creation of the ATI. One of the objectives of the ATI was to improve coordination and collaboration between donor governments engaged in DRM work. A similar idea stood behind the creation of the Platform for Collaboration on Tax (PCT) created in 2016 by the four largest multilateral actors: the UN, the WBG, the IMF and the OECD.⁴⁹ While the cooperation and communication between DRM actors has increased, they still operate a significant number of different initiatives and programmes, often with overlapping objectives and approaches.

The IMF's Revenue Mobilisation Thematic Fund (IMF RMTF) was launched in 2016, building on the Tax Policy and Administration Trust Fund (TPA-TF) and responding to the DRM support needs identified at the Addis Ababa conference. The objective of the RMTF is to improve domestic tax revenue performance and taxpayer compliance in beneficiary countries, focusing on capacity building

and targeted support for reforms. The programme covers the period 2017–2022 with a budget currently set at USD 77 million and over 30 country-level and regional projects. Denmark, Sweden and Norway are collectively significant contributors to the programme's budget.⁵⁰

The IMF's Managing Natural Resource Wealth Thematic Fund (IMF MNRW TF) was launched in 2011 and renewed for a second phase in 2016 with a target budget of USD 30 million. The fund focuses on assistance to resource rich countries through helping design appropriate resource tax regimes, improve administration and enhance transparency. Norway contributes to the fund.⁵¹ Norway also contributes to the IMF's Tax Administration Diagnostic and Assessment Tool (TADAT), a framework for assessing tax administrations, their key structures and processes.⁵²

Launched in 2017, the WB's Global Tax Programme (WB GTP) focuses on strengthening tax systems in developing countries through support to tax reforms at national level as well as global activities related to developing tools and research. The GTP currently supports activities in 64 countries and secured contributions of more than USD 67 million

⁴⁹ <https://www.tax-platform.org> [15.10.2021]

⁵⁰ <https://www.imf.org/external/np/ins/english/rmtf.htm> [15.10.2021]

⁵¹ <https://www.imf.org/en/Capacity-Development/trust-fund/MNRW-TTF> [15.10.2021]

for the period 2018–24. Denmark and Norway are both donors to the programme.⁵³

The UN works on the issues of taxation and broader DRM in several bodies and processes, notably the [UN Committee of Experts on International Cooperation in Tax Matters](#) and the Financing for Development Forum, both supported by the Financing for Sustainable Development Office at the UN Department of Economic and Social Affairs (UN DESA). The Tax Committee has been operating since 2005, maintaining the UN Model Tax Treaty, providing a framework for tax policy dialogue and cooperation and issuing relevant recommendations. The committee is supported through the Tax Trust Fund, currently contributed to by Norway⁵⁴.

The UN Development Programme (UNDP), together with the OECD, operates the [Tax Inspectors Without Borders \(TIWB\)](#) programme, which was launched 2013. The programme facilitates placement of experts to support tax authorities in programme countries. There are programmes currently underway in 46 countries. Finland, Norway and Sweden support the programme.⁵⁵

Apart from the TIWB, the OECD runs a number of different activities under their [Tax and Development](#) programme. One of the key activities in the last years was supporting developing countries' participation in the BEPS tax reform process. Of the Nordic countries, Norway and Sweden support the Tax and Development programme of the OECD.

These four and their initiatives are of course not the only multilateral actors active in DRM work. Regional actors like the African Tax Administration's Forum (ATAF) are only some of the other important multilateral actors in this field, also supported by some of the Nordic countries. The Nordic countries' support concentrates on the four PCT

members, but each of the countries has adopted a different approach to managing multilateral support to DRM.

[Denmark](#) contributes to the IMF RMTF, the World Bank's GTP and other WB trust funds. In the previous years Danish MFA also supported other actors, including the African Tax Administration Forum (ATAF) and the UN Economic Commission for Africa (UNECA). Sweden also contributes to the RMTF and a number of World Bank initiatives, including the Multi-Partner Funds in Somalia and Afghanistan. The country also supports the OECD Tax and Development programme and has a significant bilateral cooperation portfolio.⁵⁶

[Finland and Norway](#) take different approaches. Norway has decided to support all key multilateral actors, including the IMF's RMTF, WB's GTP, OECD's tax and development work as well as the UNDP's TIWB and the UN Tax Committee. In contrast, Finland supports few global multilateral initiatives, choosing to focus on direct cooperation with partners in Africa, including regional partners such as the ATAF.⁵⁷ It contributes to the UNDP's TIWB, but with the specific intention of supporting South-South cooperation between tax administrations.

⁵³ <https://www.worldbank.org/en/programs/the-global-tax-program/overview> [15.10.2021]

⁵⁴ <https://www.un.org/development/desa/financing/what-we-do/ECOSOC/tax-committee/tax-trust-fund> [15.10.2021]

⁵⁵ <http://tiwb.org/about/> [15.10.2021]

⁵⁶ <http://d-portal.org/> [15.10.2021]

⁵⁷ Ministry for Foreign Affairs of Finland, *Taxation for development. Finland's Action Programme 2020–2023, 2020*

Figure 5. **The Nordic countries' engagement in selected multilateral initiatives (as of 2021)**

	Denmark	Finland	Norway	Sweden
IMF RMTF				
WB GTP				
Other WB trust funds				
OECD Tax and Development				
UNDP and OECD TIWB		(through the UNDP)	(through the UNDP)	(through th OECD)
UN Tax Trust Fund				

In the rapidly expanding development landscape, including a number of multilateral initiatives, the key question is which of the organisations to support and to what extent. Most donors base this decision on the organisation's capacity and effectiveness, convergence of priorities and policies as well as the funding needs. Some also mention the capacity to influence the programmes as a consideration.⁵⁸ Visibility, prestige, historical commitments as well as consideration of political dynamics - all of these and more can also be factors in such a decision. This decision is certainly a complex one, but with the current trend of increasing spending through this channel, getting it right becomes more important.

58 MFA of Denmark, *Guidelines for Management of Danish Core (including Soft Earmarked) Support to Multilateral and International Organisations*, 2020

5. Results monitoring and evaluation

The effectiveness and efficiency of programmes is always a key consideration, which is why results frameworks, monitoring and evaluation are important. When it comes to measuring the outcomes of multilateral DRM support, results frameworks and evaluation come from different sources: national strategies and frameworks, ATI commitments and monitoring, as well as the multilateral actor's own programmes and reporting activities. It creates a complex landscape covering a wide range of indicators and collecting a wide range of data, not short of inconsistencies and gaps.

Denmark's approach to monitoring the DRM results is described in the *Evaluation guidelines* (2018) and - for multilateral core and soft-earmarked support - in the *Guidelines*⁵⁹ mentioned in earlier sections. They require all organisations receiving support from Denmark to have clear plans and submit regular reports, relying on three main instruments for monitoring: organisations' own reporting systems, Multilateral Organisation Performance Assessment Network (MOPAN) assessments and studies commissioned by the MFA. All these sources feed into an Annual Stocktaking Report prepared by each of the

59 MFA of Denmark, *Guidelines for Management of Danish Core (including Soft Earmarked) Support to Multilateral and International Organisations*, 2020



The effectiveness and efficiency of programmes is always a key consideration, which is why results frameworks, monitoring and evaluation are important.

units responsible for cooperation.⁶⁰ In relation to the support for the specific IMF and WBG DRM programmes, quantitative indicators are set in the government's programme documents. For the RMTF the two key indicators are: average tax to GDP ratio trends and average tax gaps reduced over time in RMTF beneficiary countries.⁶¹ For the WB GTP, the indicators are: the number of countries where Bank tax assessments have informed DRM or tax related policies, number of countries that raise tax-to-GDP ratios above 15%, and the number of countries that have improved tax to GDP ratios from the baseline and previous reporting.⁶²

Finland's indicators for measuring progress on support to DRM are outlined in the *Theory of change* documents mentioned in earlier sections. In relation to DRM they remain limited, focusing on total government revenue as a proportion of GDP and the increase in the number registered taxpayers.⁶³ While other topical areas also include indicators for policy influencing targets, the one that relates to taxation seems omitted in this regard. When it comes to multilateral cooperation, Finland monitors the performance and results through its embassy staff, as well as commissioning external audits, on top of the internal monitoring and reporting structures of the organisations.⁶⁴

Norway's *Tax for Development Portfolio Strategy 2020–2025* sets out a results framework built on two main outcomes: “Domestic tax systems in target countries are more efficient and equitable” and “Global tax collaboration and standards reflect needs and capacities of developing countries”.⁶⁵ While the indicators remain relatively limited, it should be noted that they make an effort to capture not only changes in developing countries' tax take, but also issues related to equity (through an “output story”) as well as changes in the dynamics and North–South balance in international tax cooperation. When it comes to monitoring the results, they are described in the *NORAD Evaluation Programme 2020–2022* and other strategic documents. For multilateral initiatives,

Norway relies on bilateral consultations on the reports, as well as on the MOPAN assessments, calling it “the most important provider of assessments of multilateral organisations”.⁶⁶ NORAD's evaluation unit also undertakes regular assessments, an example being a recent closer look at the effectiveness of some of the multilateral engagement in the *Evaluation of Norway's Multilateral Partnerships Portfolio: The World Bank and UN Inter-Agency Trust Funds* published in 2019.

⁶⁰ Ibid.

⁶¹ DANIDA, *Project Document: Contribution to IMF Revenue Mobilisation Trust Fund*, 2018

⁶² DANIDA, *Project Document: Contribution to World Bank Global Tax Program (GTP)*, 2018

⁶³ Ministry for Foreign Affairs of Finland, *Theories of Change and Aggregate Indicators for Finland's Development Policy 2020*, 2020

⁶⁴ <https://um.fi/monitoring-of-development-cooperation> [15.10.2021]

⁶⁵ NORAD, *Tax for Development Portfolio Strategy 2020–2025*

⁶⁶ Ministry of Foreign Affairs of Norway, *Norway's Role and Interests in Multilateral Cooperation, 2018–2019*



Attempts at capturing the fairness aspects of revenue collection are almost completely missing and assessment of broader political considerations is very limited.

Results frameworks for [Sweden's](#) support for DRM are established at programme level. When it comes to monitoring multilateral cooperation, Sweden has made a commitment to supporting a sufficient funding for evaluation, as well as to “ensure lessons learned are fed back into operations”.⁶⁷ The country uses MOPAN assessments as the basis, supplementing it where relevant with national studies.

Each of the multilateral programmes has its own results framework and approach to monitoring and evaluation. The WB GTP, for example, in its monitoring focuses mainly on the number of products as well as recommendations proposed and endorsed⁶⁸, while the IMF RMTF focuses on changes tax-to-GDP ratios and tax gaps at impact level and a set of more detailed indicators at outcome level.⁶⁹ It is worth noting that the GTP includes considerations of fairness in the programme narrative, but they are not captured in the results framework.

As shown in this overview, each country has a different approach to defining results and indicators, as well as to monitoring them, especially when it comes to supporting multilateral initiatives. What they have in common is a rather limited approach focusing on tax-to-GDP ratios. Attempts at capturing

the fairness aspects of revenue collection are almost completely missing and assessment of broader political considerations is very limited.

Here is where the [Addis Tax Initiative](#) work shows some promise. In the first phase, ATI monitoring focused on a wide range of indicators corresponding to the three commitments. The second commitment, enhancing DRM, is probably the closest to the Nordic countries' DRM programme plans. The indicators for this commitment included tax-to-GDP ratio, tax rates and tax-free thresholds, revenue trends and the impact of taxation on inequality. This last indicator is particularly interesting. In its 2018 monitoring report ATI decided to measure it using two of the sub-indicators of the “progressivity of tax” component of the Commitment To Reducing Inequality Index developed by Oxfam and DFI: progressivity of the tax structure and the impact of tax collection on levels of inequality (as measured by the GINI coefficient). Policy coherence for development has also presented a major challenge in terms of progress monitoring as there is no widely accepted framework in this area. In its 2018 monitoring ATI relied on a survey and partners self-assessment.⁷⁰ While these approaches have their limitations and disadvantages, these efforts can be considered a positive development. ATI is currently working on a new monitoring framework to reflect the ATI declaration 2025, offering hope for further improvement in terms of measurement of real progress in enhancing fair DRM, as well as the PCSD and other commitment areas.⁷¹


⁶⁷ Ministry for Foreign Affairs of Sweden, *Strategy for Multilateral Development Policy*, 2017

⁶⁸ WB, *Global Tax Umbrella Program. Annual Progress Report FY20*, 2021

⁶⁹ IMF, *Revenue Mobilisation Trust Fund. Programme document*, 2016

⁷⁰ Addis Tax Initiative, *ATI monitoring report 2018*, 2020

⁷¹ <https://www.addistaxinitiative.net/ati-monitoring> [15.10.2021]



Multilateral Organisation Performance Assessment Network (MOPAN)

All Nordic countries have committed to supporting and monitoring the effectiveness and efficiency of the multilateral institutions. One of the key initiatives in this area is MOPAN. The focus of MOPAN is on the organisations' general performance, relevance of results, and organisational effectiveness. Denmark, Norway, Sweden have been members of MOPAN since it was created in 2002, Finland joined in 2005. Sweden seems to have been particularly active in the last years, holding several chair positions. MOPAN evaluates the WBG and the UN and its various institutions on a regular basis. The IMF has not been subject to a MOPAN assessment.

References: www.mopanonline.org

6. Programme and policy influencing

As mentioned in the previous sections, the capacity to influence the shape of a programme, an organisation's policies, practices as well as international norms and standards in a policy area can be an important consideration for a donor's commitment of funds. Countries have a number of tools available for that purpose, including participation in the governing bodies and advisory groups.

Denmark's multilateral cooperation guidelines focus on ensuring Danish interest in international development cooperation, as well as ensuring the effectiveness and accountability of delivery. Apart from using general channels of influence, strategies for cooperation with specific multilateral actors are supposed to outline in detail the formal and informal ways of advancing Danish positions. The Danish WBG GTP programme document mentions, for example, membership in the steering committee of the programme as a key influence point. In the broader WBG influence, despite a relatively small voting power, Denmark holds three



Finland and Norway provide interesting examples of how such policy influencing can be recognised and integrated into DRM programming.

sources of influence: “the consistency of positions over time; the large contributions to development in relation to GDP; and the selection of compelling policy themes that other donors also want to support.”⁷²

Finland also outlines multiple levels of influencing, along with a commitment to developing and regularly updating clear influencing goals. An example of such a goal in relation to DRM can be found in the Theory Of Change (TOC) document: “Increased responsiveness to the voice of civil society actors by EU, IFIs and the UN system.”⁷³ The result-oriented approach to policy influencing in multilateral setting was introduced in 2012, and while it might not have significantly changed the practices, it is reported to have improved organisational learning and reporting in the area.⁷⁴ OECD praises Finland for being “very effective in contributing to significant changes in the policies and practices of multilateral organisations”.⁷⁵

Norway has a number of tools at its disposal to promote Norwegian and common interests in the multilateral system, including international political and financial contributions, partnerships, police and military contributions, candidacies, board memberships and the recruitment of Norwegians to international organisations”, states Norway’s multilateral strategy.⁷⁶ Adapting the choice of tools

⁷² DANIDA, *Strategy for Denmark’s Cooperation with the World Bank Group 2019 - 2023*, 2019

⁷³ Ministry for Foreign Affairs of Finland, *Theories of Change and Aggregate Indicators for Finland’s Development Policy 2020*, 2020

⁷⁴ Ministry for Foreign Affairs of Finland, *Finnish Development Policy Influencing Activities in Multilateral Organisations*, 2020

⁷⁵ OECD, *Finland Mid-term Review, 2021* <https://www.oecd.org/dac/peer-reviews/DAC-mid-term-Finland-2021.pdf>

⁷⁶ Ministry of Foreign Affairs of Norway, *Norway’s Role and Interests in Multilateral Cooperation, 2018–2019*

to each case, Norway has been recognised for achieving significant success in terms of agenda setting in the area of DRM. Norway has been central to putting Illicit Financial Flows on the international agenda. “Norway has extensive experience and an established reputation in developing a fair and effective tax system, in terms of both the taxation of natural resources and an efficient tax administration International networks and partnerships that allow Norway to ‘punch above its weight’ have meant it was influential in taking the agenda forwards”. Claims a Norad report.⁷⁷ Notably, it has been recognised that one of the factors contributing to the advocacy success has been extending the partnership beyond the governmental circles into civil society and academia to strengthen the coalition. Like Denmark, Norway’s strategies also highlight the importance of Nordic cooperation in multilateral influencing.

For Sweden, international dialogue aims to “help further Swedish policy, to attain results within the remit of strategies and to improve development effectiveness”.⁷⁸ When it comes to the tools of influence, in the example of the WBG, Sweden is able to leverage its relatively high contributions to the trust funds and lists a large number of channels of influence at its disposal, including bilateral dialogues, cooperation with external partners and recruitments of Swedes to positions within the WBG. The importance of Nordic-Baltic cooperation is also recognised⁷⁹.

The Nordic-Baltic cooperation is an important component of the Nordic countries’ influencing within both the IMF and the World Bank through the Nordic-Baltic Constituency (NBC), which includes the four Nordic countries (Denmark, Finland, Norway and Sweden), the three Baltic countries (Estonia, Latvia and Lithuania) and Iceland. Denmark’s WBG strategy states that: “The Nordic-Baltic Constituency has frequently been



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recognised for having influenced the direction of the institution to a degree that goes beyond the constituency’s actual share of votes”.⁸⁰

All Nordic countries are active in multilateral organisations, advancing national priorities, including those related to DRM programming but their approach to planning for strategic influencing varies. Finland and Norway provide interesting examples of how such policy influencing can be recognised and integrated into DRM programming.

- 77 NORAD, *Case Study on Norway’s Engagement in the Fight against Illicit Financial Flows and Tax Havens: Commercial Tax Evasion*, 2016
- 78 Government of Sweden, *Policy framework for Swedish development cooperation and humanitarian assistance*, 2016
- 79 Ministry for Foreign Affairs of Sweden, *Strategy for Sweden’s cooperation with the World Bank Group 2020–2023*
- 80 DANIDA, *Strategy for Denmark’s Cooperation with the World Bank Group 2019–2023*, 2019

7. Effectiveness and coherence

The key question in this section is how effective the multilateral programmes supported by the Nordic countries are in achieving their objectives and whether they are more efficient than other types of interventions (such as bilateral cooperation between governments or civil society projects). An additional question, impacting both the effectiveness and efficiency of the programmes, is also the issue of the organisations' policy coherence, whether their overall operations reinforce or maybe undermine the programmes' objectives. As with governments, large multilateral organisations can impact developing countries' capacity to collect tax in ways reaching far beyond the dedicated programmes, an example being the lending programme conditionality of the IMF⁸¹ or the WB's approach to promoting investment through the recently discontinued Doing Business Report.^{82,83} These questions are, however, quite difficult to answer.

Nevertheless they can also be considered from the point of view of alignment with the ATI declaration 2025, which brings in a few other considerations, including the commitment to equitable tax policies, country-owned tax reforms, coherent and coordinated policies as well as enhancing the space and capacity for accountability stakeholders in partner countries.

Concerning effectiveness and efficiency, there are a number of evaluations done by the organisations, national agencies and MOPAN. Overall, the World Bank received a 'satisfactory' rating across most categories analysed in a Finnish MFA report⁸⁴ and opinions are similar across a number of other evaluations, including the prior mentioned NORAD



UN Headquarters in New York, NY, USA.

- 81 Oxfam, *Is IMF Tax Policy Progressive?*, 2017
- 82 <https://www.brettonwoodsproject.org/2019/12/ease-of-doing-business-what-does-it-conceal/> [15.10.2021]
- 83 <https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report> [01.11.2021]
- 84 <https://kehityspolitiikka2018.um.fi/en/finland-reaches-its-objectives/> [15.10.2021]

2019 evaluation⁸⁵ and the most recent MOPAN assessment, which highlights both advantages and areas for improvement for the organisation. The WB itself shares impact stories pointing to the success of its tax interventions.⁸⁶ These assessments, however, seem to focus mostly on the narrow indicators most often related to either operational performance and – for DRM programmes – increases in tax collection in partner countries. While they might give some insight into the questions of effectiveness and efficiency, they are hard to compare, in particular for organisations and programmes with a strong normative and knowledge-building aspect. Also, as mentioned before, little is said about equitability or accountability of the tax systems. Some of the questions might be addressed in the ongoing evaluation of the WB’s DRM support, expected in 2022. This aims to tackle three main questions: relevance, effectiveness and coherence. The effectiveness component covers tax systems structure and equity.⁸⁷ The coherence component, if analysed in adequate depth, could provide crucial insights.

When it comes to the IMF’s DRM efforts, little evaluation seems to be available beyond the updates in the annual programme reports and the 2015 independent evaluation of the “Tax Policy and Administration Topical Trust Fund”, the RMTF’s predecessor; but the mid-term review is expected soon. The 2015 evaluation assessed the IMF’s efforts as “Strong Good” overall, highlighting a number of areas for improvement.⁸⁸ The programme also lists a number of success stories. No other assessments seem currently available. When it comes to the aspects of equity and broader impact, the picture is more complicated. While the topic of inequalities and the impact that fiscal policies can have on them has been increasingly

present in the IMF’s narrative, its practice does not follow it. The 2021 mid-year report still shows a strong focus on VAT, without a clear consideration of its impact on equality or poverty in the various countries.⁸⁹ A recent Oxfam report also shows how the introduction of or increases to VAT have been a common element in recent loan agreements granted since the Covid-19 pandemic started, along with a number of other austerity measures, putting into question the coherence of the IMF’s actions with its declared commitment to fighting inequality.⁹⁰ The recent surveillance review was also criticised by activists for failing to adequately address the existing shortcomings and ensuring a meaningful change in the way surveillance is done. The new documents were criticised for among other things failing to prioritise progressive taxation, despite the IMF’s declarative commitment to this agenda.⁹¹

85 NORAD, *Evaluation of Norway’s Multilateral Partnerships Portfolio The World Bank and UN Inter-Agency Trust Funds*, 2019

86 E.g. <https://www.worldbank.org/en/results/2019/09/09/mobilizing-tax-resources-to-boost-growth-and-prosperity-in-sub-saharan-africa> [15.10.2021]

87 WBG, *World Bank Group Support for Domestic Revenue Mobilization. Approach paper*, 2021

88 IMF, *IMF Tax Policy and Administration Topical Trust Fund (TTF). Independent Mid-Term Evaluation*, 2015

89 IMF, *Revenue Mobilization Thematic Fund FY21 Mid-Year Report*, 2020

90 Oxfam, *Adding fuel to fire. How IMF demands for austerity will drive up inequality worldwide*, 2021

91 <https://www.brettonwoodsproject.org/2021/07/the-imfs-comprehensive-surveillance-review-a-bungled-attempt-at-meeting-the-moment/> [15.10.2021]

8. Conclusions and recommendations

Globally, the amount of aid flowing through multilateral channels has increased, including in the area of DRM. Despite significant fluctuations at country-level, the same trend can be observed for the Nordic countries collectively. However, each country takes slightly different approaches to structuring and monitoring of their DRM contributions. Providing aid for DRM through multilateral channels can improve coordination, avoid fragmentation and lead to benefits from higher operational capacity, especially in fragile countries. It might also provide opportunities for the Nordic countries to “*punch above their weight*” in terms of impacting programme and policy issues. However, “Multi-bi” aid also has its inherent challenges around transaction costs, policy incoherences and risk of harmful competition between funds.⁹² The aid modality for DRM that might be the best fit for a specific country and purpose can vary. The new ATI declaration commits donors to “foster a diversity of approaches to collaboration and capacity development” as well as to support country-owned reforms, build capacity of accountability partners, recognising the importance of South-South cooperation, supporting regional organisations as well as ensuring the capacity of CSOs and media.⁹³ At the same time, an increasing share of ODA for DRM in the Nordic countries has been directed towards large multilateral actors, reaching as much as 94% in Denmark

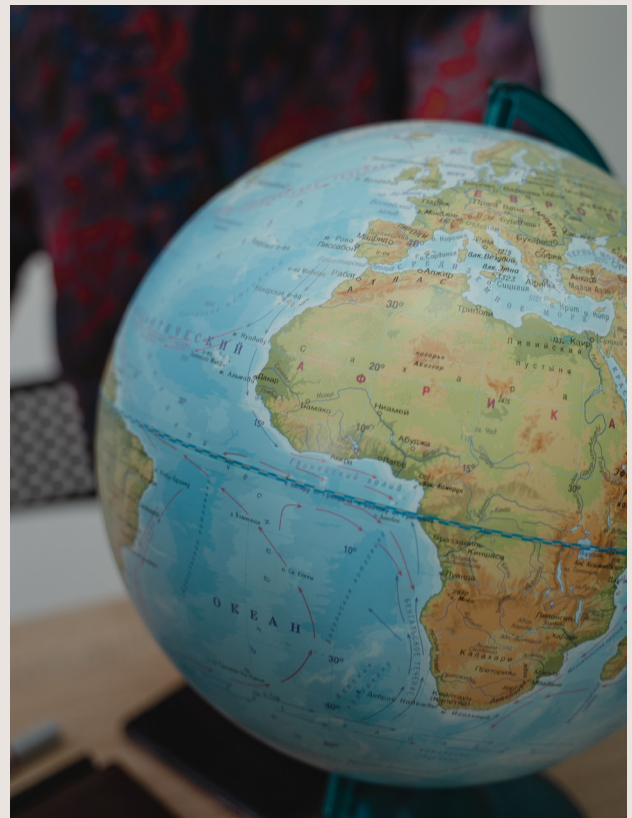


FOTO Tima Miroshnichenko

⁹² ODI, *Five steps to smarter multi-bi aid*, 2017

⁹³ ATI, *Tax systems that work for people and advance the Sustainable Development Goals - ATI declaration 2025*, 2020

in 2019. In view of these commitments, the Nordic countries should review their aid allocations to ensure that a diversity of approaches is supported and that the supported initiatives foster country-owned reforms and build capacity of all key actors and accountability partners listed in the ATI commitments.

It will be crucial that such assessments are regular and independent evaluations of the multilateral programmes that take a broad look at the impact of the programmes beyond their operational performance. It is also clear that despite the proliferation of the fairness considerations in the narrative of different DRM actors, including the ATI declaration 2025, few national results frameworks or multilateral programmes on DRM capture this component at the operational level. While the challenge in defining the right targets and indicators in this area should not be underestimated, efforts should be made to make sure that fairness considerations do not remain only at the level of policy language. One might, for example, look to Norway's efforts to capture change in equity through an "output story", for inspiration on this point. The new ATI monitoring

framework is an excellent opportunity to jointly develop such measures, which can help shape – and evaluate – future strategies and programmes.

National strategies also often lack clear recognition of the interrelations between international and national tax policies and the capacity of developing countries to collect taxes, for example considering the effects of bilateral tax agreements restricting source countries in their revenue mobilisation or the importance of international tax standards. Finland and Norway include a slightly broader political perspective in their programming, but in the other two Nordic countries' strategies this aspect is less evident. When developing DRM strategies, all Nordic countries should recognise their role and potential in international tax policy setting, identify crucial elements of international policies and make their advocacy an explicit part of their efforts towards supporting DRM in developing countries.

Policy influencing within multilateral organisations is also key to addressing the design of their programmes as well as the coherence of their policies and practices. What is needed are assessments of the broader impact of these organisations on development objectives, in the spirit of PCSD principle. The donors, in line with their own policy coherence commitments, should ensure that such assessments are made and use their influence in the organisations to make their overall policies and activities better aligned with the SDGs and DRM objectives. Such broader policy influencing objectives within the multilateral organisations were only found in Finnish strategies and – to some extent – in the Norwegian approach to tax and development. An important example at programme level is Norway's contribution towards shaping the World Bank's Global Tax Programme, supporting inclusion of more fairness considerations. All



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Reporting on influencing activities, like in the case of the Finnish 2020 study, fostering transparency and learning, seems also a good practice and could benefit other Nordic countries. Given the valuable experience - and the ambitions - that each of the Nordic countries demonstrate, a deepening of Nordic cooperation including shared learning and planning activities could be beneficial, building on the already existing cooperation.

Overall, it is clear that the Nordic countries are some of the most committed and experienced donors in the area of DRM, actively shaping this field through their engagement in international donor spaces and multilateral organisations. The difference in their approaches to multilateral cooperation on DRM means that it could be useful for the Nordic countries to learn from each other by sharing experiences and best practices.



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Recommendations

The Nordic governments should:

- 1** According to the current situation of each country, maintain or increase the level of Official Development Assistance for Domestic Resource Mobilisation, in line with the new collective Addis Tax Initiative commitment;
- 2** In cooperation with Addis Tax Initiative members, analyse the choice of aid channels and ensure that funds are directed to a diverse range of Domestic Resource Mobilisation actors, including accountability partners, in line with the new Addis Tax Initiative commitments and with adequate amount for each actor;
- 3** Carefully consider the Official Development Assistance for Domestic Resource Mobilisation allocations to ensure maximum compliance with the Addis Tax Initiative commitments, including ensuring reforms are country-owned, build capacity of accountability partners and support regional organisations, civil society organisations and the media, as well as recognise the importance of South-South cooperation;
- 4** Develop clear strategies for all multilateral actors involved in delivering Domestic Resource Mobilisation projects supported. These should be created with the involvement of civil society, both in donor and in partner countries;

- 5 As a part of Domestic Resource Mobilisation strategies (or Domestic Resource Mobilisation components of broader development strategies) develop clear objectives for engagement with the multilateral organisations in the area of Domestic Resource Mobilisation, not only in terms of programme results, but also influencing their policies and practices, in line with the Addis Tax Initiative commitments; in particular those concerning gender equality, progressivity, and economic inequality;
- 6 Support the development of a strong new Addis Tax Initiative monitoring framework aligned with the commitments made in the Addis Tax Initiative Declaration 2025;
- 7 Ensure that all supported Domestic Resource Mobilisation programmes include considerations of the impact on economic, social and gender inequalities in the programme design and results frameworks;
- 8 Ensure that the multilateral Domestic Resource Mobilisation programmes are subject to regular independent assessments capturing not only programmes' effectiveness and efficiency, but also Policy Coherence for Sustainable Development in relation to the Addis Tax Initiative's objectives;
- 9 Strengthen Nordic cooperation in relation to multilateral cooperation and policy influencing on Domestic Resource Mobilisation and exchange of best practices in this domain.

