

APPENDIX 3:

PCT Partner Coordination on the Ground: Country Case-Studies

To understand the dynamics of PCT Partners' activities at the country level and coordination among them, the PCT Secretariat carried a survey of Partners' activities in two countries: Nigeria and Pakistan on a sample basis. Both countries were chosen because as per the last update on the Online Integrated Platform, all four PCT Partners have a substantial presence in these countries in strengthening their DRM efforts and because of their geographical diversity. The survey respondents were project leads and representatives of the Partners in the TWG and the description below explains the scope of Partners' activities, their attempts at leveraging complementarities and synergies among each other and with other development partners as well areas where coordination could be strengthened.

A. Nigeria Country Case Study

Coordination in Capacity Development Activities

Both the IMF and WBG are active in the space of tax and customs administrations' capacity building, extractive industries and tax policy reform advice.

In the space of revenue administration reforms, teams from both organizations have developed a collaboration framework for project design and capacity-building delivery to support the implementation of specific reforms. The framework aims to improve the capacity-building coordination and effectiveness which have resulted in improved breadth and depth of coverage of the authorities' capacity development needs. The Partners consolidate meetings to reduce the demand on the Nigerian authorities' time. It has also helped ensure that the capacity development provided by both organizations is complementary and has aimed to consolidate technical meetings as much as possible to achieve time efficiencies,

both for the authorities and the IMF and WB technical teams. Key aspects of the framework include:

- i) Sharing and discussing action plans and agreeing on convenient work modalities:** The IMF-FAD and WB experts and teams organize 'kick-off' meetings to agree on work focus modalities and discuss their respective action plans and decide on a practical work modality on each topic.
- ii) Aligning meeting schedules.** The IMF-FAD and WB staff and experts working on similar topics participate in meetings together (individual schedules permitting), and where possible assign responsibility for delivery of a task to support implementation.
- iii) Sharing meeting schedules for non-shared capacity development (CD) activities.** The IMF and WB staff keep each other informed of the timing of CD meetings for non-shared activities to minimize CD activity meetings for the authorities.
- iv) Reviewing recommendations.** The IMF-FAD and WB teams share all mission reports and review and discuss key recommendations to ensure they are consistent.
- v) Sharing outputs for all deliverables.** Materials that are prepared during or for a mission including detailed implementation plans, PowerPoint presentations or 'how-to' notes to guide the authorities in implementing proposed measures are shared between the teams.
- vi) A joint reform implementation monitoring committee.** The committee comprising staff from the Federal Inland Revenue Service (**FIRS**) of Nigeria, IMF FAD and WB, and chaired by the FIRS, meets periodically to assess reform progress and discuss and resolve emerging issues.

Using the process developed under the framework, the IMF-FAD and WB developed plans that are complementary

and cover the key issues necessary to strengthen the VAT administration in Nigeria. To close the identified gaps, the IMF FAD has developed work plans to assist the FIRS to establish a VAT register and build a methodology for developing a basic VAT compliance improvement plan. The WB workplans focus on building effective enforcement and compliance functions, including establishing an audit function through training to build technical skills and introducing tested approaches to improve the accuracy of reporting, starting with the key economic sectors.

OECD projects provided technical assistance to Nigeria's Federal Inland Revenue Service (FIRS) in the areas of international tax, BEPS, transfer pricing, transparency and the exchange of information. These projects contributed to changes in regulations and documentations. In addition, TIWB supports tax audits in response to base erosion and profit shifting risks and is a joint initiative of the OECD and UNDP, which respectively bring tax expertise and strong relationships with tax administrations. TIWB experts from the OECD and ATAF have completed two programs providing tax audit support on real cases of transfer pricing audit in the oil and gas sector. Currently, TIWB is providing support to FIRS under a subsequent program focused on tax audits in the oil and gas sector, supported by a UNDP Roster expert, and under a tax audit program reviewing mutual agreement procedures in collaboration with ATAF. The TIWB programs in Nigeria, in addition to the OECD's BEPS and transfer pricing projects, was informed by close collaboration with the WBG Economic Community of West African States (ECOWAS) program. The shared diagnosis led to agreed courses of action and focus areas. Benefitting from the OECD and UNDP partnership, all TIWB programs reflect a strong collaboration, which, among other things, facilitates the recruitment of experts, as well as strong relationships with tax administrations and in-depth knowledge of country context thanks to the UNDP country offices. TIWB also benefits from the support of the UNDP Country Office in Nigeria to coordinate assistance with other development partners and align with the domestic SDG Agenda. The OECD also collects

data directly from ministries of finance, revenue and national statistical offices in many developing countries, in partnership with regional organizations¹¹ for its publications on revenue statistics, including Revenue Statistics in Africa. The OECD team collects the data directly from Nigeria in conjunction with the OECD's regional partners. Separately, the teams at the IMF and the OECD are in regular contact with each other on an ad hoc basis to ensure that the datasets are as aligned as possible and that both teams are clear on the links between the OECD classification (the Interpretative Guide), the IMF classification (GFSM 2014) and the national accounting standards. Consultation mechanisms include the informal IMF-OECD Working Group on Government Revenue Data, which brings together senior and technical officials from the OECD and the IMF, to explore areas of mutual interest.

Project leaders also reported how project design was indirectly informed by the PCT Partner publications and third-party support. The IMF cites Nigeria's 2018 TADAT assessment as the basis for its tax administration reform program, which involved the support of multiple donors and development partners¹². More than one PCT Partner commented on the role of ATAF and its assistance in leveraging funding and facilitating access to expertise.

A matrix of the PCT Partners' tax-related activities in Nigeria is in Table 4 below.

Leveraging Complementarities

Significant high-level coordination takes place among the Partner representatives at the PCT's Technical Working Groups, which meet twice a month to review topics with implications for all Partners' work, agree on best practices, leverage

11 The African Tax Administration Forum (ATAF), African Union Commission (AUC), CREDAF, African Development Bank, European Union, UN Commission for Latin America and the Caribbean (ECLAC), CIAT, Inter-American Development Bank, Asian Development Bank, Pacific Island Tax Administrators Association and the Pacific Community.

12 The African Tax Administration Forum (ATAF), the International Monetary Fund (IMF), Fiscal Affairs Departments (IMF-FAD) Foreign, Commonwealth and Development Office (FCDO, formerly DfID), and the United States Agency for International Development (USAID).

resources and expertise, create guidance and toolkits to inform country-level work and keep apprised of each other's activities to inform each organization's value-add.

At the country level, project teams from different organizations keep communication open to align activities. Teams meet to ensure interventions are mutually complementary, often consolidating funding and expertise into one program, rather than funding parallel programs. For example, the OECD collaborated closely with the WBG to avoid duplication in the area of transfer pricing. As part of their regular meetings, the IMF and WBG tax administration reform teams reassign responsibility for the delivery of a task to maximize benefits from the available resources. As described above, the OECD and IMF work together to ensure mutual understanding and consistent classification of their respective datasets of government revenues. This also serves as a channel through which the two organizations promote mutual involvement in regional workshops.

Steps to Improve Future Collaboration

All PCT Partner project leads voiced their support for further coordination in the future. In areas where coordination has been the highest, such as between the OECD and the UNDP,

or the IMF and the WBG on tax administrations, project team leads have spoken highly of the coordination arrangements, highlighting clear benefits for efficiency and quality delivery.

While there has been very good progress between PCT Partners in the area of tax administration, there is more work to do to ensure the same degree of information-sharing and collaboration regarding tax policy.

Some Partners have expressed the view that the greater information sharing among the PCT Partners on program delivery and project focal points could lead to benefits for all parties. Another Partner team supported the idea of broader coordination frameworks based on existing ones that work well to involve more development partners. A team from a third Partner stated that the coordination must be based on its inherent value-add, and no outside incentives should be required.

Multiple teams suggested that country authorities are best placed to incentivize collaboration, suggesting that the support for this initiative could dovetail well with the government's stated interest in establishing a DRM Working Group, and could fit under other efforts to support capacity building in the tax policy division.

TABLE 4:

Matrix of Tax Activities in Nigeria by the PCT Partners

THEME	IMF	OECD / UN	WBG
Tax Administration	<ul style="list-style-type: none"> Strengthening institutional arrangements and taxpayer segmentation. Improving core processes and ICT capabilities. Data analytics to improve VAT compliance. Developing skills to improve compliance in specialized sectors. Build revenue administration capacity through the Managing Natural Resource Wealth – Thematic Fund (MNRW-TF). Compliance risks in the oil and gas sector. 	<ul style="list-style-type: none"> Working with the ATAF and UNDP roster expert to provide tax audit support in the oil and gas sector under TIWB program. (OECD/UN) Working with the ATAF, TIWB's tax audit program focused on a mutual agreement procedure (MAP) case. (OECD/UN) 	<ul style="list-style-type: none"> Capacity building for non-oil revenue modeling. Developing tax gap analysis capacity. Developing tax expenditure analysis capacity. Developing tax incidence analysis capacity. Business processes review. Evaluation and improvement of current IT system. Support the setting up of a Compliance Risk Management Unit in FIRS. Improve SOE accountability for remittances of their operating surplus. Improved cash management and reduced revenue leakages through the implementation of the State Treasury Single Account (TSA).
Tax Policy	<ul style="list-style-type: none"> Reforms to broaden the tax base for corporate income tax, VAT, and excises. Capacity development on the petroleum fiscal regime policy (royalty, petroleum profits tax, production sharing and state participation). Assessment of policy and legislative reform proposals for the Petroleum Fiscal Bill. Training on petrol fiscal analysis and modeling. Ad hoc support provided in response to specific policy questions between mission visits. 	<ul style="list-style-type: none"> Revenue Statistics in Africa: collecting comparable revenue statistics. (OECD) Technical assistance (TA) on international tax leading to changes in regulations and documentation. (OECD) 	<ul style="list-style-type: none"> VAT transition strategy developed. Rationalize tax incentives. Streamline the VAT regime. Policy notes: inputs for Finance Bill 2020 and 2021. State-level benchmarking of property tax regimes. Incentivize state-level internally generated revenue: support the approval and publication of a consolidated state revenue code.
International Tax	<ul style="list-style-type: none"> Countering base erosion and profit shifting. 	<ul style="list-style-type: none"> TA for transfer pricing, BEPS. (OECD) TA for transparency and exchange of information. (OECD) Working with ATAF to provide transfer pricing audit support. (OECD/UN) 	<ul style="list-style-type: none"> Guidelines on introducing thin capitalization rules. Capacity development for tax cooperation on transfer pricing.
Customs Administration	<ul style="list-style-type: none"> Strategic planning, project management and key performance indicators. Core processes to streamline and secure import and transit operations. Post-clearance audit. Risk management and control of international trade. 		<ul style="list-style-type: none"> Report on improved control methods and risk-based management model for customs administration. Review of customs tariffs from the perspective of regional trade integration.

B. Pakistan Country Case Study

Coordination in Capacity Development Activities

The PCT Partners coordinate with each other and with other development partners during the design phase of projects. The Partners seek each other's input on interventions to benefit from the expertise and reinforce synergies by keeping each other apprised of upcoming activities. Through frequent check-ins, the Partners ensure a clear division of labor and conduct their work without close coordination on day-to-day activities.

The IMF and WBG have high levels of information exchange with each other in Pakistan, led by country teams, and supported by Pakistan's Tax Administration. The WBG sought the IMF's input on the technical design and structure of their major reform program. The IMF has regular email exchanges and meetings with the WBG to discuss aspects of both teams' reform agendas.

The OECD has held meetings with the WBG team, both in Pakistan and at headquarters, to understand each organization's value-add, as well as to inform sequencing of activities. The OECD specializes in international tax. Its activities include an induction program that provided Pakistan with guidance to implement the minimum standards and set up the normative and institutions to fight against BEPS, a capacity-building program of the Global Forum on Transparency and Exchange of Information for Tax Purposes, which was designed in close collaboration with the United Kingdom (UK), to support Pakistan on transparency and exchange of information, and a tax audit and tax crimes investigation support program with the UNDP on its TWIB program.

The Asian Development Bank (ADB) is leading a Tax Administration Diagnostic Assessment (TADAT), with the participation of the IMF, the WBG, and the Foreign and Commonwealth & Development Office (FCDO), UK.

A matrix of the PCT Partners' tax-related activities in Pakistan is in Table 5 below.

Leveraging Complementarities

Where efforts bear some thematic similarity, teams learn what other institutions are doing to keep a clear division of labor. In the area of tax administration, the IMF team focuses on compliance risk management while the WBG team focuses on improving the outcomes from tax audits. The WBG sought the support of the ADB on defining the scope of the Automated Entry-Exit System (AEES) activities because of the notable modernization interventions that the ADB was already undertaking at land-border posts. In the tax policy area, providers of capacity development support have worked in related but different areas. On some emerging issues, such as the establishment of a tax policy unit, further coordination is needed to ensure the Partners' advice is aligned.

Steps to Improve Future Collaboration

The PCT Partners' teams in Pakistan all expressed their support for further collaboration in the future. The OECD supports the coordination with other organizations in sequencing reforms to maximize effectiveness but also suggests simplifying administrative procedures to facilitate the co-funding of activities. The IMF appreciated the synergies that can be achieved by working together and suggested that coordination is already ideal and cooperation could be improved. The WBG supported the value of good coordination and has held the first of regular meetings for effective coordination and information exchange. In attendance were the IMF, OECD, and WBG, as well as the Asian Development Bank, Tax Inspectors Without Borders (OECD and UNDP), UK (FCDO and Her Majesty's Revenue and Customs), and World Health Organization.

TABLE 5:

Matrix of Tax Activities in Pakistan by the PCT Partners

THEME	IMF	OECD / UN	WBG
Tax Administration	<ul style="list-style-type: none"> Assisting the FBR in implementing aspects of its tax administration reform program. Helping to implement a compliance risk management framework. Providing advice and assistance on key domestic revenue mobilization focus areas. Provide advice on international best practices to address issues that will be raised in the TADAT assessment. 		<ul style="list-style-type: none"> Broadening the tax base and facilitating compliance. Strategic planning. Risk-based audit. Business processes reengineering [subnational]. Assisting the Sindh Revenue Board (SRB) in implementing its Tax Revenue Mobilization Plan. Improving automation. Implementing a new data center. Increase the tax base. Publication of quarterly reports. Improving human resources.
Tax Policy	<ul style="list-style-type: none"> Reducing and improving sales tax, PIT and CIT incentives. Restructure PIT for better efficiency, equity and revenue collection. Capacity development to inform the tax policy reform package. 		
International Tax		<ul style="list-style-type: none"> Support Pakistan on transparency and exchange of information, in particular on automatic exchange. (OECD) Guidance on minimum standards to fight against BEPS. (OECD) TIWB program for improving tax audit capacity. (OECD/UN) TIWB program on criminal investigation. (OECD/UN) 	
Customs Admin			<ul style="list-style-type: none"> Post-clearance audit.

