

Tax for Development in a nutshell

Tax is an important part of the sustainable development goals (SDGs). We know from experience that when governments have more tax revenue, they spend more on public services. An increase in government revenues has a positive effect on many SDGs and the effect is bigger in lower-income countries than in higher-income countries. In addition to directly impacting the SDGs, an increase in government revenues, will also have an indirect effect through an improvement in governance. Over time, as governance improves, there will be further increases in government revenue, which will further improve governance and so on, forming an important virtuous circle.

Norway's Tax for Development program is firmly anchored in UN's financing for development plan. This plan encompasses all sources of finance; public and private, national, and international. Domestic tax collection must be an important part of the solution. Compared with other sources of financing like aid, foreign direct investments and financial investments, tax is more reliable and sustainable. Norway has through the Addis Tax Initiative (ATI) committed to keep tax related aid at minimum NOK 268 million a year from 2020 to 2025. Tax related aid is estimated at NOK 340 mill. in 2022, see figure 1.

The focus of Tax for Development is to make changes in individual countries. This requires a comprehensive approach. The world gets increasingly interconnected. Digitalization represents huge potential, but also challenges. Money flows across borders. Companies can shift their profits to jurisdictions with low tax or they can make their profit disappear altogether. These are global problems that need global solutions. It is equally important to have good domestic policies in place and our partners provide policy advice on request. Tax administration is key. A policy is never better than what you can implement. And finally, changes are unlikely to happen without the push of civil society, media and new knowledge that informs policy. See figure 2 and annex 2 for the composition of the Tax for Development portfolio. The different levels of interventions are elaborated in the next paragraphs.

Tax for Development aims at changing the international rules of the game. By supporting the four big multilateral institutions in their tax work (UN, IMF, WBG and the OECD) as well as through the Platform on Collaboration on Tax (PCT), Tax for Development contributes to improving international cooperation. Norway has through the same channels advocated the need for increased participation from developing countries in the work with international standards and norms. Tax for Development and Norway influence the global debate about international taxation and financial integrity, especially through the UN-led FACTI-process and OECD's work on a new international tax system.

Tax administrations are key to strengthen domestic resource mobilization and stop illicit financial flows. Tax for Development works closely with the Norwegian Tax Authority to establish long-term cooperations with sister institutions in partner countries. Agreements with Zanzibar Revenue Board and Rwanda Revenue Authority have been signed and there is dialogue with several other potential partners, including

in Kenya, Ghana, Uganda and Libanon. Tax for Development also works closely with Statistics Norway, which have cooperations going with Ghana and Kenya on national accounts and macroeconomic modelling – imperative for sound policy design. Moreover, Tax for Development supports IMF, WBG and OECD in their country specific tax administration technical assistance, including the joint OECD/UN Tax Inspectors Without Borders. Finally, ATAF and CIAT, regional tax forums in Africa and Latin-America, respectively, are important partners in the portfolio.

Civil society and research institutions have important roles in promoting the public discourse and new knowledge about tax systems nationally, regionally, and internationally. Tax for Development cooperates with ten civil society organizations, which among several things produced valuable analyses during the pandemic. There are generally many unanswered questions when it comes to the relationship between tax and development. Tax for Development cooperates with leading researchers in UNU-Wider, ICTD and Paris School of Economic to better understand the challenges and possibly adjust the strategy. See annex 1 for and overview of Norway’s tax related programs in a selection of partner countries.

Going forward, the tax related aid will build on some cross-cutting themes. First, *prudent management of the economic rent from extractives* is important for many partner countries to finance the green transition. Second, *digitalization and better exchange of information within government* is decisive for increased tax collection and could build trust between citizens and the public. Third, *progressive tax systems*, where the average tax increases with income, are important to secure fair tax collection that can be used for redistribution purposes. Norad works to reduce inequality, in line with the Government’s political platform, and tax is one important tool.

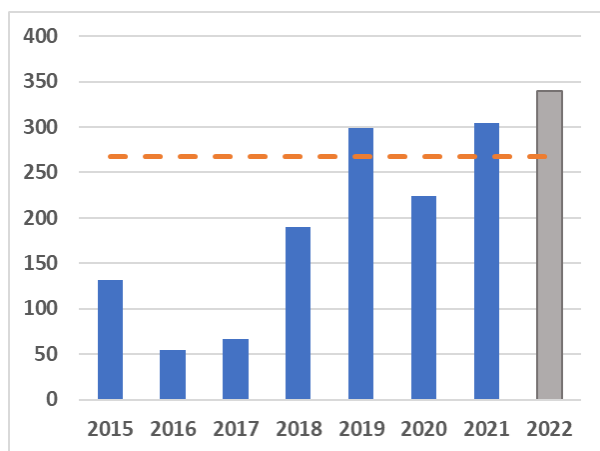


Figure 1: Tax related aid (columns) og ATI-committment (line). NOK million

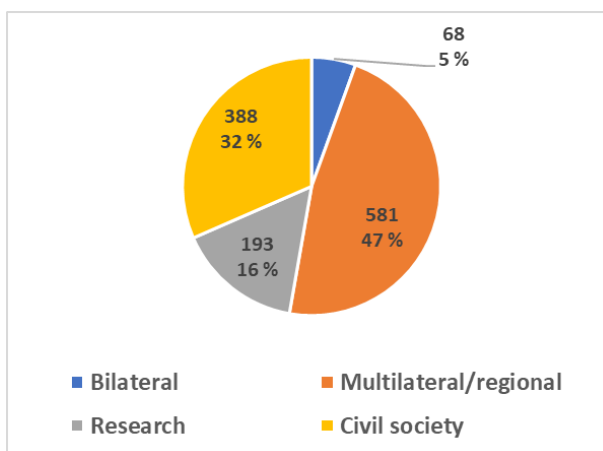


Figure 2: Tax for Development – committed portfolio per September 2022, NOK million and per cent of total

Contact: Fredrik Berglien Werring (Fredrik.Berglien.Werring@norad.no) and Simen Bjørnerud (simen.bjornerud@norad.no)

ANNEX 1: TAX-RELATED PROGRAMS RECEIVING FINANCING FROM TAX FOR DEVELOPMENT

Rwanda		
Type	Institution	Description
Bilateral	Norwegian Tax Authority	Institutional cooperation with Rwanda Revenue Authority (RRA) on i.a. ICT, control and Taxpayer Services
Multilateral	OECD og UNDP	Tax Inspectors Without Borders – new program with ATAF in the pipeline
	IMF	Regional Capacity Development Centers (East AFRITAC) and Revenue Mobilization Thematic Fund (RMTF) on i.a. strengthen customs- and tax administration
	World Bank	Global Tax Program (GTP) on i.a. transfer pricing, value added tax and effects from Covid-19 on businesses
Regional	ATAF	Training, capacity development (i.a. transfer pricing and exchange of information)
Research	UNU-WIDER	Cooperation with RRA + tax model (RWAMOD)
	ICTD	Tax administration
Tanzania (Zanzibar)		
Type	Institution	Description
Bilateral	Norwegian Tax Authority	Institutional cooperation with Zanzibar Revenue Board (ZRB) on i.a. VAT, ICT and organizational development
Multilateral	IMF	Regional Capacity Development Centers (East AFRITAC) on i.a. dispute resolution, audit and investigation
Research	UNU-WIDER	Started developing a tax model
Tanzania		
Type	Institution	Description
Bilateral	Norwegian Tax Authority	Dialogue with Tanzania Revenue Authority
Multilateral	IMF	Regional Capacity Development Centers (East AFRITAC) on i.a. customs- and tax administration
	World Customs Organization	Anti-Corruption and Integrity Promotion
Regional	ATAF	Training
Research	UNU-WIDER	Cooperation with TRA + skattemodell (TAZMOD)
Civil society	ActionAid International (AAI), Natural Resource Governance Institute (NRGI), Oxfam	On i.a. strengthening the role of civil society in the work for fairer taxes

Kenya		
Type	Institution	Description
Bilateral	Statistics Norway Norwegian Tax Authority	National accounts and macro models (preliminary project) ToR with Kenya Revenue Authority (KRA) in process
Multilateral	OECD OECD og UNDP World Bank IMF	Exchange of information (see table 2 og box 8 og 9), BEPS Tax Inspectors Without Borders ¹ on transfer pricing (cooperation ATAF) criminal tax investigation Global Tax Program (GTP) on i.a. tax evasion, training (customs and tax) Regional Capacity Development Centers (East AFRITAC) on i.a. customs- and tax administration
Regional	ATAF	Training, capacity development (transfer pricing)
Research	ICTD	Informal tax, civil society and gender
Civil society	Tax Justice Network -Africa (TJN-A), Global Financial Integrity (GFI), Oxfam	On i.a. strengthening the role of civil society in the work for fairer taxes
Ghana		
Type	Institution	Description
Bilateral	Statistics Norway Norwegian Tax Authority	National accounts and macro models (preliminary project) May revive dialogue after request from Ghana Ministry of Finance
Multilateral	OECD UNDP og OECD World Custom Organization World Bank IMF	Exchange of Information Tax Inspectors Without Borders on transfer price audits in extractive sector (cooperation with South Africa Revenue Services) and complex transfer price audits (cooperation with ATAF og Verdensbanken) Anti-Corruption and Integrity Promotion Global Tax Program (GTP) on i.a. training international tax, model carbon pricing, analyses health taxes Revenue Mobilization Thematic Fund (RMTF) – “Advancing Revenue Reforms and Mobilization Program”
Regional	ATAF	Training, capacity development (transfer pricing)

¹ Kenya is the first African country with TIWB experts, to [Botswana](#)

Research	UNU-WIDER ICTD	Tax model (GHAMOD) Informal tax, civil society and gender
Civil society	Oxfam, NRG1	On i.a. strengthening the role of civil society in the work for fairer taxes
Uganda		
Type	Institution	Description
Bilateral	Norwegian Tax Authority	Institutional cooperation between Norwegian Oil Tax Office and Uganda Revenue Authority runs out 2023. Norwegian Tax Authority looks at possibility to continue cooperation under Tax for Development umbrella
Multilateral	OECD OECD og UNDP IMF World Bank	Exchange of Information Tax Inspectors Without Borders on i.a. transfer pricing and criminal tax investigation Regional Capacity Development Centers (East AFRITAC) on i.a. customs- and tax administration Global Tax Program (GTP) on i.a. tax evasion training (customs and tax), audits, model carbon pricing
Regional	ATAF	Training, capacity development (transfer pricing)
Research	UNU-WIDER	Cooperation with URA + skattemodell (UGAMOD)
Civil society	AAI, GFI, Oxfam, NRG1	On i.a. strengthening the role of civil society in the work for fairer taxes
Mosambique		
Type	Institution	Description
Bilateral	Consultancy	Oil for Development – revenue pillar
Multilateral	World Customs Organization	Anti-Corruption and Integrity Promotion
Regional	ATAF	Training, capacity development (not specified)
Research	UNU-WIDER	Tax model (MOZMOD)
Civil society	AAI, Oxfam, Thomson Reuters Foundation (TRF)	On i.a. strengthening the role of civil society in the work for fairer taxes
Lebanon		
Type	Institution	Description
Bilateral	Norwegian Tax Authority	Dialogue (e-commerce and CRS)
Multilateral	World Customs Organization UNDP	Anti-Corruption and Integrity Promotion – cooperation suspended due to unpaid member fee Tax for SDGs/Tax Inspectors Without Borders

Civil society	Oxfam	On i.a. strengthening the role of civil society in the work for fairer taxes
Peru		
Type	Institution	Description
Bilateral	Norwegian Tax Authority	Working on MoU (Exchange of Information)
Multilateral	OECD	Exchange of Information, BEPS, Tax Inspectors Without Borders

ANNEX 2: TAX FOR DEVELOPMENT – COMMITTED PORTFOLIO, SEPTEMBER 2022

Agreement partner	Agreement period	Total agreed amount (mill. NOK)
Bilateral		68
Skatteetaten	2018-2022	50
Statistisk sentralbyrå	2022-2024	18
Multilateralt/Regionalt		581
UN		
UNDESA (Tax Committee)	2022-2025	60
UNDP (Tax Inspectors Without Borders)	2019-2024	75
UN-HABITAT (Local taxes/Fragile states)	2019-2022	30
IMF		
Tax-related technical assistance	2019-2023	80
TADAT (diagnostic tool for tax administrations)	2019-2023	10
Others		
World Bank	2018-2022	172
OECD	2018-2022	45
World Customs Organization	2018-2024	79
Inter-American Center of Tax Administrations (CIAT)	2019-2023	15
African Tax Administration Forum (ATAF)	2020-2023	15
Research		193
UNU-Wider (Domestic Research Mobilization program)	2019-2023	92
Norwegian Research Council (projects earmarked tax)	2018 -	15
ICTD - International Centre for Taxation and Development	2020-2026	50
Paris School of Economics (tax havens and illicit financial flows)	2022-2025	36
Civil society		388
Global Witness	2018-2022	44
Global Financial Integrity	2018-2022	24
Oxfam International	2018-2022	57
Society for International Development	2020-2022	16
Thomson Reuter Foundation	2017-2022	25
Afrodad	2017-2022	22

Financial Transparency Coalition	2019-2023	21
ICIJ - International Consortium of Investigative Journalists	2018-2022	23
TJN - Tax Justice Network - International	2017-2022	31
TJN-A - Tax Justice Network Africa	2018-2022	20
Action Aid	2017-2022	51
Natural Resource Governance Institute (NRGI)	2018-2022	54