



Tax for Development

PORTFOLIO STRATEGY 2020-2025



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1. Introduction

Norway's Tax for Development (TFD) programme is the Government's response to the Addis Ababa Action Agenda for Financing for Development. The programme recognizes that increased domestic resource mobilization is crucial to finance the sustainable development goals (SDGs). There is currently a significant financing shortfall for the SDGs. This shortfall must mainly be covered by domestic resources, first and foremost by taxes. Tax collection in many low-income and lower middle-income countries are lower than the predicted capacity, implying a room for improvement.

The overall goal of the programme is to enable development countries to improve financing for national development priorities and the SDGs through increased tax revenue and a strengthened social contract.

Tax for Development is a portfolio which combines grant agreements, interventions and initiatives that together contribute to a common set of objectives and have a common underlying logic. Building capacity of *tax administrations* and strengthening *civil society* can help partner countries increase their tax revenues to better enable development. By facilitating increased representation of developing countries in global normative debates, the changes in the *global tax systems* can better address the interests of all countries. Furthermore, supporting production and strategic dissemination of *research-based knowledge* on taxation can strengthen evidence-based policy making.

This document describes the design and strategic direction for the TFD programme for the period 2020-2025. It is structured as follows: Background (chapter 1), the rationale behind the portfolio (chapter 2), Norway's approach to tax and development (chapter 3), governance issues (chapter 4) and cross-cutting issues (chapter 5). The complete results framework for the programme is presented in Annex 1 and the detailed Theory of change in Annex 2.

2. Background

Tax-related development assistance is increasing globally, albeit from a very low level. In 2015, tax-related development assistance was 0.13 per cent of ODA. But this has changed with the adoption of the SDGs, the associated Financing for development (FFD) process, and the Addis Ababa Action Agenda. Norway and several other countries signed the Addis Tax Initiative (ATI) at the FFD conference in Addis Ababa in 2015, where donor countries committed to doubling tax-related development assistance by 2020. Norway thus committed to increase tax-related development assistance from 134 million NOK in 2015 to 268 million NOK in 2020. The ATI commitment is part of a broader effort to improve domestic resource mobilization (DRM).

Domestic resource mobilization – and specifically taxation – has been an important part of Norwegian development policy for at least a decade. A 2009 white paper introduced the topic of capital alongside climate and conflict as fundamental to development, and a 2009 report on the negative effects of tax havens on development led to emphasis on the challenge of illicit financial flows and their links to improved collection of public revenue.¹ Later white papers on inequality, the SDGs and partner

¹ Meld. St. 13 (2008–2009) Climate, Conflict and Capital. Norwegian development policy adapting to change, white paper from the Ministry of Foreign Affairs. <https://www.regjeringen.no/contentassets/74c115f115304813805fa58d96e3c859/en->

countries confirmed that tax and public revenue is at the heart of Norway's development policy, and re-established Tax for Development as a programme in the Knowledge Bank in Norad.² The Norwegian Government's commitment to strengthen the Tax for Development programme was underlined in a parliamentary debate (interpellasjonsdebatt) in 2018 where it received cross-political support.³

For the period 2020-2025, the TFD programme builds upon achievements and experiences gained in the previous TFD programme cycle. To prepare the current TFD programme, the Norwegian Tax Administration (NTA) and Norad in 2017 mapped experiences from institutional cooperation on tax administration in 2011-2015. The key take-aways were i) the need for engagement from the partner institution's senior management, ii) the value of practical "shoulder to shoulder" cooperation and lastly the importance of pre-studies and diagnostics from the outset of the programme.

At the portfolio level, a take-away from the previous TFD programme was that the mix of different types of actors/channels was useful, i.e. bilateral, multilateral, civil society and research, but that overall portfolio management should be improved. Whereas the bulk of the grants in the first phase were managed by three embassies in a decentralized way in 2011-2015, the TFD Secretariat in Norad now manages most of the grants in the current TFD programme. And finally, the current TFD programme is a thematic priority area, but situated in the Knowledge Bank in Norad. This unit is tasked with establishing technical cooperation for capacity building of government institutions within areas where Norway has particular expertise. These factors interact to present new opportunities, e.g. to design and manage the portfolio strategically, but also constraints, e.g. it might take longer to scale up bilateral partnerships.

3. Why is tax important for development?

There are three main reasons why strengthening tax policies and systems in developing countries are important. **First, domestic taxes need to help fill the gap between ambitious SDGs and available development finance. Second, more taxation is typically associated with more social spending, and third, greater state reliance on taxation can lead to a more responsive, accountable and capable state.**

Although the primary changes to improve domestic resource mobilisation must take place at the national level, where revenue and spending take place, national tax systems are also highly dependent on international agreements and normative frameworks. The development of the international tax system relies to a large extent on negotiations where representation of developing countries is weak. Ensuring that the international tax system can respond to the challenges and capacities of developing countries is essential to ensure that it contributes to reducing inequalities and contribute to the fulfilment of the SDGs.

gb/pdfs/stm200820090013000en_pdfs.pdf and NOU 2009: 19 (2009) Skatteparadis og utvikling. <https://www.regjeringen.no/no/dokumenter/nou-2009-19/id571718/>

² Meld. St. 25 (2012–2013) Dele for å skape. <https://www.regjeringen.no/no/dokumenter/meld-st-25-20122013/id721514/>; Meld. St. 24 (2016–2017) Felles ansvar for felles fremtid — Bærekraftsmålene og norsk utviklingspolitikk. <https://www.regjeringen.no/no/dokumenter/meld.-st.-24-20162017/id2547573/>; and Meld. St. 17 (2017–2018) Partnerland i utviklingspolitikken. <https://www.regjeringen.no/no/dokumenter/meld.-st.-17-20172018/id2604526/>

³ Interpellation no. 17 (2017-2018), March 8, 2018. <https://stortinget.no/no/Saker-og-publikasjoner/Sporsmal/Interpellasjoner/Interpellasjon/?qid=71260>

This section describes the rationale for the TFD programme which forms the basis for the theory of change described later in the document.

Good tax systems increase revenue for SDGs

A tax system includes both tax policy and tax administration and it is often challenging to unbundle where the main problems and opportunities are to improve the system. The literature tends to show that policy improvements can be more impactful than administration improvements in developing countries.⁴ However, policy changes are often triggered by improved administration, whereas ambitious head-on policy reforms often stall for prolonged periods or are undermined. In practice, tax policy and tax administration are therefore intertwined.

In many developing countries there can be a significant tax gap, which means that the actual revenue is lower than one would expect considering the stage of development. Ensuring basic public service provision requires a revenue-to-GDP ratio safely above 15 percent, but many fragile states have tax levels far below that level.⁵ Many of the areas with highest potential to increase tax collection in developing countries are under domestic control (e.g. tobacco and alcohol, exemptions, VAT, taxing the rich, property taxes), but they are also often related to international tax issues (e.g. transfer prices - see also next paragraph).⁶ And finally, it is important to keep in mind that the benefits of collecting more taxes also depend on who pays the taxes and how tax revenues are spent.

Many developing countries have the same levels of tax collection as today's developed countries when they were at a similar level of development. This is sobering in terms of what can be achieved in the short and medium term. It may take a generation to develop an educational base, institutional systems, and trust to achieve developed countries' ability to collect taxes. Hopefully, the progression will be faster given the wealth of knowledge and experience obtained from the developed countries' journey.

International tax collaboration and taxation increase revenue

International tax is both an issue for national tax systems and for international tax collaboration. Successful taxation of multinational firms (both domestic and foreign majority owned) is important to most developing countries since they often have relatively small formal economies. It is not uncommon to see shares of tax payments from these companies dominate among the large taxpayers. Payments from large taxpayers can often constitute more than 50 percent of all domestic taxes.⁷

At the international level it is mainly through the OECD and the UN that normative adjustments and guidance are made and that policy debates are held. The tendency, however, is that developed countries dominate in these fora both because of their full memberships and representation, but even more due to their resources and capacity to influence the focus, content and outcomes of the debates. Increasing the voices of developing countries, representation, and capacity in these forums is key to balance the interests and to influence the normative basis for taxing cross border transactions. This is important considering the growth of the global economy and the high share of flows and assets that pass-through secrecy jurisdictions with low or no regular income tax. It is also important because

⁴ Lundstøl ICTD 2018 <https://www.ictd.ac/publication/tax-in-development-towards-a-strategic-aid-approach/>

⁵ Skatt i sårbare stater Norad 2018 <https://norad.no/globalassets/publikasjoner/publikasjoner-2018/norads-rapportserie/skatt-i-sarbare-stater.pdf>

⁶ CMI Report 2018:03 Building tax systems in fragile states

⁷ Lundstøl ICTD 2018 <https://www.ictd.ac/publication/tax-in-development-towards-a-strategic-aid-approach/>⁸

Moore, M. (2008). Between coercion and contract: competing narratives on taxation and governance. Taxation and state-building in developing countries

developing countries are relatively more exposed and lose a higher share of their potential income tax revenue through an erosion of the tax base from tax avoidance and/or tax evasion.

Illicit financial flows impede development

Illicit financial flows (IFFs) erode domestic resource mobilization and directly undermine the collective efforts of the global community to achieve the SDGs. It should be noted here that there is currently no intergovernmental agreement on the definition of the term “illicit financial flows”. Still, there is continued controversy surrounding the taxation of multinational firms and international transactions, as well as assets held by both firms and individuals in other jurisdictions. This is linked to lack of transparency of cross-border transactions, corporate vehicles and ultimate beneficial owners, as well as large-scale corruption. Although IFFs is not purely a tax issue, the topic is highly interrelated to tax evasion as well as elements of aggressive tax avoidance.

Hidden, secret, fraudulent, and misleading transactions prevent countries from enforcing the law and collecting taxes. Moreover, lack of financial transparency also creates uneven playing fields that harm small- and medium-sized businesses and undermine the equity and inclusiveness of our economies. Recent tax evasion and corruption scandals and continued concerns about tax avoidance in an era of digital economic activity, demonstrate that efforts to create level playing fields and opportunities for equitable resource mobilization is urgent.

Despite a lack of clarity of definitions, some national governments and regional organisation have recognized the scale and seriousness of the problem and taken actions through strengthening existing institutions and enforcement of the law. However, this is a global problem that cannot be solved by individual countries but requires strengthened international collaboration.

Local tax has untapped potential for revenue and for expansion of services

Studies show that a more efficient utilization of local taxes often go together with improved service delivery to citizens. Efficient local taxes should therefore be an important part of the efforts to build fiscal capacity and to improve state-citizen relationships. In many countries local tax systems are critical to ensure that public services reach more people.

In most developing countries the fiscal transfer to local governments is still their most important revenue stream. The issue of local taxes and revenue must therefore be seen in connection with efforts to improve fiscal decentralization, which is part of a larger governance and state building agenda to promote sustainable development. Local taxes can sometimes provide opportunities for quick adoption of new digital and increasingly mobile technologies. This should be explored in cost-effective ways especially in contexts where it may be difficult to work through the central government.

Many taxes with a high revenue potential in lower income and fragile countries, tend to be local and with close links to local authorities. They still often have connections to the central government, perhaps in particular property tax, but also for fees and taxes for local markets. In largely informal economies, a host of excise or sales tax equivalents could be considered at the local level prior to and/or in a transitioning towards a more centralized system.

Effective tax systems build social contracts

The social contract refers to an agreement between people and state where the state delivers social services and people commit to pay for these services through tax payments. Confidence in appropriate use of tax income is strengthened by a sound governance and public administration system based on transparency and accountability.

A country's tax levels have long been associated with a country's degree of societal organisation and use of rule-based institutions. In principle, both the private and public sector can utilize available resources to carry out tasks and produce goods and services. However, states bear the ultimate responsibilities to their citizens to provide public safety, law, infrastructure, education and health, but they can choose how to fund these services based on country characteristics. In most developed economies, modern economic growth from the late nineteenth century went together with much higher ratios of total public revenue (tax and non-tax) to GDP. At the same time, public spending in the social sectors also increased significantly.

The relationship of civil rights and duties within a jurisdiction is at the centre of the social fiscal contract between citizens and State. The connection between tax and governance manifests itself in different ways. Moore (2008)⁸ summarizes three: The first is continuous bargaining between citizens and the state, where the payment of tax and the delivery of public goods and services are at the centre. The second is through the state's incentive to promote growth because public finances depend on it through tax. Finally, tax collection critically depends on the quality of institutions and organisations. This illustrates the critical role that effective tax systems can have in promoting social contracts.

Tax systems contributes to equality and leave no one behind

Fiscal policies, including tax policies, can in many ways contribute to reducing inequalities. ECOSOC special meeting on International Cooperation in Tax Matters (2019) reconfirmed the transformative potential of well designed and implemented tax policies: "The fiscal impact of policies can go far beyond increasing resource mobilization". It was highlighted in the 2019 Financing for Sustainable Development Report that progressivity of fiscal systems is key and must be part of the solution if fiscal policies are going to have an effect on reducing inequalities.

The UNs expert group Committee for Development Policy, subsidiary advisory body of ECOSOC, describes in their report⁹ how revising international tax cooperation and building capacity of national revenue authorities, including the legal and policy frameworks, are critical to the agenda of "Leave no one behind".

To leave no country behind, international action must be coherent and focus on supporting countries' capacity to enact and finance their own development strategies. If the pledge to leave no one behind is to be made effective, global rules need to promote a fair distribution of income and development opportunities at the international level. Countries must have the ability to build sound and efficient tax systems and the policy space to define and implement their own social and economic policies in accordance with social preferences and the priorities of their populations.

A special consideration and plan are needed for fragile states when it comes to domestic resource mobilization and tax. Increasingly, people who live in extreme poverty are found in fragile states. However, fragile states are also diverse as types of countries, and different types of conflict and/or post-conflict challenges loom large.

When it comes to the issue of the need/demand for local tax aid this is integral to any national tax system thinking. Still, there is a tension in many developing countries between the local and the central government. In general, the issue of local tax is important, but it is often overlooked and linked to larger reforms and debates about decentralization. Moore et al (2017) emphasizes the underutilized

⁸ Moore, M. (2008). Between coercion and contract: competing narratives on taxation and governance. Taxation and state-building in developing countries

⁹ ECOSOC 2018 (E/2018/33)

potential of property taxes as an important element in many developing countries, but there are many more fees and local taxes that can be significant at different levels.

Broad based support at country level improves sustainability

Civil society plays an important role in advancing domestic revenue mobilization and promoting the establishment of a national tax system based on transparency and accountability. To what extent, and how, civil society and other non-state actors should be included as part of a specific tax programme should be determined on a country context analysis, recognizing that tax outcomes reflect an inherently political contestation among different interests (within and outside of government).

Civil society organisations at country level can be stakeholders in a country tax programme both as i) beneficiary of funding for specific activities, ii) target audience for government led engagement with non-state actors, iii) independent voices fostering well-informed debate on tax policies and administration (outside of directly funded programming).

There is a clear need for capacity building of local/national civil society organisations, and this should be prioritized in order to successfully build up an ecosystem of accountability and engagement in tax issues. The long-term approach to public finance management (PFM) could provide lessons in order to build infrastructure of civil society groups with relevant skillsets.

Research and higher education institutions, and individual researchers, can contribute to national tax systems by working directly with government agencies to co-develop applied research, models and data systems, and tailored policy analysis and advice. Further, they can create ‘public good’ research, data and models that are used by government agencies, civil society organisations and other actors to improve the national tax system or disseminated to the general public to inform their views.

4. Norway’s approach to tax and development

Norway takes a comprehensive and ambitious approach to tax related development aid. The approach covers grant agreements with different thematic and geographic focus. The grant agreements include bilateral institutional cooperation, multilateral institutions, research organisations and civil society and is therefore managed as a portfolio. The portfolio approach has been adopted to facilitate learning across the different areas of engagement.

This section first describes the theory of change for the portfolio including expected results linked to the results framework, inputs and assumptions (*“the what” of TFD portfolio*) and thereafter the portfolio management approach (*“the how of TFD portfolio*).

Theory of Change

A theory of change (TOC) lays out the *logic* behind how interventions are thought to contribute to the overall goal, based on research findings and assumptions. ITAD (2020)¹⁰ has supported TFD in developing a TOC (see Annex 2 for a schematic presentation). The TOC is an important tool in navigating the portfolio, appreciating there will be a time lag between the interventions (which you mostly control) and the overall goal (which you do not control) and that there are many hurdles on the way. In a complex environment with many disruptions it is crucial to have a systematic way of thinking how to achieve the long-run impacts.

To further strengthening the portfolio management, the results framework includes main outcomes and indicators and presuppose aggregation of data from individual agreements. Although the different

¹⁰ Evaluation report 2020: <https://norad.no/om-bistand/publikasjon/2020/evaluation-of-the-norwegian-aid-administrations-approach-to-portfolio-management/>

agreements under the overarching tax portfolio have their own result frameworks reflecting their own organisations’ workplans and profiles, there will still be a clear link to the portfolio’s TOC and to parts of the portfolio’s results framework.

The overall goal of the programme is to **enable development countries to improve financing for national development priorities and the SDGs through increased tax revenue and strengthened social contract.**

Within this goal there are two mutually reinforcing components needed to have meaningful results **i) increased revenue and ii) strengthened social contract.**

The overall goal assumes that increased public revenues that are collected, administered and expensed in an accountable, transparent and predictable manner, thereby enabling countries to improve service delivery and facilitate for economic growth. Both services and economic growth are critical to achieve the sustainable development goals.



There are global, regional, national and subnational factors that impact a country’s ability to increase revenue and strengthen the social contract. The primary focus of TFD is to deliver results at the country level. To achieve results in line with the overall objective, however, the programme has identified strategic actions that need to be implemented at national/subnational level as well as global/regional level.

This will be further elaborated under the two outcome areas, which are necessary conditions for achieving the overall goal identified:

- **Outcome 1:** Domestic tax systems in target countries are more efficient and equitable.
- **Outcome 2:** Global tax collaboration and standards reflect needs and capacities of developing countries.

In general, achieving these outcomes again depends on being successful in three strategies:

Ecosystem of accountability: Under the two outcomes, TFD will focus on building an ecosystem of accountability and reflect the constituency-based approach described below (see “civil society and media”). This entails supporting representation of underrepresented countries and stakeholders at the global level. At the country level it entails strengthening government, civil society and media to perform their roles to promote transparency and accountability.

Capacity building: Under the two outcomes the emphasis on strengthening capacity of national revenue authorities and other relevant parts of the national tax system is essential for improved revenue through tax collection. Strengthening capacities of countries and other stakeholders to have meaningful engagement in global processes is also critical.

Knowledge based development: There are knowledge gaps at national and global level that needs to be filled in order to develop tax policies, standards and practices that respond to needs of developing countries and marginalized groups. TFD will focus on both supporting research at national and global level as well research capacity at country level

National tax systems

Outcome 1: Domestic tax systems in target countries are more efficient and equitable

The focus of this outcome area is on supporting countries' efforts to reform their tax system by improving equity, efficiency and stability. The outcome area includes domestic and international taxes, customs duties as well as most types of non-tax fees and revenues of the public sector. Sector-specific tax revenues, such as corporate income tax from extractives (mining, metals, oil and gas) can be an important revenue source for many developing countries. Sector-specific non-tax revenues, e.g. royalties from oil and gas extraction and production, are not explicitly outside the scope of this outcome area. But such types of revenues are normally better dealt with by other knowledge programmes and are not a focus area for the TFD programme. Results can be achieved through changes in tax policy, improved processes in tax administration, other public sector reforms and new forms of interaction between government officials and stakeholders. The main delivery mechanism and approach is technical assistance aimed at developing the capacity of revenue authorities and ministries of finance, delivered by the Norwegian tax administration (NTA), multilateral partners, research institutions or civil society. A related type of intervention is country tax reform programmes financed by Norway's embassies – the grants are managed by the embassies outside the TFD programme, but the TFD Secretariat provides technical advice.

Bilateral cooperation through Norwegian Tax Administration

Bilateral cooperation between NTA and tax administrations in the South is at the core of the TFD portfolio. Peer-to-peer technical assistance can have some unique advantages that few other delivery mechanisms can replicate, such as a high degree of trust and access, allowing peers to solve problems that would otherwise be deemed too sensitive or complex for external support. The approach of the NTA in the TFD programme is informed by a mapping of experiences from the previous TFD cycle and other bilateral and multilateral technical assistance providers.¹¹

The Knowledge Bank

The TFD is part of the Knowledge Bank at Norad. The Knowledge Bank was established by the Norwegian Government to coordinate and strengthen technical cooperation and sharing of knowledge in areas where Norway has particular competencies or sought-after experience. The bilateral component of the TFD programme is implemented by the Norwegian Tax Administration.

The focus of the bilateral cooperation will vary depending on identified needs and capacities and range from full scale institutional cooperation to lower intensity targeted capacity development. Institutional cooperation is long-term cooperation on capacity development with continuous follow-up activities from both partners. An institutional cooperation partnership usually has a duration of at least four years and can last as long as 20 years or more. NTA will normally deploy a resident adviser to the partner country to plan the programme, coordinate the implementation of the programme, facilitate short-term visits by NTA experts and offer technical advice in between short-term visits. Targeted capacity development is a short-term cooperation around a limited set of topics, with lower intensity than institutional cooperation. NTA will only deploy short-term advisers to the partner country to conduct targeted capacity building, and the activities will be coordinated by the NTA headquarter. The choice of one type of partnership does not exclude the other over time, and both forms could be applied consecutively. For both types of cooperation, study trips or short-term visits by the partner

¹¹ Skatteetatens kapasitetsbygging i utviklingsland –begrunnelse, erfaringer og strategi for hvordan institusjonssamarbeid kan styrkes (upubl.)

institution to NTA can be undertaken. Further, both types of cooperation can be expanded to include North-South-South cooperation.

Selection of countries for bilateral cooperation follows guidance outlined in the Knowledge Bank's institutional cooperation guide, adapted to the needs and capabilities that are specific to the TFD programme. The methodology is informed by mapping studies by NTA and Norad in 2017-18¹².

Potential countries for bilateral cooperation are assessed based on the following criteria:

- Alignment with Norway's **development policy**, including geographic and thematic priorities.
- Documented **need, demand and ownership** in the partner country.
- Country context which presents an **acceptable risk level and high likelihood of achieving results**.
- Thematic areas of cooperation where **NTA has capacity and comparative advantage** to deliver.
- Good fit with Norway's existing **country portfolio, bilateral and other relationships**.

Please see Annex 3 for an overview of the bilateral country programme cycle.

Country focused multilateral interventions

Multilateral initiatives complement bilateral cooperation in several ways. Multilateral organisations' implementation capacity, presence and specific competencies allow for scale and broadening the range of countries TFD can collaborate with. Further, multilateral organisations can provide technical assistance in thematic areas not covered by NTA, such as tax policy, customs administration and local taxation. Multilateral engagements can thus operate alongside NTA in the same country, but in a different thematic area. Finally, bilateral and multilateral partners have different entry points, and exploiting these differences can increase the overall effectiveness of the TFD programme.

A natural starting point for shaping the multilateral sub-portfolio is the four organisations that collectively form the Platform for Collaboration on Tax (PCT), namely the World Bank, IMF, OECD and UN. Additionally, regional organisations such as the regional development banks and the regional tax organisations are well placed to facilitate south-south cooperation. Regional organisations also have the potential and often legitimacy to represent constituencies in global fora and debates.

Civil society and media

Transparency and accountability of the tax system is critical for tax to achieve its transformative potential towards development and strengthening the social contract. Building a constituency at the country level that has the capacity and the space to engage with tax administrations and tax policy is central to the TFD portfolio. These constituencies can be central reform agencies, parliaments, local governments or civil society. Building an informed constituency that can advocate on tax policy issues and hold officials to account is an important part of building a state and state-citizen relations.

New research, including from Overseas Development Institute¹³ and Save the Children¹⁴, highlight how active citizens and civil actors can help improve the equity and efficiency of tax policy and

¹² Skatteetatens kapasitetsbygging i utviklingsland –begrunnelse, erfaringer og strategi for hvordan institusjonssamarbeid kan styrkes (upubl.)and Lundstøl ICTD 2018 <https://www.ictd.ac/publication/tax-in-development-towards-a-strategic-aid-approach/>

¹³ Civil Society Engagement in Tax Reform, Transparency and Accountability Initiative 2019 <https://www.transparency-initiative.org/reports/5374/civil-society-engagement-in-tax-reform/>

¹⁴ Taxation with Representation, Save the Children 2019 <https://www.savethechildren.org/content/dam/usa/reports/advocacy/taxation-with-representation-2019.pdf>

outcomes, and boost tax morale, often in combination with tax authorities or state accountability actors. Technical assistance to revenue authorities can be augmented by complementary engagement from the public, civil society organisations and research organisations.

Funding and the number of partnership agreements with civil society and media organisation has increased and is a recognition of the important role that civil society has played and continues to play in advancing financial transparency of tax systems and combating illicit financial flows. In many countries civil society and journalists' organisations face shrinking spaces and increasingly hostile environments to operate, especially when they highlight illegal or unethical practices. Under this component TDF cooperates with Norad's department for civil society.

Media and journalist organisations continue to play a critical role in uncovering tax evasion and financial secrecy which is undermining domestic revenue mobilisation in developing countries. Strengthening the capacities of investigative journalists through international collaborations enables them to shed light on domestic concerns and contribute to national debates.

Research and higher education institutions

There is still limited knowledge about what form of tax system is most effective to promote national resource mobilization and development. Research on tax in developing and emerging economies has been limited and is still at an early stage. In many countries, government agencies have limited capacity to conduct in-house analysis and research on policy options, implementation and performance.

Norway has a policy to support research in all major development policy areas, to strengthen the competencies and capacities of Norwegian research institutions, boost knowledge production and research capacity in developing countries, and increase the use of research-based knowledge in the formulation of Norwegian development policy and aid administration, as well as in policy development and practice in developing countries.

The TFD portfolio includes a range of activities geared towards expanding the knowledge base on domestic tax systems and enhance the capacity of government agencies, directly or indirectly. All activities are implemented through network models, mostly triangular, where institutions or researchers in the North collaborate with one or more institutions or researchers in the South. The TFD portfolio includes:

- A broad applied economic research programme on domestic resource mobilization implemented by the United Nations University - World Institute for Development Economics Research (UNU-WIDER).
- Earmarked support to tax research by networks led by Norwegian research institutions in the broader programme NORGLOBAL-2 that in Norad is managed by the Section for Research, Innovation and Higher Education (FORSK) and administered by the Norwegian Research Council.
- A sub-programme on Democratic and Economic Governance, including tax, in NORHED-2 to support capacity building in higher education institutions in developing countries

These activities cannot cover all thematic work areas and knowledge needs of the TFD programme and will have to be supplemented by additional research grants, consultancy contracts or internal analysis.

Key assumptions for outcome 1

The TFD theory of change builds on a number of *assumptions* that will need to be monitored throughout the portfolio period. Significant changes or new knowledge that impacts any of the

assumptions will feed into periodic reviews of the TOC for the portfolio. Annex 2 has a more detailed description of the assumptions.

- 1) The grantees have to have the necessary skills to deliver tax capacity support in a developing country context, ii) have a robust understanding of the political economy and can navigate this, iii) the relationships they develop are characterized by trust and openness, and iv) the capacity/advisory support and technical assistance is high quality and demand driven.
- 2) There is sufficient political support, commitment and resources to take forward the necessary tax reforms at the country level.
- 3) Governments are i) open to non-state actors' engagement on tax reform issues, ii) willing to take their views into account and value their insights.
- 4) Research at the national level is of high quality, aligned with policy needs, and partners conducting the research have good networks with policy makers, and governments are receptive to using evidence.

Global tax collaboration

Outcome 2: Global tax collaboration and standards reflect needs and capacities of developing countries

Outcome two reflects how the global processes and standards provide opportunities and obstacles for developing countries in seeking to enhance domestic revenue through taxes. TFD focuses on improving participation and representation in normative bodies, mainstreaming the developing country lens by highlighting relevant needs and capacities. In addition, TFD supports civil society to engage in the relevant processes in particular to give a voice to vulnerable populations and to research organizations to improve the knowledge at the base of policy positions and decisions.

Global normative bodies

There are two normative bodies for developing global standards for tax, OECD and the UN, TFD supports both and emphasises the value of dialogue and cooperation between the two bodies. OECD has traditionally worked on standards for OECD member countries but has the last few years taken important steps to include non-members in tax collaboration and standardsetting. The OECD and Global Forum on Transparency and Exchange of Information for Tax Purposes and, as well as the more recent G20/OECD BEPS Project, have highlighted the need for more inclusion of developing countries in making significant changes to the international rules.

The UN has a universal mandate and membership and there are ongoing discussions on how the UN system can play a more prominent role in terms of reflecting the tax agenda in the broader development agenda and in terms of improving representation and participation of developing countries. Currently the leading body in the UN for tax matters is the UN Tax Committee of Experts, with a secretariat at UN Department of Social and Economic Affairs (UNDSEA). The mandate of the Tax Committee is given through ECOSOC and reports on progress on an annual basis. Member states committed to strengthening the capacity of the UN Tax Committee through the Addis Abeba Action Agenda.

The Norwegian Ministry of Finance is the responsible line ministry for tax policy in Norway, and working level cooperation is established between Norad, MFA and MoF related to the normative work

in the UN (Tax Committee) and the OECD (BEPS Inclusive Framework and Global Forum on Transparency and Exchange of Information for Tax Purposes). The focus of TFD in working with and through these fora is to strengthen their capacity to have improved representation from developing countries as well as a strengthened development focus. In addition the work of the OECD and UN focuses on supporting countries more directly in implementing the global standards through technical assistance and capacity building.

New international commitments

In addition to the two normative bodies mentioned above there is an acknowledgement of the need to further strengthen the international commitment and action in some key areas that place an disproportional burden on developing countries. For countries to improve domestic resource mobilisation more multilateral action is needed towards ending illicit financial flows and financial secrecy as it disproportionately affects developing countries and impacts both public revenues and social contracts. Combating IFF is key in many developing countries in securing effective tax systems and in financing the SDGs, and the challenge of IFF is recognized as one of the major challenges in the Financing for Development agenda. Under the ECOSOC a high level panel has been established (FACTI¹⁵) to review the international policy framework and practices with the objective to identify gaps and strategic actions need to improve financial integrity and illicit flows from developing countries. Global commitments should be followed by action, therefore the role of individual countries, the multilateral systems and private sector must be clearly articulated, agreed and understood.

Norway is signatory to the Addis Tax Initiative (ATI) which stresses the importance of promoting policy coherence, establishing strong domestic governance systems and mobilizing the political will to drive forward tax policy and system reforms. It plays a coordinating role between its members to increase volume and quality of technical assistance and broad-based capacity building in partner countries. Specifically, ATI development partners commit to collectively doubling technical development cooperation to domestic revenue mobilization by 2020, which Norway is on track to achieve. There is an ongoing process with the ATI members to review the progress and set forth new commitments for member countries for the post-2020 tax agenda.

Coordination and collaboration on tax

Coordination has been highlighted as is important in order for international systems to benefit the economy of developing countries. The Platform on Collaboration on Tax (PCT) is one example that both focuses on coordination between the WB, OECD, IMF and the UN as well as stimulates dialogue among donors. All PCT partners bring unique positions and strengths and there is no indication that any of these organisations are sufficiently strong to carry the work without the other partners. The mandates are considered to be sufficiently complementary that if real collaboration and coordination is achieved through the PCT all the individual mandates would be strengthened. TFD supports the work of all the PCT partners and emphasises the need and necessity of coordination in the individual agreements and also supports the operations of the PCT to perform the coordination mandate given through the G20.

Other developments include a new joint IMF/WBG initiative on strengthening tax systems in developing countries and fostering inclusive policy discussions, a partnership between the OECD and UNDP on Tax Inspectors Without Borders plus the Addis Tax Initiative designed to dramatically increase donor support for building tax capacity in poorer countries.

¹⁵ FACTI: Financial Accountability, Transparency and Integrity

Research, media and civil society

Improved participation of stakeholder groups including civil society, research organisations, media, private sector and representatives from marginalized groups is important to drive the agenda forward. Making sure that groups are represented and have the voice and capacity to participate meaningfully is necessary to move from token participation towards meaningful engagement.

In addition to participation and representation, civil society and journalist organisations at the global level play an important role in terms of enhancing awareness of the general population around alternative actions and policy debates. Collaboration between civil society organisations across countries and regions also contribute to uncovering new information and patterns relevant for policy decision. Many civil society organisations also produce action research and global level comparative data for countries that contributes to building understanding of global trends.

The factors that impact policy decisions vary greatly between countries and there are important considerations particular to developing countries economy and socio economic realities often don't get covered by mainstream global research initiatives. Many policy debates at the global level will require research which specifically target realities of developing countries to ensure a better understanding of the possible impacts and outcomes. TFD supports global level research where there is a clear gap in knowledge and understanding on impacts for different categories of developing countries. Ensuring that the available research is made available and used by policy makers is central to mainstreaming development perspectives in global tax collaboration.

Key assumptions for outcome 2

As for outcome 1, the assumptions for outcome 2 will be monitored and assessed. Annex 2 has a more detailed description of the assumptions.

- 1) There is political will and capacity to take the views of developing countries and civil society into account in the international tax architecture.
- 2) The grantees must have the necessary skills, capacities and space to engage in international tax collaboration.
- 3) Developing countries representation is of high quality and developing country governments will effectively participate in global tax cooperation mechanisms.
- 4) Research at the global level is of high quality, aligned with international policy concerns and have good networks with multilateral organisations for tax collaboration.

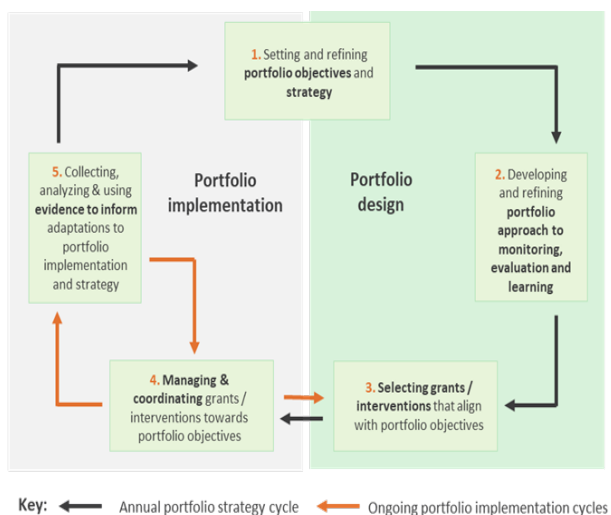
Portfolio management

The definition used by the *Evaluation on Portfolio management* in the aid administration has been adopted for this strategy:

*“Portfolio management refers to the management practices and procedures used to design, plan, organise and coordinate a collection of interventions, grants and initiatives towards the effective and efficient delivery of specific development assistance objectives. It involves setting overall portfolio objectives and strategy, aligning resources towards these, and then using evidence to oversee and coordinate grants and initiatives, monitor overall progress, learn and adapt, and report.”*¹⁶

¹⁶ Evaluation report ITAD 2020: <https://norad.no/evaluering/planlagte-evalueringer/evaluering-av-portefoljeorienteringen-i-nye-bistandsprogrammer/>

The findings of the evaluation concluded that while there is no overall system for portfolio management within the aid administration, there are several practices that reflect part of the portfolio management cycle, especially when it comes to setting objectives and selecting grants that align with the objectives (step 1 and step 3 in the figure below). In line with this, it was noted that TFD had defined clear objectives that set the direction for the portfolio and used these to inform what projects and partners were funded.



While the TFD secretariat in the Section for Knowledge programmes is responsible for the portfolio management, key interventions and grants under the TFD portfolio are managed by other departments in Norad; Civil society department and the Section for Research, Innovation and higher education. There are also other programmes within the Norwegian aid administration with clear synergies with the TFD portfolio and where the TFD secretariat will include relevant learning as it arises. Close collaboration and communication are therefore fundamental for the success of the portfolio, and more formalized decision-making and coordination forums will be considered.

The **theory of change** and the **results framework** highlights the links between interventions and assumptions and identifies outcome and output indicators to be tracked and aggregated from individual grant agreements to portfolio level. To further strengthen the TFD portfolio management a **portfolio management tool** that tracks results, risks and mitigating actions for the portfolio has been commissioned. The tool will be based on the TFD result framework and consider the schedules of reports from grantees, research produced under the portfolio, planned evaluations and assessments. In addition, a **learning plan** for the portfolio will be developed including a plan for data sources (e.g. grantee reports, commissioned research/evaluation, public data sources).

These tools will strengthen:

- 1) Institutionalising learning and portfolio management.
- 2) Ensure that results are captured in a timely and efficient manner.
- 3) Integrate learning into management decisions, both short-term and long-term.
- 4) Capture results and outcome stories that can be used to strengthen/challenge the TOC (with special emphasis on synergies between projects).

Results management

Results management is an integrated part of the portfolio management through portfolio implementation (step 4 and 5 in the figure above).

Grant agreement results frameworks: Within the TFD portfolio individual grant agreements have separate results framework and the grantees will report on progress towards these results through periodic reports. Both the unit managing the grant agreement and the TFD secretariat will be involved in review and feedback on the individual separate results frameworks and periodic reports. The TFD secretariat is responsible for integrating results overall portfolio management and ensure that it contributes to learning and decision making at the portfolio level.

Outcome/output stories: For the TFD portfolio it will be important to capture results that happen as a result of several interventions at a country level, or specific stories that can contribute learning

around the TOC and the underlying assumptions. These will be scheduled as part of the learning plan, and may be produced by grantees, the TFD secretariat or commissioned.

Portfolio results framework: The results and indicators of the portfolio results framework will measure trends and some aggregated data from the separate results frameworks of grant agreements. Norad has deliberately not sought to harmonize the separate results frameworks of grant agreements, so as not to artificially constrain the partners’ ability to achieve outcomes unique to them. The portfolio results framework is thus designed to capture higher level trends at global and country level to inform decision making. There are some constraints related to monitoring the indicators at the outcome and impact level. There is a time lag in the collection and publication of data from reliable sources. This means that the data being tracked will systematically reflect the status 1-3 years earlier. At the output level, more timely documentation is available where data on indicators can be supplemented by narrative accounts from partners’ periodic reports and supported by externally commissioned assessments if required.

Evaluation: An evaluation of TFD as a portfolio will be commissioned in 2024/25 to assess the impact and to answer some of the questions already defined in the learning plan with regards to the portfolio composition to inform future programming for tax related development aid.

Learning plan

Surfacing key learning questions as part of portfolio management is an important tool. Through the portfolio evaluation the TFD team was supported to develop some initial questions for the learning plan (see table below). This will be further developed in the first quarter of 2020, and revisited as part of annual planning process. In addition to identifying the questions, the learning plan will reflect *how* and *when* information will be collected.

Type of question	Specific Questions
1. Progress and results of current grants	<ul style="list-style-type: none"> • How are the interventions we are funding working? • What challenges are partners facing? • What are they achieving?
2. Portfolio synergies and gaps	<ul style="list-style-type: none"> • Have we got the right balance of interventions at the country level, given different contextual factors? • How are the different portfolio partners working together? • Are there gaps in what we are funding at country level?
3. Hypothesis testing	<ul style="list-style-type: none"> • What are the most cost-effective ways of supporting higher tax generation? • What conditions need to be in place for effective capacity support to national tax authorities?
4. Portfolio progress	<ul style="list-style-type: none"> • How are we doing in relation to our overall objectives?
5. Future portfolio direction	<ul style="list-style-type: none"> • Who do we need to fund in the future? • How does the portfolio begin to operate in FCAS environments?

Some of these questions will not have precise answers and it is part of portfolio management to use evidence and information to make decisions regardless, but also important to show the basis on which decisions were made. The learning plan will indicate which tools and approaches can be used to generate evidence on the various questions.

Coordination and synergies

Tax and public financial transparency (both revenue and expenditure) often feature as elements of other development programmes or are recognized as enabling factors for other development objectives. Through the FFD agenda, under the global commitment of the Sustainable Development

Goals, many sections and programmes within Norad are engaged in ways to increase domestic resource mobilization, and ensuring coordinated and coherent policy advice in these areas are critical.

In 2019 a synergy mapping was conducted by TDF to look at potential for collaboration and strengthening results. While many potential areas were identified, further work has focused on health and environment. The convergence in these areas is particularly strong since resource mobilization through tax also has direct impact on health and environmental outcomes through changes in behaviour.

In 2019 Norway adopted a strategy for enhancing the work with non-communicable diseases (NCD) as part of the post 2030 development agenda¹⁷. The strategy highlights the importance of working with taxation and regulations on products that are harmful to health can be used to effectively discourage consumption of health-harmful products such as tobacco and alcohol. Similarly, pollution taxes and regulations can encourage shifts to clean energy and transport, reducing health-harmful air pollution.

In parallel to the work on NCD, Norway supports a broad alliance within the health and development sector working on accelerating funding and financing for the health-related SDGs. These initiatives include supporting domestic resource mobilization through taxes and fees. Part of the TFD portfolio strategy is to leverage the global and country level efforts within the health financing- and the tax community to contribute to better results through improved knowledge and effective use of resources.

TFD has also commissioned work to increase awareness of the potential for increasing domestic resources through taxes on emissions that contribute to climate change. This work is done in close collaboration with the Section for Climate, Forest, and Green Economy at Norad as well as the Oil for Development Section. The main focus of the work is to analyse the potential for introducing these types of taxes in developing countries.

In addition, there is ongoing work with other programmes of the Knowledge Bank to strengthen synergies of programming at the country level. By focusing on a few target countries, TFD and the KB will be able to draw on the experiences and capacities of other projects to build effective partnerships for improved development results.

Risk Management

The TFD Program follows the Grant Management Assistant (GMA) guidance on risk management for all individual grants in the portfolio, and have applied the guidance on portfolio level risk management to the extent possible. The current risk management framework and corresponding portfolio risk matrix (Annex 4) will be reviewed following the conclusions from the externally commissioned portfolio management assignment.

Roles and responsibilities: The Assistant Director who heads the TFD Secretariat is responsible for portfolio level risk management in accordance with the risk appetite and risk management procedures defined by Norway's development policy and rules and regulations for grant management in Norad and the MFA. The grant manager in TFD and the grant recipient are responsible for risk management of individual grants in the TFD portfolio, in accordance with the GMA.

Objectives: The core objectives of the TFD portfolio consist both of **what** the portfolio aims to achieve, and **how** it aims to achieve it. The desired results from the TFD portfolio are set out in the results

¹⁷ https://www.regjeringen.no/no/dokumenter/bedre_helse/id2678493/

framework (Annex 1). Further, the results shall be achieved without harm to society (unintended negative consequences) and without damage to Norway’s reputation.

Risk identification: The TFD Secretariat has identified an initial set of portfolio level risks based on a few key sources: i) Grant level risks that are so significant they could impact on the objectives set out above or could be applicable to the portfolio more broadly; and ii) risks identified by other knowledge programs in Norad.

Risk analysis: The probability and consequence of identified risks are hard to quantify. To strengthen the analysis, tailored probability and consequence scales have been developed to guide qualitative assessments. Key points from the analysis are made explicit in the matrix underpinning the score.

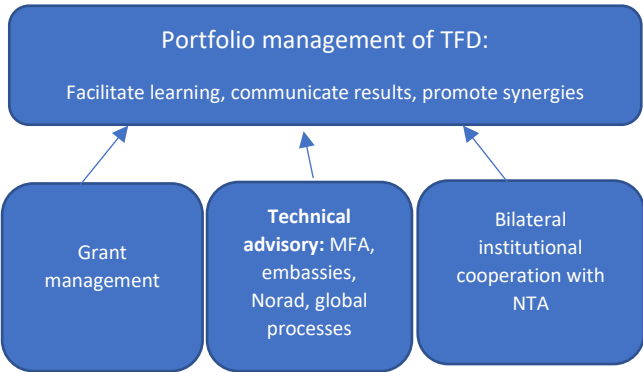
Risk mitigation: In accordance with good risk management practices, different risk strategies are used – to avoid, reduce, transfer/share or accept the risk. The risk appetite is set by policies outside the TFD portfolio. Norway has a policy of zero tolerance for fraud, corruption and financial irregularities in grant management, implying a low risk appetite in this regard. Conversely, Norway development policy is focused on low-income countries and fragile states, where political and implementation risks are inherently high and some residual risk must be accepted.

Portfolio risk matrix: See annex 4 for the complete current version of the portfolio risk matrix. The portfolio risk matrix will be reviewed and updated by the TFD Secretariat at least semi-annually (tentatively Q1 and Q3) based on reporting and lessons learned. In the semi-annual review, the TFD Secretariat will: i) modify, add or remove risks; ii) update probability and consequence assessments if necessary; and iii) update risk mitigation strategies as appropriate.

5. Governance

Tax for Development secretariat

The TFD secretariat is responsible for the coordination of the programme. It consists today of four advisors-professionals in tax and development aid. Based on the approved strategy and plan for the Tax for development programme, the secretariat develops annual plans and budgets, prepares and negotiates agreements/projects with partner institutions and consultancies, delivers advice in relation to Norwegian tax aid both to internal and external stakeholders-partners. The TFD Secretariat is responsible for regular reporting in accordance with internal standards and requests.



To ensure integration of the programme components, an operational level working group meeting is held four times a year. This meeting will be led by the Tax for development secretariat in Norad, and NTA and MFA will be invited as participants. The purpose is to ensure effective coordination and communication, review progress across the portfolio and update plans of the Tax for development programme. Overall calendar of events, travels, meetings, seminars, conferences and sharing of documents take place on an ongoing basis. This group is also a possible venue to present new ideas/suggestions relevant to the programme of shared interest.

Directorate management

The fundamental management principle is through the regular reporting-authorization line in Norad and then towards MFA, based on the approved strategy and plan for the programme. The underlying strategy and plan have been developed based on the existing international commitments to double Norwegian tax related aid from 2015 to 2020. In line with the multi-year plan approved in June 2018, a portfolio of agreements and projects was entered, with associated annual plans, budgets and transfer of funding from MFA annually through the regular process. Reporting of progress takes place in coordination with the overall reporting of Norad towards the MFA, in addition to specific reports from the Knowledge Bank as a department within Norad as well as specifically in terms of the Tax for development through the Section for knowledge programmes.

Specific political instructions-guidance (including choice of countries for potential bilateral cooperation programmes and strategic global projects and policy) related to case-portfolio management is coordinated by a designated focal point of Tax for development in MFA. From 2018 this has taken place through updates every six months of the progress and plans of the programme, through regular management lines with presentation for the political level (minister and deputy minister and advisor). The process entails preparational work by the Tax for development secretariat, through the management line in Norad, through the focal point in MFA that ensures clearance at internal management level and presents to the political leadership in the Ministry. Feedback, instructions and dialogue related to the meeting is communicated back to Norad to the Tax for development secretariat with copy to the head of the Section for knowledge programmes.

6. Crosscutting issues

There are four crosscutting issues in Norwegian development policy, this is also at the centre of the TFD programme and management approaches:

- Anti-corruption
- Gender equality
- Climate and environment
- Human Rights

Each funding and partnership agreement should be based on an assessment of how it impacts these cross-cutting issues and at a minimum demonstrate the do-no-harm principle.

Crosscutting issues will be assessed annually and opportunities to advance any of these issues will be included in the annual workplan for follow up.

Anti-corruption

Corruption is often a feature of weak tax administrations that are characterized by lack of transparency and accountability and a regulatory framework that is unpredictable. Strengthening tax administrations and tax systems is an integral part of advancing good governance, and a strong civil society that can contribute to accountability is important.

The risk of corruption is tied both to private and public sector as well as to political actors. Commitment to change needs to be anchored in leadership position in all these sectors for the changes to be sustainable and to have the most significant impact.

It is important to assess corruption risks around country level engagement, but also how regional and global organisations can impact or mitigate the risk. Using available political economy analysis or investing in these is an important tool in this regard.

Gender Equality

Tax impacts gender equality in a number of different ways. We can both see the linkages in tax policy and how it impacts men and women differently, but also in terms of gender equality in public administration. Tax policies are often gender blind both in their design and implementation, and in tax administrations there tends to be a higher number of men in leadership positions. Both in tax policy and in tax administration women are predominantly impacted negatively.

Gender equality consideration should be mainstreamed at the analysis level through the project design and monitoring of projects. Even at the activity level there is an opportunity to advance equality. For example, in terms of equal participation in training and gender sensitive design of the training materials. Strengthened use of gender analysis should be prompted and opportunities for advancing gender equality should be integrated in the projects when opportunities are identified. Impact on gender equality should be a standard feature of reporting and evaluations.

Climate and environment

These considerations will be taken into account in development of agreements and project proposals. Environmental taxes are increasingly being used to deter climate damaging behaviour or compensate for negative impact caused by individuals, companies or state actors. As a mainstreamed issue, the unintended impacts on environment and climate must be assessed.

Human rights

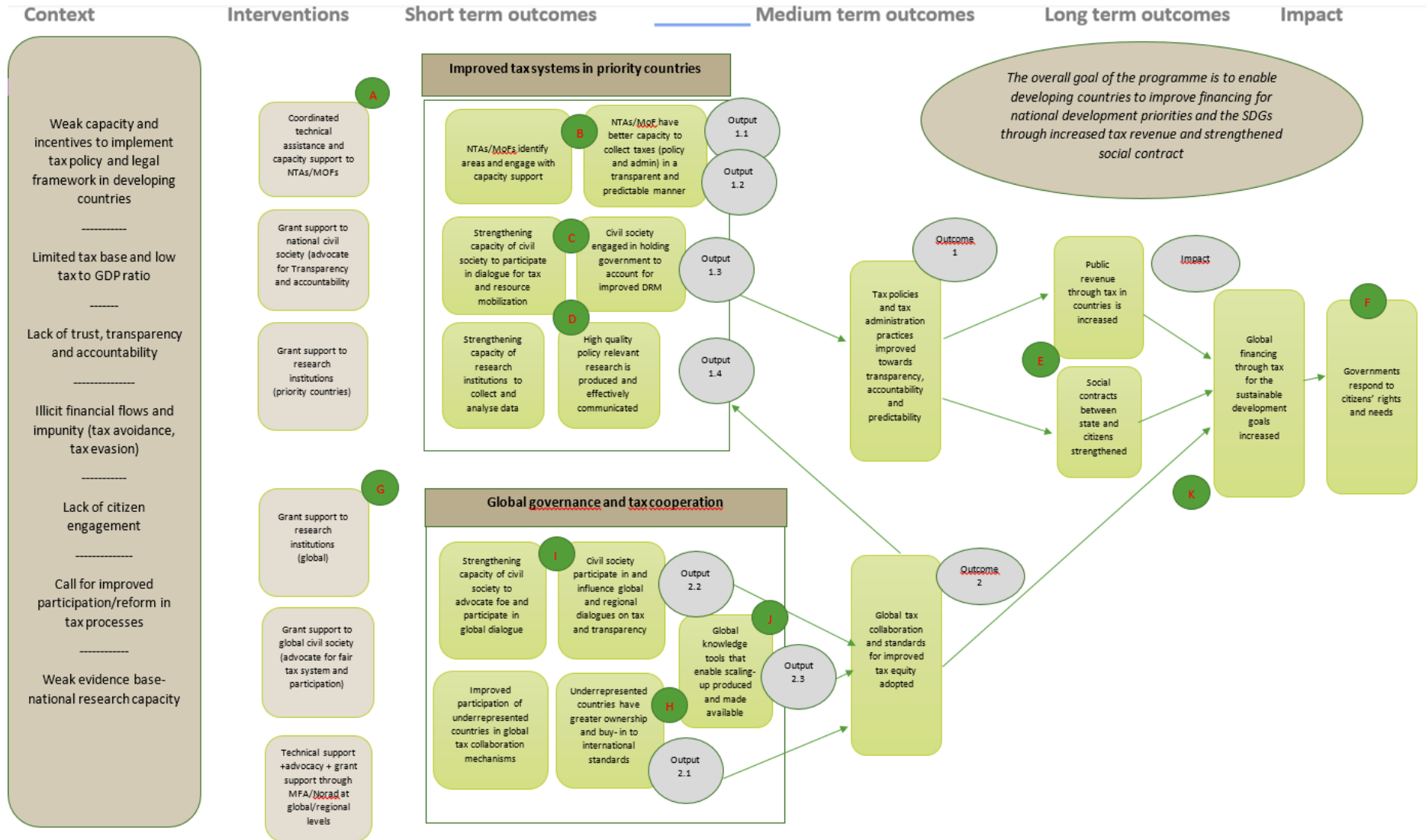
Tax is one of the revenue streams that allow governments to invest in services and protect and promote human rights for its citizens. On the other hand, formulation and implementation of tax policies has, themselves, implication on human rights as it has the potential to reduce inequalities and accountability through participation. Taxing rights in fragile and post-conflict areas are often in dispute as a result of fragmented state structure and low levels of trust. In these situations, tax can be conflict drivers in communities. These risks should be taken into consideration in the analysis and reporting of programme components.

Annex 1: Result framework 2020-2025

Result	Indicator
Impact: Developing countries have improved financing for national development priorities and the SDGs through increased tax revenue and strengthened social contract	Unweighted average increase in tax/GDP ratio for: i) target countries; ii) low and lower middle-income countries
	Revenue loss from corporate tax avoidance for: i) target countries; ii) low and lower middle-income countries
	% expenditure for SDG of national budget (target countries)
Outcome 1: Domestic tax systems in target countries are more efficient and equitable	This will be collected through commissioned outcome stories for target countries (TBD)
Output 1.1: Tax policy and legal framework in target countries changed to be more efficient and equitable	Indicator: Number of countries that implement changes in legal framework based on technical assistance financed by Norway Output story: sample documentation effect on efficiency and equity
Output 1.2: Tax administrations (national and subnational) have improved capacity to perform core functions of revenue collection	1.2a. Proportion of target countries with improved diagnostic score in areas likely impacted by technical assistance financed by Norway
	1.2b. Average increase in total revenue from sub-national government for target countries/provinces
Output 1.3: Civil society participate in advocacy and dialogue for tax and revenue mobilization	1.3 Number of target countries with civil society campaigns for tax and resource mobilization Output stories: Results from advocacy and dialogue in target countries
Output 1.4: Researchers and public officials in developing countries have improved capacity to undertake research and policy analysis related to tax	1.4 Number of country focused papers on tax policy/analysis authored or co-authored by a developing country scholar residing in a developing country, or a developing country public official
Outcome 2: Global tax collaboration and standards reflect needs and capacities of developing countries	2a. Number of additional developing countries adopting from OECD standards


	2b. Number of tax standards and resolutions adopted at the UN
Output 2.1: Improved participation of underrepresented countries in global tax collaboration mechanisms	2.1a Ratio of developing country representation relative to OECD countries in key normative tax forums (OECD and UN)
	2.1b Ratio of proposals tabled by developing countries relative to OECD countries in key normative tax forums(OECD and UN) % of representatives from developing countries, who participate in meetings (OECD and UN Tax Committee) confirm that they were able to participate in a more engaged and effective way
Output 2.2: Civil society organizations participate in global and regional dialogues on financial transparency	2.2 Number of global and regional processes that have civil society representation/fora Output story: Documenting impact effect of civil society action in global processes
Output 2.3: Strategic research on tax and development inform policy dialogue at global level	2.3 Number of papers financed by Norway referenced or used in global tax collaboration

Annex 2: Detailed TOC




Increased public revenue in priority countries

If our partners develop effective relationships and long-term partnerships with ministries of finance and the tax administrations in priority countries...


...**Assuming** partners have i) the necessary skills to deliver tax capacity support in a developing country context, ii) a robust understanding of the political economy and can navigate this, iii) developed relationships characterized by trust and openness, and iv) the capacity/advisory support, and technical assistance is high quality, demand driven... (A) 

...**Then** ministries of finance and revenue authorities will improve their capacity to develop and implement an effective, equitable and transparent tax system (policy and administration) ...

...**Assuming** there is enough political support and commitment and resources to take forward the necessary tax reforms... (B) 


...**Then** the strengthened capacity and advisory support provided by our partners will contribute to ministries of finance revising tax policy and legal frameworks in line with international standards, **and** the tax administration effectively implementing the policies.

In parallel, if we support partners to develop the capacity of civil society, media organisation and private sector to conduct research on, engage with, advocate on, and/or support local and national government on issues of tax and resource mobilisation in priority countries...

...**Assuming** governments are i) open to civil society, media, research community and private sector engagement on tax reform issues, ii) willing to take their views into account and value their insights, and in the case of the private sector, companies see the value of engaging with government on tax issues... (C) 


If we also support partnership and capacity building around research that is relevant to the national and subnational government on issues of tax and resource mobilisation in priority countries...


...**Then** research is conducted in partnership with developing country researchers, and through this, effective capacity support is provided,

...**Assuming** the research/tools are high quality, align with policy needs, and are well communicated; the partners conducting the research have good networks with policy makers; and governments are receptive to using evidence, they **will inform** dialogue and decision making around tax at the national levels... (D) 

...**This** will help improve understanding among policy makers and tax officials at the national levels on issues of tax and development, and specifically what type of tax system most effectively promotes increased national resource mobilisation in different country contexts...

...**Together**, our support to partners working with key actors in the tax system, and civil society and research, will contribute to a more equitable, effective, efficient, predictable, transparent, and overall legitimate tax system in priority countries **and** an increase in the level of public revenue generated through taxes...


...**Assuming** government is responsive to citizens' the tax reforms are broadly accepted by different groups within society, and a more equitable, effective, efficient and transparent tax systems improved the level of trust between citizens/state... (E) 

The **ultimate effect** of our efforts in priority countries will be to contribute to increased financing for the SDGs and the strengthening of the social contract between citizens and state. (F) 


Global governance and tax cooperation

If we use our political influence and financial resources to support the UN Tax Committee and the Organisation for Economic Co-operation and Development (OECD), as the primary platforms for global cooperation on tax issues...

...**This** will contribute to strengthening the development focus of international architecture on tax issues and creating platforms for global tax dialogue and cooperation...

...**Assuming** partners have the capacity and political will to provide technical assistance/capacity development to representatives of developing country governments to strengthen their awareness and capacity to engage with these institutions and platforms...(G) 


...**This will** enhance developing countries perspectives in global discussions and negotiations and improve the benefits international standards have for developing countries tax systems, strengthen their buy-in and ownership of the standards, and improve their adoption at national level. It will also strengthen the legitimacy of the international tax architecture...

...**Assuming** there is enough political support and commitment, resources and capacity to take forward the necessary tax reforms, (H) 


...**Then** ministries of finance will revise tax policy and legal frameworks in line with international standards, **and** the tax administration will effectively implement the policies.

...**This** will result in tax systems being more equitable, effective, efficient, predictable and transparent in target countries and public revenue increasing...


...**If** we also support global civil society and non-state actors to engage in platforms for global tax dialogue and cooperation, both through our funding and leveraging our political influence...

...**Assuming** governments view them as credible, and their views are taken into account, then this will further improve the benefits of the international standards to developing countries, and in turn also strengthen the overall legitimacy and transparency of the international tax architecture. (I) 

...**If** we also support research on emerging issues for developing countries and production of knowledge products that can improve effectiveness and scalability of policy ...

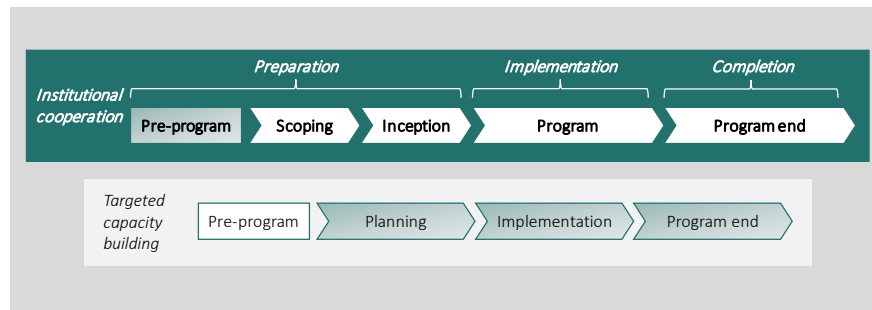
Assuming the research/tools are high quality, align with policy needs, and are well communicated; the partners conducting the research have good networks with policy makers; and governments are receptive to using evidence, they **will inform** dialogue and decision making around tax at the national levels... (J) 

...**As a result** of evidence informing dialogue and decision making, the quality of tax policy, standards and administration will improve and contribute to more equitable, effective, efficient, predictable, transparent, tax systems...

....**Then** we global policy dialogue and decision making will be informed by evidence around what will help improve global tax systems for developing countries, and specifically what type of tax system most effectively promotes increased national resource mobilisation in different country contexts...(K) 

Annex 3: Country programme cycle

Figure 1: Phases in institutional cooperation and targeted capacity building on tax administration

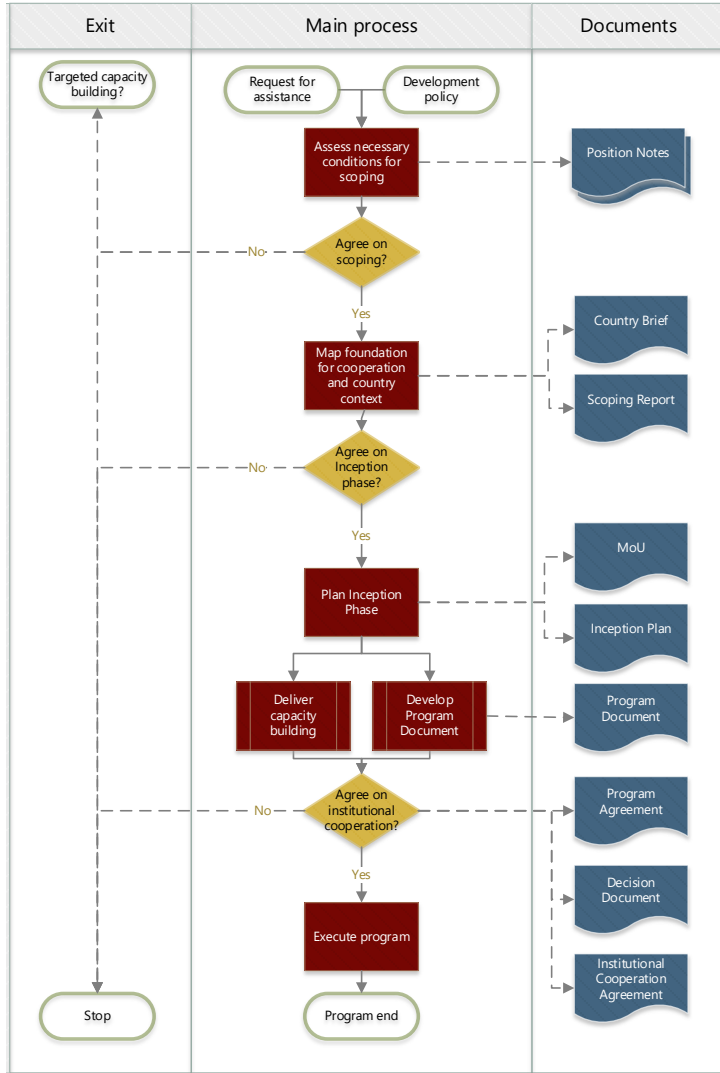


One modality of cooperation between Norway and a partner country does not preclude another over time, and they can be applied consecutively. In each phase of the cycle, any of the partners may, provided there are justifications for it, decide to stop the process and propose to move forward with targeted capacity building instead.

These two types of processes are treated separately below, first by a detailed view of the programme cycle workflow and then an overview of the roles and responsibilities of each stakeholder.

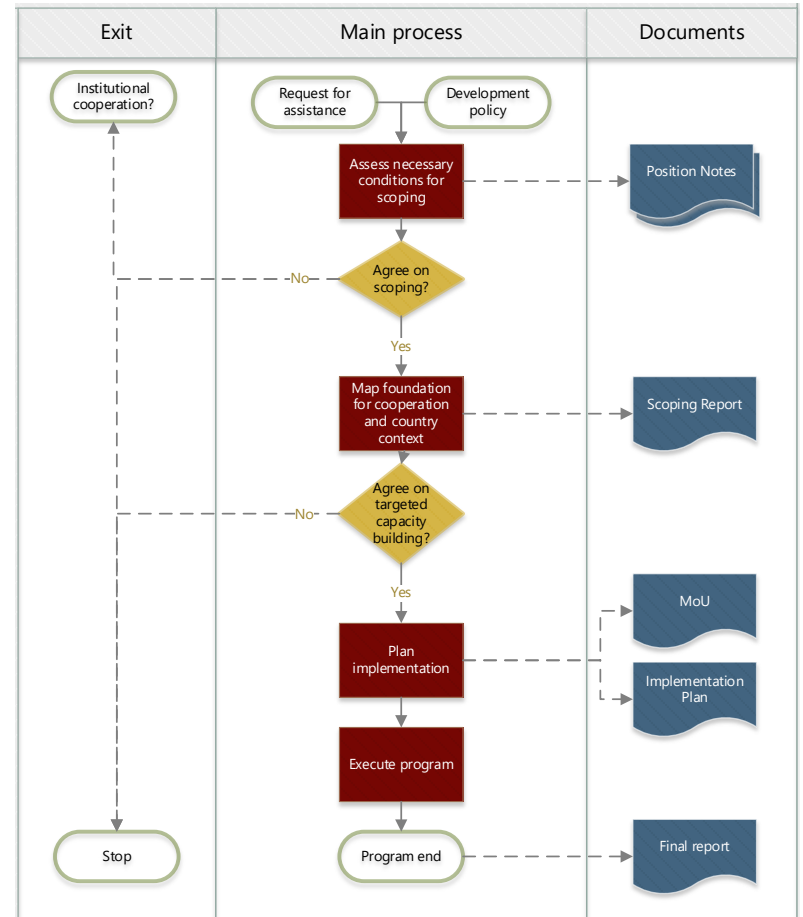
Institutional cooperation – workflow

Figure 2: Workflow, decision points and documents produced in programme cycle for inst. cooperation



Targeted capacity building – workflow

Figure 3: Workflow, decision points and documents produced in programme cycle for targeted CB



Annex 4: Risk Management

Risks are scored on a scale of 1-4 for probability and consequence, where 1 is low and 4 is high, according to the following guidance:

Probability of risk occurring during the program cycle (2020 – 2025)		Consequence on TFD portfolio ability to achieve its objectives or Norway's reputation	
1	Unlikely	1	Limited or no impact on any objectives
2	Even chance	2	Some impact on portfolio output(s) or non-negligible reputational cost
3	Likely	3	Substantial impact on portfolio output(s) or some reputational cost
4	Almost certain	4	Some impact on portfolio outcome(s) or substantial reputational cost

The risk score is calculated as the product of probability and consequence.

#	Risk name	Risk description	Inherent risk score (<i>prob. x cons.</i>)	Explanation for risk scoring	Risk strategy
	Bilateral partners' capacity	Structural weaknesses in bilateral partner organisations reduces the impact of NTA's capacity building activities <i>(Limited resources and infrastructure, management and staff turnover)</i>	4 x 2 = 8	P: Bilateral partnerships are skewed towards low-capacity environments. The risk is almost certain to materialize for most bilateral partnerships. C: Could impact on Output indicator 1.2a. Bilateral partnerships have limited volume, but other activities are built around bilateral work, augmenting the consequence on the overall portfolio.	<ul style="list-style-type: none"> Structural traits of potential partner organizations are mapped and assessed in the scoping phase. (avoidance and reduction) Cooperation areas are selected based on demand and documented need, to increase the probability they will be prioritized if resources are limited. (reduction) There will be some residual risk (acceptance)
	Public graft	Public revenues are grossly misappropriated by public officials in countries where	3 x 4 = 12	P: Cases are common for the types of countries in the TFD portfolio, e.g. Angola/Dos Santos	<ul style="list-style-type: none"> In bilateral partnerships, where Norway is most exposed, this risk is explicitly assessed pre-scoping and updated during scoping and planning phases, collaboration is not pursued if the risk is

		TFD supports tax system improvements		C: Could influence Impact indicators I1 (through weakened social contract) and I3 (directly). Reputational cost domestically and abroad.	<p>unacceptable or design is changed to mitigate the risk. (avoidance and reduction)</p> <ul style="list-style-type: none"> • Use of multilateral partnerships reduce Norway's exposure. (sharing) • Some TFD activities are designed explicitly to increase transparency of revenue streams, including budgeting and service delivery, such as civil society grants, WB customs reform in fragile states, UN-Habitat → reduces both the probability and consequence. (reduction)
	Political turmoil	Political changes makes TFD activities obsolete or irrelevant	3 x 3 = 9	<p>P: Political changes are a common problem for TFD partners, this risk describes the incident where political changes are so severe that the foundation for TFD activities is eliminated.</p> <p>C: Influences on outputs 1.1, 1.2, 1.3 or 1.4. Some reputational exposure in bilateral collaboration or multi-bi collaboration.</p>	<ul style="list-style-type: none"> • Political risk is assessed in all individual projects implemented by TFD partners. In bilateral partnerships, where Norway is most exposed, this risk is explicitly assessed pre-scoping and updated during scoping and planning phases, collaboration is not pursued if the risk is unacceptable or design is changed to mitigate the risk (avoidance and reduction) • Use of multilateral partnerships with multiple country projects reduce the consequence, both by reducing Norway's reputational exposure (sharing) and the impact on portfolio results as funds can be transferred to other countries if progress is halted in one country (reduction) – this was the case with the IMF RMTF predecessor IMF TPA.
	Natural or health hazards	Natural disasters, extreme weather, epidemics/pandemics or other unexpected external events impedes the ability of TFD partners to operate	4 x 4 = 16	<p>P: Has already happened with Covid-19.</p> <p>C: Most TFD assistance is based on face to face interaction – travel restrictions will significantly reduce the impact of grants.</p>	<ul style="list-style-type: none"> • Use of digital solutions can mitigate some of the effects of a natural or health hazard, both reducing the probability and consequence. (reduction) • <i>More measures to be included based on experiences from Covid-19</i>
	NTA capacity	Changes in NTA's priorities reduce NTA's implementation capacity	2 x 2 = 4	<p>P: Common among KB partners, but so far consistent support for TFD from the Tax Director and MoF</p> <p>C: Could impact on Output indicator 1.2a. Bilateral partnerships have limited volume, but other activities are built around bilateral work, augmenting the consequence on the overall portfolio.</p>	<ul style="list-style-type: none"> • Conduct annual meetings between Norads's Director and the Tax Director, to augment anchoring of TFD and reduce probability (reduction) • Support NTA in developing and maintaining a roster of experts, to reduce probability and consequence. (reduction) • Focus on high-quality country projects with clear monitoring and communication of results – also back to NTA, to reduce probability (reduction)

Annex 5: Status of grants (snapshot Dec. 2019)

Agreement partner	Agreement period	Status	Amount	Managing unit	Outcome
Norwegian Tax authorities		Under implementation	NOK 50 million	Section for Knowledge programmes (TFD)	Outcome 1
UNDP/TIWB	01.09.19-31.12.20	Agreement signed	NOK 20M	Section for Knowledge programmes (TFD)	Outcome 1
CIAT	2019-2021	Under implementation	NOK 15M	Section for Knowledge programmes (TFD)	Outcome 1
RMTF (IMF)	2018-2020	Under implementation	NOK 43M. We are currently considering a possible extension of Norwegian Financing.	Section for Knowledge programmes (TFD)	Outcome 1
TADAT (IMF)	2013-2019 2019-2023	First phase came to an end in 2019 Second phase started in 2019	NOK 20M	Section for Knowledge programmes (TFD)	Outcome 1 and 3
CAPTAC (IMF)	2019-2023	Under implementation	NOK 30M	Section for Knowledge programmes (TFD)	Outcome 1
Afritacs (IMF)	2019-2022	Discussions ongoing Approx. NOK 55 million	TBD	Section for Knowledge programmes (TFD)	Outcome 1
World Bank Global Tax Programme	2018 - 2022	Agreement signed, additional grant under review add'l grant NOK 88M	NOK 21,5M	Section for Knowledge programmes (TFD)	Outcome 1
UN-Habitat	2019-2021	Agreement signed	NOK 25M	Section for Knowledge programmes (TFD)	Outcome 1 and 2

		NOK 50M			
Thomson Reuters Foundation	01.07.2017 – 30.04.2021	Under implementation	NOK 15.96M	Civil Society Department	Outcome 1
International Consortium of Investigative Journalists	01.07.2018 – 30.04.2021	Under implementation	NOK 15M	Civil Society Department	Outcome 1, 2
Integrity Action	01.07.2017 – 30.04.2021	Under implementation	NOK 14.72M	Civil Society Department	Outcome 1, 2
Afrodad	31.03.2017 – 31.03.2020	Under implementation	NOK 13.5M	Civil Society Department	Outcome 1
ActionAid	2017- 31.12.2021	Under implementation	NOK 16M NOK 34.56M	Civil Society Department	Outcome 1
Natural Resource Governance Institute	10.12.2018 – 30.04.2021	Under implementation	NOK 15M	Civil Society Department	Outcome 1
Oxfam	10.12.2018 – 30.04.2021	Under implementation	NOK 14.8M	Civil Society Department	Outcome 1
UNDESA /Tax Committee	July 19 – July 2021	Under implementation	NOK 35M	Section for Knowledge programmes (TFD)	Outcome 2
OECD	2018 - 2022	Agreement signed	NOK 45M	Section for Knowledge programmes (TFD)	Outcome 2
Tax Justice Network Limited	31.03.2017 - 31.03.2020 01.12.2019 – 30.04.2021	Under implementation	NOK 7.2M NOK 7.5M	Civil Society Department	Outcome 1,2
Tax Justice Network Africa	01.05.2018 - 31.12.2019	Under implementation	NOK 6M	Civil Society Department	Outcome 1,2

Financial Transparency Coalition	01.12.2018 – 30.04.2021	Under implementation	NOK 12.25M	Civil Society Department	Outcome 1,2
Global Financial Integrity	01.11.2018 – 30.04.2021	Under implementation	NOK 15M	Civil Society Department	Outcome 1,2
Global Witness	10.12.2018 – 30.04.2021	Under implementation	NOK 15M	Civil Society Department	Outcome 1,2
UN Wider	2019 - 2023	Agreement signed	NOK 90M	Section for Knowledge programmes (TFD)	Outcome 1,2
Norwegian Research Council / Norglobal-2	2019 - 2023	First year agreement signed	NOK 75M (2019: NOK 15M)	Section for Research, Innovation and Higher Education	Outcome 1,2