



Completion Report

Project Number: 47149-001
Technical Assistance Number: 8640
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Enhancing Transparency and Exchange of Information for Tax Purposes

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TA Number, Country, and Name: TA 8640-REG: Enhancing Transparency and Exchange of Information for Tax Purposes			Amount Approved: \$820,000	
			Revised Amount: Not applicable	
Executing Agency: ADB		Source of Funding: Japan Fund for Poverty Reduction (JFPR)	Amount Undisbursed: \$ 272,148.70	Amount Utilized: \$ 547,851.30
TA Approval Date: 22 Apr 2014	TA Signing Date: 22 Apr 2014	Fielding of First Consultant: 14 Nov 2014	TA Completion Date Original: 31 Mar 2016	Actual: 31 Jul 2016
			Account Closing Date Original: 31 Mar 2016	Actual: 30 Sep 2016

Description. Cross-border tax evasion and avoidance undermine public finances and trust in the fairness of the tax system. International cooperation among tax authorities through the exchange of information (EOI), whereby developing member countries share knowledge and practices with one another, is essential in addressing cross-border tax evasion. This technical assistance project aimed to build the capacity of, and regional cooperation among, tax authorities in the DMCs of the region. An important dimension of the TA was knowledge sharing across Asia and the Pacific, with a focus on the exchange of information and capacity development of 8 DMC members of the Study Group on Asian Tax Administration and Research (SGATAR), i.e. Indonesia, Malaysia, Mongolia, Papua New Guinea, the PRC, the Philippines, Thailand, and Vietnam.

Expected Impact, Outcome, and Outputs. The TA's expected impact was to have a sustainable tax base in participating DMCs through strengthened international cooperation mechanism on tax matters. The expected outcome was enhanced capacity among the tax authorities of SGATAR member countries. The expected outputs were as follows: (i) technical consultation session on international standards on the exchange of information for tax purposes delivered; (ii) recommendations for strengthening international cooperation and exchange of information for tax purposes produced; and (iii) training courses for tax officials on the EOI and audit to counter international tax avoidance and cross-border tax evasion designed and delivered. The TA design was relevant in terms of supporting ADB's Strategy 2020 that emphasizes the importance of good governance, capacity development, and partnerships, since tax administration is an important tool for strengthening governance.

Delivery of Inputs and Conduct of Activities. Two preliminary actions were undertaken: (i) interviews with senior officials in the tax administration of DMCs to better understand the context and needs for capacity development; and (ii) the organization of a consultation workshop to confirm the nature and broad content of the training and seminars. The seminars were attended by a wide range of officials from the international tax directorates, the Ministries of Finance, and divisions dealing with audit, large taxpayers from the DMC, investigation, risk management and anti-money laundering. In addition to the support from OGC and the Asian Development Bank Institute (ADBI), a number of countries, through their tax administration authorities, and international organizations provided valuable support by sending resource speakers and training materials. These countries were Australia, Finland, France, Japan, Norway, and Singapore, while the international organizations were the International Bureau of Fiscal Documentation (IBFD), Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), Japan International Cooperation Agency (JICA), Study Group on Asian Tax Administration and Research (SGATAR) and OECD.

A few changes to the TA design and scope were made during implementation. Cambodia was added after it expressed interest. Also, the strong need for a range of different training interventions to cover the different functional and procedural stages in establishing transparency and EOI, and the additional time required to produce the required reports meant the TA completion date was extended from 31 March 2016 to 31 July 2016. However, the changes did not substantially alter the TA's impact, outcomes and components.

For Output 1, a technical consultation workshop on international standards on EOI ("Cooperating to Combat Tax Evasion") was held in February 2015 at ADBI, Tokyo. Around 40 government officials from 9 countries (Cambodia, Indonesia, Malaysia, Mongolia, Papua New Guinea, PRC, Philippines, Thailand, and Viet Nam) covering the EOI, tax audit and investigation, and international tax policy functions, attended. For Output 2, the TA produced two reports: (i) *Cooperating to Combat Tax Evasion: Raising Revenues through Enhancing Transparency and Exchange of Information for Tax Purposes*; and (ii) *A Comparative Analysis of Tax Administration in Asia and the Pacific: 2016 Edition* [The document produced under TA8640 is available in: <https://www.adb.org/publications/comparative-analysis-tax-administration-asia-pacific-2016>]. One identified and analyzed areas that require further capacity development with respect to EOI in regional and country-level contexts. Another reviewed the administrative frameworks, functions, and performance of tax administration bodies based on surveys of over 20 economies in Asia and the Pacific. ADB is in a position to engage its DMCs in broadening understanding and assessing root causes of their performance and capacity gaps and empower them to map out strategic and comprehensive interventions. For Output 3, the TA organized five events to support capacity development of ministries of finance and tax officials in the DMCs: (i) Global Forum and OECD workshop on Automatic Exchange of Information, April 2015; (ii) Workshop on Fundamentals of Effective Exchange of Information for Tax Purposes, August 2015; (iii) Workshop on Enhancing Effective Exchange of Information for Tax Purposes (Advanced version of Fundamentals Workshop), September 2015; (iv) Workshop on Detecting Tax Evasion, November 2015; and (v) Workshop on Tax Evasion: Investigation and Compliance Strategies, March 2016. All events were rated as successful in the

evaluation from the participants of each event

Evaluation of Outputs and Achievement of Outcome. Under Output 1, the technical consultation workshop was highly relevant for the TA. It was designed to develop a guide for use of the participants; help identify the specific contents of capacity building events; and identify key issues to be addressed. The technical consultation workshop was structured to distill knowledge from specialists from the Global Forum, IBFD, JICA and the tax authority of Japan, and allow participants to raise technical issues such as i) approaches to specific industries including banking, extractive, fisheries and logging; ii) use of typologies of tax evasion; iii) intelligence systems, attachments of their staff to EOI units in other countries; and iv) implementing the IT systems required for the Common Reporting Standard and Automatic EOI. The project team's work was rated efficient and effective. It substantially moved the project forward, gained commitment for the project objectives, allowed the participants to guide the TA project, engendered active cooperation and knowledge sharing between the participants, and set the norm for subsequent events. The technical consultation workshop was rated highly successful by the participants themselves.

Under Output 2, the TA produced two reports that analyzed the tax administration in Asia and the Pacific. Both reports were deemed relevant to the achievement of the objectives of the TA and these internationally comparable data and information on benchmarks and good practices are essential to formulating tax policy and tax administration reform options.

Under Output 3, the TA work enabled technical and informal exchange among DMCs on tax base protection and domestic resource mobilization by combating tax evasion through enhanced regional cooperation of tax administrations. There was financial support from ADBI to assist the travel of participants, and many of participants to the Global Forum and OECD workshop on Automatic Exchange of Information were self-funded. About 160 tax officials from 27 countries participated. Participants rated the events excellent or good in the evaluation of each event, as they acknowledged the scope, content, and skills and knowledge of the presenters. They were particularly grateful for the insights from experts from outside the region. They also appreciated learning from each other. They took advantage of the events to carry out some bilateral discussions on EOI exchanges and other tax issues, creating a sense of regional cooperation within the workshops. There were savings in the TA for output 3 activities, mainly due to lower consultant costs because partner organizations (eg, IBFD, Global Forum, JICA, OECD, SGATAR, and tax authorities of Australia, France, and Japan) sent resource persons to the training workshops at their own cost. Five consultants (3 International, 1 National with a total of 14 person months) were engaged under the TA. The consultants' performance was satisfactory.

ADB's performance as the executing agency was satisfactory. It successfully collaborated with OECD and others (eg, IBFD, Global Forum, SGATAR) to provide capacity development activities, and produce reports on key aspects of tax systems and administration with respect to EOI. Institutional partners such as OECD and the Global Forum appreciated working with ADB; the collaboration among SGATAR countries was also enhanced.

Overall Assessment and Rating. Overall, the rating of the TA is successful. Its objective was achieved, and its activities and the report outputs (such as the comprehensive reports that cover key issues on tax administration and EOI; the research findings that have important implications on tax revenue mobilization; and the capacity-building activities that contribute to protect their tax base and to mobilize domestic resources) are very relevant. The consultant contracts were effectively managed. The project successfully and efficiently delivered training events and successfully engaged tax officers with the right roles and responsibilities in each of the countries.

Major Lessons. The length of the TA was appropriate. Considering the focus and needs of stakeholders, it was carried out in a reasonable timeframe. However, some issues (such as the policy and strategy approval mechanisms of governments, and ADB consultant engagement process) required a longer period. The use of training workshops, especially the interactive exercises and case studies worked well, but a number of the DMCs have requested more in-country seminars (which could accommodate bigger audiences); short-term in-country mentoring programs; and placements of DMC staff to a mature tax administration to develop experience and confidence.

Recommendations and Follow-Up Actions. ADB should play a more active role in tax issues and develop a follow-up project with a wider remit – to include Base Erosion and Profit Shifting (BEPS) and other tax policy issues based on ADB's expressed support to the sustainable development goals, particularly goal 17.1. ADB should also continue collaborating with OECD and others in strengthening tax administration capacity in the region by sending resource persons to the capacity development activities, jointly organizing events, and exploring other avenues for cooperation.

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