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The
G7 Research Group
at the Munk School of Global Affairs at Trinity College in the University of Toronto
presents the

2016 Ise-Shima G7 Interim Compliance Report

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“We have meanwhile set up a process and there are also independent institutions monitoring which objectives of our G7 meetings we actually achieve. When it comes to these goals we have a compliance rate of about 80%, according to the University of Toronto. Germany, with its 87%, comes off pretty well. That means that next year too, under the Japanese G7 presidency, we are going to check where we stand in comparison to what we have discussed with each other now. So a lot of what we have resolved to do here together is something that we are going to have to work very hard at over the next few months. But I think that it has become apparent that we, as the G7, want to assume responsibility far beyond the prosperity in our own countries. That’s why today’s outreach meetings, that is the meetings with our guests, were also of great importance.”

Chancellor Angela Merkel, Schloss Elmau, 8 June 2015

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2. Development: Addis Tax Initiative

“[We recognize that strengthening capacity of developing countries in tax policy and administration is indispensable to level the global playing field.] To enhance both quantity and quality of assistances in this area, we are committed to the principles of the Addis Tax Initiative along with encouraging other countries to make a similar commitment, and we request that the Platform for Collaboration on Tax be actively utilized to provide an opportunity where developing and developed countries and relevant organizations can share information and knowledge on a regular basis.”

G7 Ise-Shima Leaders' Declaration

Assessment

	Lack of Compliance	Work in Progress	Full Compliance
Canada		0	
France		0	
Germany			+1
Italy		0	
Japan		0	
United Kingdom			+1
United States			+1
European Union			+1
Average		+0.50	

Background

The Addis Ababa Action Agenda, which was launched at the Third International Conference on Financing for Development in July 2015, outlines the means by which countries will finance sustainable development, and, in particular, the actions needed to achieve the United Nations 2030 Agenda for Sustainable Development.⁷⁹ While the agenda argues that economic growth should be the primary means by which states finance sustainable development at the domestic level, it also “notes the need to strengthen tax administration.”⁸⁰ This builds specifically on Sustainable Development Goal (SDG) 17.1, which commits states to “strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.”⁸¹

The Addis Tax Initiative (ATI) was also launched at the same conference to meet this objective. It was noted that this represented a re-focusing of international attention on domestic resource mobilization, which had “been out of the spotlight for many years.”⁸² Despite this, the ATI declaration argues that it is in step with previous actions on domestic resource mobilization, beginning with the 2002 Monterrey Consensus of the International Conference on Financing for

⁷⁹ Addis Ababa Action Agenda: Monitoring Commitments and Actions: Inaugural Report 2016, Inter-Agency Task Force on Financing for Development (New York) 2016. Date of Access: 29 October 2016. http://www.un.org/esa/ffd/wp-content/uploads/2016/03/Report_IATF-2016-full.pdf, 1.

⁸⁰ Addis Ababa Action Agenda: Monitoring Commitments and Actions: Inaugural Report 2016, Inter-Agency Task Force on Financing for Development (New York) 2016. Date of Access: 29 October 2016. http://www.un.org/esa/ffd/wp-content/uploads/2016/03/Report_IATF-2016-full.pdf, 33.

⁸¹ Transforming Our World: The 2030 Agenda for Sustainable Development, United Nations (New York) 2015. Date of Access: November 6, 2016. <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>.

⁸² Postel, E. Domestic resources are finally at the forefront of development, Devex (Washington, D.C.) 2015. Date of Access: 28 September 2016. <https://www.devex.com/news/domestic-resources-are-finally-at-the-forefront-of-development-86709>.

Development.⁸³ Furthermore at the 2014 High Level Meeting of the Global Partnership for Effective Development Co-operation, attending representatives placed a key focus on domestic resource mobilization to stimulate economic development and self-reliance.^{84,85}

The ATI was initiated by Germany, the Netherlands, the United Kingdom, and the United States and has since grown to over 30 countries and is supported by 10 international and regional organizations, including the World Bank and International Monetary Fund.⁸⁶ It is an effort by subscribing countries to enhance the mobilisation and effective use of their domestic resources to improve fairness, transparency, and efficiency in their tax systems.⁸⁷ The Initiative aims to enable members to more effectively finance economic development projects through expanding domestic revenue, and to prevent misuse of funds through greater transparency.⁸⁸

There are three main commitments made in the ATI Declaration. First, the donors agreed to “double our support for technical cooperation in the area of taxation/domestic revenue mobilization by 2020.”⁸⁹ While this “technical cooperation” could include many types of efforts to increase tax compliance in developing countries, partners also agreed to work to combat base erosion and profit sharing (BEPS), which refers to tax avoidance strategies wherein profits are shifted to low- or no-tax locations.⁹⁰ Secondly, the partner countries recognized the importance of political will for success in improving domestic resource mobilization, and committed to a set of key principles for achieving this goal. One of these is to “embrace policies and practices that foster fair, efficient and transparent tax systems”⁹¹ Finally, all involved states promised “to pursue policy coherence for development.”⁹²

While the ATI is a new initiative, the issue of tax transparency is one that has been discussed at previous G7/8 summits. For example, at the 2004 Sea Island G8 Summit, commitments were made to fight corruption and to improve transparency and accountability in the public and private

⁸³ Monterrey Consensus of the International Conference on Financing for Development, United Nations International Conference on Financing for Development (New York) 2003. Date of Access: 6 November 2016.

<http://www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf>; Financing for Development Conference: The Addis Tax Initiative – Declaration, Addis Tax Initiative (Addis Ababa) 2015. Date of Access: 6 November 2016. https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf.

⁸⁴ First High-Level Meeting of the Global Partnership for Effective Development Co-operation, Global Partnership for Effective Development Co-operation (Mexico City) 2014. Date of Access: 26 September 2016. <http://effectivecooperation.org/wp-content/uploads/2015/01/MEMORIA-FINAL.pdf>.

⁸⁵ Financing for Development Conference The Addis Tax Initiative – Declaration, Addis Tax Initiative (Addis Ababa) 2015. Date of Access: 26 September 2016. https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf.

⁸⁶ Addis Tax Initiative, International Tax Compact (Bonn). Date of Access: 6 November 2016. <https://www.addistaxinitiative.net/>.

⁸⁷ Press Release: The Addis Tax Initiative – One Year In, Addis Tax Initiative (Bonn) 18 July 2016. Date of Access: 6 November 2016. https://www.addistaxinitiative.net/documents/ATI_Press-Release_One-Year-In.pdf.

⁸⁸ Financing for Development Conference The Addis Tax Initiative – Declaration, Addis Tax Initiative (Addis Ababa) 2015. Date of Access: 26 September 2016. https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf.

⁸⁹ Financing for Development Conference The Addis Tax Initiative – Declaration, Addis Tax Initiative (Addis Ababa) 2015. Date of Access: 26 September 2016. https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf.

⁹⁰ Base Erosion and Profit Sharing, OECD (Paris). Date of Access: 26 September 2016. <http://www.oecd.org/tax/beps/>; Financing for Development Conference The Addis Tax Initiative – Declaration, Addis Tax Initiative (Addis Ababa) 2015. Date of Access: 26 September 2016. https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf.

⁹¹ Financing for Development Conference The Addis Tax Initiative – Declaration, Addis Tax Initiative (Addis Ababa) 2015. Date of Access: 26 September 2016. https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf.

⁹² Financing for Development Conference The Addis Tax Initiative – Declaration, Addis Tax Initiative (Addis Ababa) 2015. Date of Access: 26 September 2016. https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf.

sectors.⁹³ At the 2013 Lough Erne G8 Summit, commitments were made to tackle BEPS, and the G8 leaders welcomed cooperation with the Organization for Economic Cooperation and Development (OECD) and G20 to support the OECD Action Plan to combat BEPS issues.⁹⁴ Despite these efforts, tax evasion remains a serious issue.

Commitment Features

The key feature of the G7’s declaration on this issue is their commitment “to the principles of the Addis Tax Initiative” in addition to their promise to advise “other countries to make a similar commitment.”⁹⁵

This commitment specifically focuses on applying the fundamental principles of the Addis Tax Initiative to develop tax policy and administration to encourage domestic resource mobilization in developing countries, thus spurring development. Therefore, it can be divided into two areas of action: (1) efforts to increase financial or technical support to help developing countries improve their capacity in the area of taxation; and (2) efforts to encourage developing countries to join ATI or similar initiatives to encourage collaboration on tax and support principles of transparency, efficiency, effectiveness and fairness.

G7 members could achieve compliance with principle (1) by providing financial support or technical expertise in order to develop the tax infrastructures of developing countries, including (but not limited to) tackling base erosion and profit shifting. G7 members could achieve compliance with principle (2) by encouraging other states to join or commit to ATI or similar initiatives that promote collaboration and apply to the principles above in delivering a tax policy that is transparent, efficient, and effective. Statements or conferences where G7 members illustrate their support for the ATI will provide evidence of efforts made in this area.

Full compliance with this commitment requires that both these objectives be met. A G7 member will have partially complied if it takes action in only one of these areas. The G7 member will receive a score of -1 if it takes no action in these areas.

Scoring Guidelines

-1	G7 member makes no efforts to increase financial or technical support to help developing countries to build their capacity for domestic resource mobilization AND takes no action to encourage other countries to commit to the Addis Tax Initiative or similar initiatives that increase cooperation.
0	G7 member makes efforts to increase financial or technical support to help developing countries to build their capacity for domestic resource mobilization OR takes action to encourage other countries to commit to the Addis Tax Initiative or similar initiatives that increase cooperation.
+1	G7 member makes efforts to increase financial or technical support to help developing countries to build their capacity for domestic resource mobilization AND takes action to encourage other countries to commit to the Addis Tax Initiative or similar initiatives that increase cooperation.

Lead Analyst: Raheeb Dastagir

⁹³ Finance: Base Erosion and Profit Shifting, G7/G8 Information Centre (Toronto) 2013. Date of Access: 28 September 2016. <http://www.g8.utoronto.ca/evaluations/2013compliance-final/index.html>.

⁹⁴ Finance: Base Erosion and Profit Shifting, G7/G8 Information Centre (Toronto) 2013. Date of Access: 28 September 2016. <http://www.g8.utoronto.ca/evaluations/2013compliance-final/index.html>.

⁹⁵ G7 Ise-Shima Leaders’ Declaration, G7 Information Centre (Toronto) 2016. Date of Access: 6 November 2016. <http://www.g8.utoronto.ca/summit/2016shima/ise-shima-declaration-en.html>.

Canada: 0

Canada has partially complied with its commitment to the Addis Tax Initiative (ATI). Although it has not made efforts to increase financial or technical support to help developing countries build their capacity for domestic resource mobilization during the compliance period, it has encouraged states to commit to the ATI.

Canada has encouraged other states to take part in the initiative by co-hosting a workshop on the ATI. The 2016-2017 Work Plan of the ATI suggests that these side-events are a means by which ATI members can publicize the project.⁹⁶ On 18 July 2016, Canada co-hosted a workshop to discuss “recent developments in the ATI, as well as partner countries’ needs in the area of domestic resource mobilization.”⁹⁷ While there, Karina Gould, Parliamentary Secretary to the Minister of International Development, emphasized “the need for ... political support to overcome barriers to change.”⁹⁸

At the 19 October 2016 ATI meeting, Canada expressed its interest in continuing to be a member of the ATI Steering Council, and volunteered to take over the donor nation co-chair position from the Netherlands starting in December 2016.⁹⁹ This shows that Canada is committed to ensuring that other nations within the ATI framework continue to achieve their commitments. However, it does not necessarily show an effort on the part of the Canadian government to bring new members into the ATI. Mentions of this leadership position are absent from Global Affairs Canada public announcements.

In previous years, Canada has participated in projects to combat base erosion and profit shifting (BEPS) and has included provisions for that in its budget.¹⁰⁰ Documents published after the Ise-Shima Summit show further action has been taken. The measures put forth in the Summit generally approach BEPS as an issue of Canadian foreign relations and tax policy, and not an issue of increasing domestic resource mobilization in developing countries.¹⁰¹

However, on 26 October 2016, the Canadian Revenue Agency stated that it is “sharing information with international partners,” to prevent tax evasion relating to BEPS.¹⁰² Although this information sharing is not directly related to the ATI, it does show adherence to the goals of the ATI.

Canada has not taken steps to increase technical and financial co-operation with developing countries to boost domestic resource mobilization during the compliance period. However, it has taken on a leadership role in the ATI and encouraged others to become involved in the group. Thus, it receives a score of 0.

Analyst: Matthew Dunbar

⁹⁶ Work Plan 2016-2017, Addis Tax Initiative. Date of Access: 19 February 2017.

https://www.addistaxinitiative.net/documents/ATI_Work-Plan-2016-2017_EN.pdf, 6.

⁹⁷ Ana Maria Lebada, Addis Tax Initiative Highlights Domestic Resource Mobilization, IISD, 26 July 2016. Date of Access: 19 February 2017. <http://sdg.iisd.org/news/addis-tax-initiative-highlights-domestic-resource-mobilization/>.

⁹⁸ Ana Maria Lebada, Addis Tax Initiative Highlights Domestic Resource Mobilization, IISD, 26 July 2016. Date of Access: 19 February 2017. <http://sdg.iisd.org/news/addis-tax-initiative-highlights-domestic-resource-mobilization/>.

⁹⁹ Minutes of the 2nd Meeting of the Signatories of the Addis Tax Initiative, Addis Tax Initiative, 2016. Date of Access: 19 February 2017. https://www.addistaxinitiative.net/documents/ATI_Meeting-Minutes_10-2016_EN.pdf, 3.

¹⁰⁰ Nathan Boidman, Michael N. Kande, BEPS: Canada Takes First BEPS Steps, Tax Notes International. 2016. Date of Access: 19 February 2017. <https://www.dwpv.com/en/Resources/Publications/2016/Article-BEPS-Canada-Takes-First-BEPS-Steps>, 371.

¹⁰¹ Nathan Boidman, and Michael N. Kande, BEPS: Canada Takes First BEPS Steps, Tax Notes International. 2016. Date of Access: 19 February 2017. <https://www.dwpv.com/en/Resources/Publications/2016/Article-BEPS-Canada-Takes-First-BEPS-Steps>, 373-374.

¹⁰² Cracking Down on Tax Evasion and Avoidance, Canada Revenue Agency. 26 October 2016. Date of Access: 19 February 2017. <http://www.cra-arc.gc.ca/gncy/cmpgns/crckngdwn-eng.html>.

France: 0

France has partially complied with its commitment to help strengthen developing economies' engagement in the international tax agenda.

France has taken action to increase cooperation between states on the ATI and raise awareness of the group. On 19 October 2016, France hosted the Second Meeting of the Signatories of the Addis Tax Initiative (ATI) in Paris.¹⁰³ While there, states outlined the plans of the ATI for 2017, and “agreed that both raising the number of ATI partner countries as well as their active involvement in the ATI activities should be given a priority ... [and that] The benefits for joining the ATI must be clearly communicated.”¹⁰⁴

France also co-hosted a “Meeting on Strengthening External Support for Building Tax Capacity in Developing Countries” with the Platform for Collaboration on Tax.¹⁰⁵ During this conference, participants spoke about ways of increasing the effectiveness of aid to strengthen domestic resource mobilization, and included members of organizations involved in the ATI.¹⁰⁶ Thus, this meeting was a means by which the ATI could raise awareness about its efforts.

On 1 June 2016 at the Cabinet meeting, Michel Sapin, French Minister of Finance and Public Accounts, and Christian Eckert, French Secretary of State for the Budget and Public Accounts, reaffirmed the Government's commitment to the fight against tax fraud.¹⁰⁷

On 29 June 2016, as a member of the Organization for the Economic Cooperation and Development (OECD), France took a new step in its continuing efforts to boost transparency in international tax matters with the release of the Guidance on the Implementation of Country-by-Country Reporting. France will require multinational enterprises to provide aggregate information annually in each jurisdiction where they do business.¹⁰⁸

On 11 July 2016, as a member of the OECD, France released a discussion draft which deals with the design and operation of the group ratio rule under Action 4 of the Action Plan on Base Erosion and Profit Shifting (BEPS) and a standardized format for the exchange of tax rulings between jurisdictions under BEPS Action 5.¹⁰⁹

¹⁰³ Second Meeting of the Signatories of the Addis Tax Initiative, Addis Tax Initiative. 19 October 2016. Date of Access: 19 February 2017. <https://www.addistaxinitiative.net/#slider-2>.

¹⁰⁴ Minutes of the Second Meeting of the Signatories of the Addis Tax Initiative, Addis Tax Initiative. 19 October 2016. Date of Access: 19 February 2017. https://www.addistaxinitiative.net/documents/ATI_Meeting-Minutes_10-2016_EN.pdf.

¹⁰⁵ Minutes of the Second Meeting of the Signatories of the Addis Tax Initiative, Addis Tax Initiative. 19 October 2016. Date of Access: 19 February 2017. https://www.addistaxinitiative.net/documents/ATI_Meeting-Minutes_10-2016_EN.pdf.

¹⁰⁶ Meeting on Strengthening External Support for Building Tax Capacity in Developing Countries, French Ministry for the Economy and Finance, and the French Ministry of Foreign Affairs and International Development (Paris) 17-18 October 2016. Date of Access: 19 February 2017.

¹⁰⁷ Lutte Contre la Fraude Fiscale: Le Gouvernement Mobilisé Le Portail de l'Économie et des Finances, 1 June 2016. Date of Access: 2 December 2016. <http://www.economie.gouv.fr/lutte-contre-fraude-fiscale-gouvernement-mobilise>.

¹⁰⁸ New Steps to Strengthen Transparency in International Tax Matters: OECD Releases Guidance on the Implementation of Country-by-Country Reporting, Organization of the Economic Cooperation and Development, 29 June 2016. Date of Access: 1 December 2016. <http://www.oecd.org/ctp/beps/new-steps-to-strengthen-transparency-in-international-tax-matters-oecd-releases-guidance-on-the-implementation-of-country-by-country-reporting.htm>.

¹⁰⁹ OECD Announces Further Developments in BEPS Implementation, Organization of the Economic Cooperation and Development, 11 July 2016. Date of Access: 1 December 2016. <http://www.oecd.org/ctp/beps/oecd-announces-further-developments-in-beps-implementation.htm>.

On 26 July 2016, as a member of the Global Forum, France published ten new peer review reports demonstrating continuing progress toward implementation of the international standard for exchange of information on request.¹¹⁰

On 25 August 2016, Christian Eckert visited Lisbon to sign an amendment to the tax treaty of 14 January 1971, which links Portugal and France. This will help to resolve the practical difficulties of hundreds of French citizens resident in Portugal who receive public remuneration by ensuring that double taxation will no longer occur. These citizens will now only be taxable in France and will not have to pay tax in both countries before making a request for avoidance of double taxation. This amendment also includes a new mechanism of assistance in recovery of taxes and an anti-abuse clause in line with the principles of the OECD so as to avoid the advantages of the Convention being diverted from their objective by means of arrangements designed exclusively to avoid tax.¹¹¹

On 25 November 2016, as a member of the OECD, France attended the first regional meeting of the Inclusive Framework on Base Erosion and Profit Shifting in Tunis, after its launch in Kyoto on 30 June – 1 July 2016. This meeting is the first of a series of events offering participants from different regions of the world an opportunity to provide views and input on the Inclusive Framework on BEPS.¹¹²

On 25 November 2016, as members of the OECD, France and 100 other jurisdictions concluded negotiations on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, which will implement a series of tax treaty measures to update international tax rules and lessen the opportunity for tax avoidance by multinational enterprises. It will implement minimum standards to country treaty abuse and improve dispute resolution mechanisms while providing flexibility to accommodate specific tax treaty policies. It will also allow governments to strengthen their tax treaties with other tax treaty measures developed in the OECD/G20 BEPS Project.¹¹³

France has supported efforts that promote tax transparency indirectly through the OECD, and has hosted events that raise awareness about the ATI and encourage cooperation between its members. However, it has made no further efforts during the compliance period to provide technical or financial assistance to developing countries or to encourage developing countries to collaborate on tax. Thus, France has received a score of 0.

Analyst: Sonja Dobson

Germany: +1

Germany has fully complied with its commitment to promoting the principles of the Addis Tax Initiative (ATI). The government has engaged in technical cooperation with developing countries to develop tax infrastructure, but it has failed to promote initiatives that promote tax collaboration among developing countries.

¹¹⁰ International Community Continues Movement Towards Greater Tax Transparency, Organization of the Economic Cooperation and Development, 26 July 2016. Date of Access: 1 December 2016. <http://www.oecd.org/tax/automatic-exchange/news/international-community-continues-movement-towards-greater-tax-transparency.htm>.

¹¹¹ Christian Eckert à Lisbonne Pour la Signature d'un Avenant à la Convention Fiscale Franco-Portugaise, Le Portail de L'Économie et des Finances, 6 September 2016. Date of Access: 2 December 2016. <http://www.economie.gouv.fr/christian-eckert-a-lisbonne-pour-signature-dun-avenant-a-convention-fiscale>.

¹¹² OECD and CREDAF hold regional meeting of the Inclusive Framework on BEPS for francophone countries, The Organization of the Economic Cooperation and Development 25 November 2016. Date of Access: 1 December 2016. <http://www.oecd.org/tax/beeps/oecd-holds-regional-meeting-of-the-inclusive-framework-on-beeps-for-francophone-countries.htm>.

¹¹³ Countries Adopt Multilateral Convention to Close Tax Treaty Loopholes and Improve Functioning of International Tax System, Organization of the Economic Cooperation and Development, 25 November 2016. Date of Access: 1 December 2016. <http://www.oecd.org/ctp/beeps/countries-adopt-multilateral-convention-to-close-tax-treaty-loopholes-and-improve-functioning-of-international-tax-system.htm>.

On 18 October 2016, German Chancellor Angela Merkel and Panamanian President Juan Carlos Varela ended talks that discussed joint collaboration on taxes. Following the release of the Panama Papers, Germany has engaged in a partnership with Panama to combat tax evasion. Germany's use of an automatic exchange system, which passes on information regarding bank balances of tax evaders directly to the responsible tax authorities, will also be adopted by Panama as an effort to "achieve greater transparency in the financial system" by 2017.¹¹⁴

Germany has also encouraged other states to take part in the ATI by participating in a workshop on the ATI. The 2016-2017 Work Plan of the ATI suggests that these side-events are a means by which ATI members can publicize the project.¹¹⁵ On 30 July 2016, the German Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development, Thomas Silberhorn, spoke at the ATI side event entitled "Synchronizing Efforts for Domestic Resource Mobilization — the Role of the Addis Tax Initiative."¹¹⁶ This event was organized by the International Tax Compact.

Germany has collaborated to provide technical expertise with a developing country and has promoted the ATI. For this reason, it receives a score of +1.

Analyst: Sakithyan Logabalendran

Italy: 0

Italy has partially complied with its commitment to improving domestic resource mobilization in developing countries and encouraging tax collaboration in line with the principles of the Addis Tax Initiative (ATI).

On 14 December 2016, Italy signed a double taxation agreement with Ecuador.¹¹⁷ The purpose of this agreement was to avoid double taxation on income and equity and to prevent tax evasion, and was thus in line with improving the fairness, transparency, efficiency, and effectiveness of tax systems, and with increasing cooperation with partner countries. Given that Ecuador is a developing country, this collaboration is in line with the notion of strengthening the capacity of developing countries in the global tax space, and with the general Ise-Shima Summit goal of having developed and developing countries share information, if not via the Platform for Collaboration on Tax.

On 20 October 2016, Italy and Andorra announced the start of preliminary talks for negotiations of a double tax agreement.¹¹⁸ The purpose of these talks was to strengthen economic bilateral ties between the two countries and create an agreement that complements the goals of the Organisation for Economic Co-operation and Development and the G20 on base erosion and profit shifting. While these talks are only preliminary, they do constitute an announcement of a program that may support technical development of tax infrastructures supporting domestic resource mobilization. They do not, however, target a developing country, as Andorra is developed.

¹¹⁴ Joining Forces to Tackle Tax Evasion, The Federal Government of Germany, 18 October 2016. Date of Access: 4 December 2016. https://www.bundesregierung.de/Content/EN/Artikel/2016/10_en/2016-10-18-merkel-trifft-varela-panama_en.html?nn=709674.

¹¹⁵ Work Plan 2016-2017, Addis Tax Initiative. Date of Access: 19 February 2017.

https://www.addistaxinitiative.net/documents/ATI_Work-Plan-2016-2017_EN.pdf, 6.

¹¹⁶ Short Summary, Addis Tax Initiative. 30 November 2016. Date of Access: 19 February 2017.

https://www.addistaxinitiative.net/documents/ATI_Side-Event-at-GPEDC-HLM2_Short-Summary.pdf.

¹¹⁷ Double Taxation: Ecuador, Italy Sign Agreement to Foster Private Investments, MercoPress (Montevideo) 14 December 2016. Date of Access: 24 December 2015. <http://en.mercopress.com/2016/12/14/double-taxation-ecuador-italy-sign-agreement-to-foster-private-investments>.

¹¹⁸ Italy and Andorra Announce the Start of Preliminary Talks to Open the Negotiation of a Double Tax Agreement. Ministero degli Affari Esteri e della Cooperazione Internazionale (Rome) 20 October 2016. Date of Access: 24 December 2016. http://www.esteri.it/mae/en/sala_stampa/archivionotizie/comunicati/2016/10/italia-andorra-annuncio-dell-avvio.html.

Italy has provided technical expertise in the form of collaborating with a developing country via information sharing to address tax evasion. It has not encouraged other developing countries to commit to join another similar initiative, including the Platform for Collaboration on Tax as a medium for information-sharing. As such, Italy received a score of 0 for partial compliance.

Analyst: Maryam Saleem

Japan: 0

Japan has partially complied with its commitment to promoting the Addis Tax Initiative (ATI). It has provided technical expertise to help developing countries improve domestic resource mobilization.

On 25 August 2016, the Government of Japan signed an agreement with the Government of Panama for the Exchange of Information relating to Tax Matters in Panama City.¹¹⁹ The agreement “provides for the effective exchange of information regarding tax matters between the tax authorities including automatic exchange of information which is necessary for the exchange of financial account information.”¹²⁰ This exchange of information is based on the “international standards formulated by the OECD” and aims to prevent international tax evasion and tax abuse.¹²¹

According to the official website of the Addis Tax Initiative, Japan has not officially joined the program.¹²² Furthermore, there is no evidence of the country taking any action to encourage other states to join or commit to the ATI or similar initiatives that promote collaboration on tax and delivering tax policies that are transparent, efficient, and effective.

Japan has fulfilled its commitment to providing technical expertise in order to develop tax infrastructures in developing countries. However, Japan is not a formal member of the ATI, and has not undergone any effort to encourage other states to commit to another similar initiative. Thus, Japan has earned a score of 0 for partially complying with its commitment to the ATI.

Analyst: Raheeb Dastagir

United Kingdom: +1

The United Kingdom has fully complied with its commitment to providing technical and/or financial support for Addis Tax Initiative (ATI) as well as encouraging developing nations to sign on to the ATI, specifically through continuous promotion of the Tax Inspectors Without Borders program (TIWB) of the Organisation for Economic Co-operation and Development (OECD) as well as its Project to Tackle Base Erosion and Profit Sharing (BEPS).

In the 2016-2017 Work Plan for the ATI, members of the ATI recognized the UK as having been “especially active in reaching out to G20 countries to encourage them to sign up to the ATI.”¹²³

On 4 July 2016, Under-Secretary of State Baroness Verma affirmed the United Kingdom’s support for the Addis Tax Initiative, specifically the Tax Administration Diagnostic Assessment tool.¹²⁴

¹¹⁹ i. Tax Information Exchange Agreement with the Republic of Panama was Signed. Ministry of Foreign Foreign Affairs of Japan (Tokyo) 26 August 2016. Date of Access: 25 November 2016. http://www.mofa.go.jp/press/release/press4e_001259.html

¹²⁰ i. Tax Information Exchange Agreement with the Republic of Panama was Signed. Ministry of Foreign Foreign Affairs of Japan (Tokyo) 26 August 2016. Date of Access: 25 November 2016. http://www.mofa.go.jp/press/release/press4e_001259.html

¹²¹ i. Tax Information Exchange Agreement with the Republic of Panama was Signed. Ministry of Foreign Foreign Affairs of Japan (Tokyo) 26 August 2016. Date of Access: 25 November 2016. http://www.mofa.go.jp/press/release/press4e_001259.html

¹²² i. About the Addis Tax Initiative. Date of Access: 25 November, 2016. <https://www.addistaxinitiative.net/#slider-4>

¹²³ Work Plan 2016-2017, Addis Tax Initiative. Date of Access: 19 February 2017.

https://www.addistaxinitiative.net/documents/ATI_Work-Plan-2016-2017_EN.pdf, 6.

Following the G20 in September, Prime Minister Theresa May reaffirmed this in the House of Commons, stating that “initiatives such as the Addis tax initiative are also important. We have played a leading role in the G20 on this.”¹²⁵

On 27 September 2016, the Independent Commission on Aid Impact (ICAI) published a report on the United Kingdom’s contribution to tackling cross-border tax avoidance.¹²⁶ The report assigned the UK a score of “amber red” on the basis that the program did not follow a clear set of objectives and failed to coherently monitor results. On 7 November 2016, the Department of International Development responded to the report agreeing with many of the criticisms and outlining a plan for implementing the recommendations given by the ICAI.¹²⁷

On 11 November 2016, the OECD announced that the TIWB program was expanding into five new countries¹²⁸ as part of an ongoing effort to provide technical support to developing countries in performing and maintaining the quality of taxation audits. Furthermore, the first South-South tax transparency agreement between Kenya and Botswana¹²⁹ was announced on 1 December 2016.

On 24 November 2016, the OECD announced that a multilateral convention led by Director of Business at HM Treasury Mike Williams had concluded, with more than 100 new jurisdictions agreeing to implement new tax treaty measures.¹³⁰ This convention was part of the BEPS program, which the United Kingdom had previously promoted and which implements technical assistance for dealing with international tax treaty disputes.

On 7 December 2016, Sir Eric Pickles of the Department of International Assistance announced the “Contracting 5” (C5) partnership at the Open Government Partnership meeting.¹³¹ The C5 is a part of a series of public spending transparency reforms meant to promote anti-tax avoidance reforms. This partnership is between the UK, Mexico, Colombia, France, and the Ukraine.

¹²⁴ Letter from Baroness Verma to Sir William Cash. 4 July 2016. Date of access 13 December 2016.

http://europeanmemoranda.cabinetoffice.gov.uk/files/2016/07/FIR_on_European_Commission_SWD_Collect_More_Spend_Better.pdf.

¹²⁵ Theresa May Post-G20 Speech at House of Commons. 7 September 2016. Date of access 13 December 2016.

<https://hansard.parliament.uk/Commons/2016-09-07/debates/1609072000001/G20Summit?highlight=addis%20tax%20initiative#contribution-1609072000014>

¹²⁶ UK aid’s contribution to tackling tax avoidance and evasion. ICAI, 27 September 2016. Date of access 12 December 2016. <http://icai.independent.gov.uk/wp-content/uploads/ICAI-Review-UK-aids-contribution-to-tackling-tax-avoidance-and-evasion.pdf>.

¹²⁷ DFID Response to the Independent Commission for Aid Impact recommendations on: UK aid’s contribution to tackling tax avoidance and evasion September 2016. ICAI, 7 November 2016. Date of access 12 December 2016. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/566130/DFID-response-tax-report1.pdf.

¹²⁸ Tax Inspectors without Borders making significant progress. OECD, 11 November 2016. Date of Access 12 December 2016. <http://www.oecd.org/tax/tax-inspectors-without-borders-making-significant-progress.htm>

¹²⁹ Tax Inspectors Without Borders announces new South-South partnership between Kenya and Botswana. OECD, 1 December 2016. Date of Access 12 December 2016. <http://www.oecd.org/tax/tax-inspectors-without-borders-announces-new-south-south-partnership-between-kenya-and-botswana.htm>.

¹³⁰ Countries Adopt Multilateral Convention to Close Tax Treaty Loopholes and Improve Functioning of International Tax System. OECD, 24 November 2016. Date of Access: 12 December 2016. <http://www.oecd.org/tax/countries-adopt-multilateral-convention-to-close-tax-treaty-loopholes-and-improve-functioning-of-international-tax-system.htm>.

¹³¹ The Prime Minister’s Anti-Corruption Champion, Sir Eric Pickles, Will Discuss the Importance of Transparency in Exposing Corruption, Tackling White Collar Crime, and Stopping Tax Avoidance. OGL, 7 December 2016. Date of Access: 12 December 2016. <https://www.gov.uk/government/news/prime-ministers-anti-corruption-champion-visits-open-government-summit>.

The UK has complied with its commitment to providing technical and financial support for ATI as well as encouraging developing countries to sign on to the ATI. Thus, the United Kingdom has been given a score of +1.

Analyst: Samir Silvestri

United States +1

The United States has fully complied with its commitment to the principles of the Addis Tax Initiative (ATI) by providing technical support, and advising other countries to make a similar commitment.

On 6 December 2016, senior Afghani government officials unveiled the Afghanistan Customs and Tax Academy, an institute geared at training customs officers to facilitate customs duties at borders and airports. USAID has provided technical support to the institute by “developing the curriculum, training modules on customs procedures, and short-term technical assistance.”¹³²

On 31 August 2016, the United States Agency for International Development released a statement on allocation of funds for domestic resource management in the budget for fiscal year 2017, which began 30 September 2016. This statement revealed that the department will be spending “approximately \$20 million per year on DRM [domestic resource mobilization] assistance in around 11 countries.”¹³³ This is an increase of USD178,602 from fiscal year 2016 and USD452,572 from fiscal year 2015.¹³⁴

On 20 July 2016, President Barack Obama signed a memorandum on good governance both for the United States and abroad that emphasized transparent participatory, and collaborative government.¹³⁵ This memorandum is in line with the Addis Initiative’s call for collaboration and transparent tax policy.

On 29 June 2016, the United States issued a joint statement at the 2016 North American Leaders’ Summit, where President Obama along with Prime Minister Justin Trudeau of Canada and President Enrique Peña Nieto of Mexico agreed that “North America is committed to joint and coordinated actions to implement the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda.”¹³⁶ In addition to development goals, the summit also supported transparency, with the joint declaration committing to “continue our work, as members of the OGP [Open Government Partnership] to promote the principles of openness, transparency, and accountability worldwide. Leaders call on all governments in the Americas to participate in the OGP.”¹³⁷

¹³² Afghanistan Opens New Tax and Customs Academy (Kabul) 6 December 2016. Date of Access: 8 December 2016 <https://www.usaid.gov/afghanistan/news-information/press-releases/afghanistan-opens-new-customs-and-tax-academy>.

¹³³ USAID Domestic Resource Mobilization (Washington DC) 31 August 2016. Date of Access: 25 November 2016 <https://www.usaid.gov/what-we-do/economic-growth-and-trade/domestic-resource-mobilization>.

¹³⁴ Congressional Budget Justification Department of State, Foreign Operations, and Related Programs (Washington DC) 9 February 2016. Date of Access: 25 November 2016 <https://www.usaid.gov/sites/default/files/documents/9276/252179.pdf>.

¹³⁵ Memorandum for the Heads of Executive Departments and Agencies (Washington DC) 20 July 2016. Date of Access: 25 November 2016 https://www.whitehouse.gov/the_press_office/TransparencyandOpenGovernment.

¹³⁶ United States Key Deliverables for the 2016 North American Leaders’ Summit (Ottawa) 29 June 2016. Date of Access: 25 November 2016 <https://www.whitehouse.gov/the-press-office/2016/06/29/fact-sheet-united-states-key-deliverables-2016-north-american-leaders>.

¹³⁷ United States Key Deliverables for the 2016 North American Leaders’ Summit (Ottawa) 29 June 2016. Date of Access: 25 November 2016 <https://www.whitehouse.gov/the-press-office/2016/06/29/fact-sheet-united-states-key-deliverables-2016-north-american-leaders>.

On 31 August 2016, the United States Agency for International Development called upon potential collaborations with “the United Kingdom, Germany, the Netherlands and several other partner nations” to launch an “expanded effort to strengthen revenue systems in low- and lower middle-income countries that demonstrate a commitment to build capacity in their tax administrations.”¹³⁸

The United States has continued its longstanding federal funding and technical support of domestic resource management initiatives in developing countries, and has supported and encouraged all governments to join various initiatives with principles similar to the Addis Tax Initiative. Therefore, the United States receives a score of +1.

Analyst Jonathan Hutton

European Union: +1

The European Union has fully complied with its commitment to providing technical and/or financial support for Addis Tax Initiative (ATI) as well as encouraging developing countries to sign on to the ATI by actively engaging in the implementation of the Addis Tax Initiative and appealing for collaboration to build taxation capacity of developing countries.

On 5 September 2016, the EU leaders attended the G20 Hangzhou Summit, where they called for contribution to a fair and modern global international tax system through advancing cooperation on base erosion and profits shifting (BEPS), exchange of tax information, tax capacity-building of developing countries, and tax policies to promote growth and tax certainty. The EU anticipates the launch of the new Platform for Collaboration on Taxation by the International Monetary Fund, the Organisation for Economic Co-operation and Development, the United Nations, and the World Bank Group, and encourages China to make its own contribution by establishing an international tax policy research center for international tax policy design and research.¹³⁹

On 22 November 2016, in the “Proposal for a new European Consensus on Development,” the EU placed major emphasis on generating domestic resources for sustainable development in partner countries, including stimulating domestic resource mobilization and tackling illicit financial flows.¹⁴⁰ The EU implemented the “Collect More, Spend Better” approach, corresponding to the 2030 Agenda and the Addis Ababa Action Agenda. Collect More, Spend Better aims to improve domestic resource mobilization, achieve effective and efficient public expenditure, and optimize debt management in developing countries. It also concentrates on tax evasion and tax avoidance as well as on the efficiency, effectiveness, and fairness of tax systems.¹⁴¹

The EU has created plans to improve domestic resource mobilization in developing countries by combating tax evasion and tax avoidance. Furthermore, it reaffirmed its commitment to the Platform for Collaboration on Tax during the G20 summit in China. Thus, the EU receives a score of +1.

Analyst: Zihan Wan

¹³⁸ USAID Domestic Resource Mobilization (Washington DC) 31 August 2016. Date of Access: 25 November 2016 <https://www.usaid.gov/what-we-do/economic-growth-and-trade/domestic-resource-mobilization>.

¹³⁹ European Commission - Statement G20 Leaders' Communique Hangzhou Summit, 5 September 2016. Date of Access: 28 November 2016. http://europa.eu/rapid/press-release_STATEMENT-16-2967_en.htm.

¹⁴⁰ Proposal for a new European Consensus on Development Our World, our Dignity, our Future, European Commission, 22 November 2016. Date of Access: 27 November 2016. http://ec.europa.eu/europeaid/sites/devco/files/communication-proposal-new-consensus-development-20161122_en.pdf.

¹⁴¹ European Commission - Fact Sheet A Proposal for a New European Consensus on Development, 22 November 2016. Date of Access: 27 November 2016. http://europa.eu/rapid/press-release_MEMO-16-3884_en.htm.