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Tax administrations working together

Documentation of the initial phase of the cooperation between the Norwegian Tax Administration and the Revenue Authorities in Mozambique, Tanzania and Zambia

Odd-Helge Fjeldstad and Kari K. Heggstad



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The *Norwegian Agency for Development Cooperation* (Norad) commissioned *Chr. Michelsen Institute* (CMI) to undertake a study to document the initial phase of the institutional cooperation between the Norwegian Tax Administration and the Revenue Authorities in Mozambique, Tanzania and Zambia. The report examines the current work, the roles of the involved partners and the conditions for collaboration. Since the capacity building projects are at the initial stage, it is too early to evaluate outcomes and impacts. Instead we have been tasked to assess lessons from other institutions involved in capacity building in developing countries. Building on these lessons we suggest some considerations for the next steps of the institutional cooperation between NTA and African tax administrations.

The *Terms of Reference* defined the assignment as a desk study with shorter fieldworks in each of the three African countries. Information and data for the study was gathered through semi-structured interviews with relevant staff members of the partner institutions, donors and Norwegian public institutions with extensive experience of institutional capacity building (see Chapter 6). A substantial part of the work involved reviewing and synthesising available material on capacity building, public sector reform, and twinning of institutions, including project documents, evaluations and academic literature.

The study team consisted of Dr Odd-Helge Fjeldstad (economist, project leader) and Kari K. Heggstad (political scientist).

The study team would like to thank the revenue authorities in Mozambique, Tanzania and Zambia, the Norwegian Tax Administration, the Norwegian Office of the Auditor General, Statistics Norway, the German Gesellschaft für Internationale Zusammenarbeit (GIZ), the British Department for International Development (DFID), Danida and the International Monetary Fund (IMF) for sharing of experiences and factual information on technical assistance. We would also like to thank Steinar Askvik, Inge Tvedten and Arne Tostensen for sharing their insights on institutional collaboration and capacity building in developing countries. The Norwegian Embassies in Mozambique, Tanzania and Zambia and Norad's Tax for Development Programme provided invaluable practical support and advice.

The usual disclaimer applies; this report does not reflect the policies or views of Norad, the Norwegian Ministry of Foreign Affairs, and the Norwegian Embassies in Dar es Salaam, Maputo and Lusaka. The opinions expressed are those of the authors alone. The responsibility for its contents and any errors rests entirely with the study team.

Bergen, 24 September 2012

Odd-Helge Fjeldstad and Kari K. Heggstad

Chr. Michelsen Institute and the International Centre for Tax and Development

Acronyms

AT:	Autoridade Tributária de Moçambique [Mozambique Revenue Authority]
ATAF:	African Tax Administration Forum
BURS:	Botswana Unified Revenue Service
CMI:	Chr. Michelsen Institute
Danida:	Danish International Development Agency
DFID:	Department for International Development (United Kingdom)
EITI:	Extractive Industries Transparency Initiative
GDP:	Gross Development Product
GIZ:	Gesellschaft für Internationale Zusammenarbeit [German Agency for International Cooperation]
IMF:	International Monetary Fund
ICTD:	International Centre for Tax and Development
LoU:	Letter of Understanding
MFA:	Ministry of Foreign Affairs
MoF:	Ministry of Finance
MoFNP:	Ministry of Finance and National Planning
MoU:	Memorandum of Understanding
NOAG:	Norwegian Office of the Auditor General
Norad:	Norwegian Agency for Development Cooperation
NTA:	Norwegian Tax Administration
OECD:	Organisation for Economic Co-operation and Development
OfD:	Oil for Development
PEMFA:	Public Expenditure Management and Financial Accountability
RNE:	Royal Norwegian Embassy
RNEM :	Royal Norwegian Embassy in Mozambique
RNET:	Royal Norwegian Embassy in Tanzania
RNEZ:	Royal Norwegian Embassy in Zambia
SARS	South African Revenue Service
STA:	Swedish Tax Agency
TRA:	Tanzania Revenue Authority
UNDP:	United Nations Development Programme
ZRA:	Zambia Revenue Authority
ZTP:	Zambia Tax Platform

Executive Summary

The Revenue Authorities of Mozambique, Tanzania and Zambia have initiated a partnership for capacity building with the Norwegian Tax Administration (NTA). The overarching objective of the collaboration is to improve revenue collection and increase taxpayer compliance by building specialised technical expertise in the African revenue administrations. Part I of this report documents how the collaboration was initiated and designed from the start until May 2012. Part II of the report draws lessons from institutional capacity building in other sectors where Norwegian institutions have been involved, and relates some of these experiences to the current work in tax administrations.

Conceptual framework

‘Institutional development’ can take place at three different levels (MFA 1998):

- (i) **the individual level** when knowledge is successfully transferred between individual staff members;
- (ii) **the organisational level** when the formal structures of management, administrative routines or technology are developed; and
- (iii) **the institutional level** when relations between the users of the institutions and the institution are changed.

Capacity building is used as a concept to describe the transfer of knowledge. With **‘capacity’** we mean the ability to carry out stated objectives or to perform better (Brown et al. 2001). To spur sustainable change the impact needs to go beyond individual learning and contribute to lasting institutional improvements. It is too early to evaluate the impacts of the current capacity building projects in the three African revenue authorities.

Part I: Description of the institutional collaboration from initiation to May 2012

The institutional collaborations between NTA and the three African revenue authorities formally started after signing of the

Memorandums of Understanding; 11 June 2010 in Zambia; 6 December 2010 in Mozambique; and 27 June 2011 in Tanzania. In Zambia the agreement between the governments of Norway and Zambia (based on a programme document that defines the framework and indicators for the support to ZRA) was signed 21 July 2011. By May 2012 the programme documents for the partnerships in Mozambique and Tanzania were not finalised and no agreements were signed. However programme activities also take place in Mozambique and Tanzania.

Whether the agreements are formalised or not impact on how the project is administered. Without a programme document and an agreement between the governments the Norwegian Embassies cannot disburse funding as intended. In an interim period, Norad has agreed to manage the funding for the partnership on behalf of the embassies in Mozambique and Tanzania. Norad is thereafter reimbursed by the embassies.

The project activities in the three countries are aligned with the strategic plans of the revenue authorities. All three projects aim to build specialised tax auditing expertise and sector knowledge of large, complex sectors. However, the activities, scope and organisation of the work differ between the three countries. In Mozambique the agreement between AT and NTA aims to strengthen technical skills in tax audits with special focus on the oil and gas sector. While Mozambique so far has narrowed the activity plan to the petroleum sector, Tanzania Revenue Authority has requested assistance to strengthen compliance strategies and build expertise on taxation of international companies and transfer pricing. Zambia Revenue Authority has requested assistance to improve taxpayer compliance with a special focus on mining and large taxpayers.

The Norwegian Embassies play an important role as contact points and facilitators for the partners. In Zambia, NTA’s team leader arrives before the rest of the team and assists ZRA to prepare the detailed schedule for the period when the rest of the NTA team is present. This approach has laid the foundation for effective

work when the whole team is present in Zambia.

In Mozambique, the partnership is benefitting from the institutional collaboration in the petroleum sector where Norwegian institutions have been engaged over a long period.

In Tanzania, the initiation of the project was based on the experiences from Zambia. These suggest that there are synergies and economics of scale to run capacity building projects in several countries in the same region focusing on similar or related themes.

Capacity constraints within the Norwegian Tax Administration impacts of the project design and activity plans. In particular, there is a limited number of NTA-staff with advanced skills in specialised tax audits and transfer pricing who are available for or interested to work in developing countries. NTA advisers involved in the first phase of the institutional collaboration have characterised the risk of limited capacity in Norway as high. To mitigate the risk, recruitment of a broader pool of NTA staff has been suggested. Better promotion of the institutional development programme within NTA may help reaching a broader segment of staff and make the opportunity to get involved more attractive. Other Norwegian institutions have positive experiences by establishing an International Unit for the advisers, organising internal seminars and by showing high internal visibility of the work in developing countries, for instance on the NTA-web pages.

Part II: Lessons from institutional collaborations

Institutional cooperation for capacity building has been an important component of Norwegian development aid since the beginning of the 1990s. The Office of the Auditor General and Statistics Norway are two Norwegian institutions with long experience from capacity building in developing countries. The techniques required to handle challenges may be unique in each project, but there are some general lessons that are useful to keep in mind when starting new institutional collaboration projects. Experiences show that positive effects can be achieved when the

project is demand driven, well prepared and researched before initiation, planned with a long-term perspective, well coordinated, flexible in planning and execution of activities, and strong with regard to the capacity and skills of the adviser teams. Internal and external reviews during different stages of the project may be a safeguard to make required adjustments of the content and direction of the project during implementation.

Modes of collaboration for institutional partnerships include the use of short and long-term advisers; alternation between several medium-term advisers; home-based experts; and country visits. The particularities of each project should guide the choices according to the project goals, available resources and risks. Experiences from other capacity building projects suggest that long-term advisers staying at the partner institution for a 3-5 year period can be an efficient way to facilitate institutional learning. Engagement of long-term advisers have proven particularly important in connection with larger capacity building projects, and in countries with huge cultural differences, language barriers, no Norwegian Embassy, and coordination challenges with other donor initiatives. Funding constraints and recruitment challenges may rule out long-term advisers as an option.

Considerations for the continuation of the institutional collaboration between NTA and African revenue authorities

- Create program documents and sign agreements for the partnership in Mozambique and Tanzania.
- Continue to work closely with the Norwegian Embassies.
- Address the risk of capacity shortages of travelling advisers in the Norwegian Tax Administration.
- Consider which efforts can be made to strengthen the sustainability of the project on a long-term basis.
- Strive for realism in expectations, plans and framework agreements.
- The African revenue authorities can benefit from keeping records and monitor the progress of the partnership.

1. Introduction

“A country’s successful development hinges on having sufficient capacity. While financial resources, including official development assistance, are vital, they are not enough” (UNDP 2007:2)

Well-functioning public institutions are vital for sustainable development, and collaboration between institutions with different levels of experience is an established practice to strengthen capacities. Norway has a long tradition in twinning national institutions with institutions that have similar functions in developing countries. While institutions like Statistics Norway and the Norwegian Office of the Auditor General have extensive experience from working in developing countries, the *Norwegian Tax Administration* (NTA) has recently started. NTA’s work is supported by the *Tax for Development* (TfD) programme, which has capacity building of tax administrations as one of its four main activities (see Box 1). In addition the TfD programme supports: (i) other capacity building initiatives, including work by the *African Tax Administration Forum* (ATAF) and the International Monetary Fund (IMF); (ii) knowledge generation and dissemination, including the *International Centre for Tax and Development* (ICTD) and the Research Council of Norway’s programme *Tax Havens, Capital Flows and Developing Countries.*; (iii) international cooperation to strengthen tax policy and administration, including work by the *OECD*; and (iv) support to civil society, for instance the *Tax Justice Network* and various international and domestic civil society organisations (Norad 2011). The Tax for Development (TfD) programme is a prioritised component of the Norwegian government’s development policy. The programme was established as a part of the Norwegian efforts to address issues related to capital flight and taxation in developing countries with Deputy Minister of International Cooperation at the time, Ms Ingrid Fiskaa, as one of the initiators.

The partnerships for capacity building between African revenue authorities and the Norwegian Tax Administration are at an early stage. Currently, NTA and the Revenue Authorities of Mozambique (AT), Tanzania (TRA) and Zambia (ZRA) have instigated partnerships. The overarching objective of the collaboration is to improve revenue collection and increase taxpayer compliance by building specialised technical expertise in the African revenue administrations.

BOX 1: TAX FOR DEVELOPMENT

“The purpose of the Tax for Development programme is to contribute to improved tax systems and increased tax revenues in developing countries” (Norad, 2011).

Initiatives funded through Tax for Development:

1. **Capacity building:** Including the Institutional collaboration between NTA and AT, TRA and ZRA, and an IMF’s adviser in ZRA. Support to the African Tax Administration Forum (ATAF) and the IMF trust funds for natural resources management and tax policy and administration
2. **Knowledge generation:** Including the International Centre for Tax and Development (ICTD) and the Norwegian Research Council programme on tax, capital flight and development (TaxCapDev).
3. **International cooperation:** Including work with the OECD and the Task Force on Financial Integrity and Economic Development.
4. **Support to civil society:** Including Tax Justice Network and organisations working on tax issues in developing countries.

Link: <http://www.norad.no/en/thematic-areas/macroeconomics-and-public-administration/tax-for-development>

The partners are currently in the process of establishing routines, formal frameworks and working relationships for the technical assistance. So far, initial visits, agreements and some joint activities have been conducted. This report documents how the collaboration was initiated and designed during

the first period from the start until May 2012. The purpose is to document progress thus far to establish institutional memory and discuss how experiences from other capacity building projects may offer relevant lessons for the next stages of the capacity building projects.

The report is organised as follows: Following this introduction comes a section that presents key concepts used in the literature on institutional collaboration. Thereafter, the report is structured in two main parts. **Part I** is composed of two chapters. The first (Chapter 2) describes the collaboration between the NTA and the three African revenue authorities from the start until May 2012. Roles and responsibilities of the involved actors are clarified. Chapter 3 describes the specific activities in each of the three countries, including Norwegian presence in the country, the initiation of the project, specific activities and the organisation of the work. Finally, lessons and challenges are identified. **Part II** takes a broader perspective on capacity building by examining relevant lessons from institutional collaboration and capacity building in other sectors. The discussion is centred around choices on how to structure the collaboration (Chapter 4); how to deal with capacity constraints (Chapter 5); lessons on how to handle unforeseen circumstances (Chapter 6); considerations about the coordination of activities (Chapter 7); and some advice on measuring impacts and progress (Chapter 8). General lessons of the experiences presented in Part 1 are discussed in Chapter 9. Finally, chapter 10 presents some considerations for the continuation of the institutional collaboration between tax administrations.

1.1 Defining institutional collaboration

Organisation theory focuses on institutions as formal organisations which are recognised as “valuable in themselves, beyond the technical requirements related to carrying out specific tasks” (MFA 1998:16). ‘**Institutional development**’ can take place at three different levels:

- (i) **the individual level** when knowledge is successfully transferred between individual staff members;
- (ii) **the organisational level** when the formal structures of management, administrative routines or technology are developed; and
- (iii) **the institutional level** when relations between the users of the institution and the institution are changed.

Changes at the institutional level are hard to measure in relation to capacity building efforts, because they require a long time horizon and there are commonly countless external factors impacting on institutional changes (Kaplan 2000; Brown et al. 2001; World Bank 2005). Still, the aim of development assistance through institutional collaboration is to spur sustainable change by contributing to institutional development. Changes at the organisational and institutional level are required to create sustainable improvement.

While ‘institutional development’ requires impacts beyond the individual level, ‘**capacity building**’ describes transfer of knowledge at any level. It may take 10 to 20 years before changes can be expected to have an institution building impact (MFA 1998). This report focuses on a newly established collaboration between the Norwegian Tax Administration and three Revenue Authorities in Africa. It is too early to evaluate whether the impacts of the projects will go beyond individual learning. Capacity building is therefore used as a concept to describe the transfer of knowledge achieved this far. With ‘**capacity**’ we mean the ability to carry out stated objectives or to perform better (Brown et al. 2001).

Institutional development differs from other models of cooperation in the way that it (a) combines partnership between two organisations; (b) focuses on organisational capacity building; and (c) implies relatively long-term interventions (Jones and Blunt 1999: 393).

Different concepts are used to describe the relationship between ‘Northern’ institutions with perceived high capacity and ‘Southern’ institutions where there is a demand to improve capacity. **‘Institutional twinning’** is one term used to describe this type of development cooperation. Twinning institutions that have some key similarities can be an effective way to transfer know-how, train staff and build management capabilities (Cooper 1984). Jones and Blunt (1999) refer to twinning as a method, but Askvik (1999: 405) challenges their view and describes it as “the notion of similarity between the partners”. In many cases the institutions have only a few mutual characteristics. Using ‘twin’ to describe the relationship may be misleading. It is therefore best understood as a metaphor. For example, the structure, size, resources and the daily routines of the Norwegian Tax Administration is far from similar to the ones in their African ‘twin’ institutions, but the need for advanced auditing skills and sector knowledge are common for all. Twinning in itself does not explain how the partners relate to each other nor does it suggest that the purpose is for the institutions to become ‘identical’. Thus, there is no clear method on how twinning of institutions is best structured.

Twinning is a less used concept in recent literature on institutional development. Aligned with the Paris Declaration of Aid Effectiveness, **‘institutional collaboration’** and **‘institutional partnership’** are more common (UNDP 2009). These concepts highlight the aim for demand driven development assistance where the two organisations create a partnership based on mutual understanding and open communication. Simply invoking concepts like ‘partnership’ and ‘collaboration’ is not sufficient to steer partner institutions through the potentially challenging issues that may arise during the project phases. In a balanced partnership the Southern partner will identify the needs and the Northern partner is open about what kind of expertise it can realistically provide. Both partners acknowledge that they have to learn from each other throughout the project (Eade 2007). Creating and remaining a balanced partnership are important, but often difficult to achieve (see Section 4.1).

Part I: Description of the collaboration from initiation until May 2012

The collaboration between NTA and the Revenue Authorities in Mozambique, Tanzania and Zambia is a part of the capacity building efforts of the Norwegian Tax for Development programme (see Chapter 1). In addition to the involved tax administrations, the Norwegian Ministry of Foreign Affairs, the Norwegian Embassies in each of the three countries and Norad are important stakeholders.¹ Part I of this report addresses the roles and responsibilities of the involved institutions. Thereafter follows a discussion of the process of building the partnership between NTA and the three African revenue authorities and main activities from the start until end of May 2012.

2. Roles and responsibilities

As described in the introduction, institutional cooperation between the Norwegian Tax Administration and African revenue authorities is an important element of the Tax for Development programme (see Annex 1 for the full description of the Tfd mandate).

The Norwegian Ministry of Foreign Affairs has the overall strategic responsibility for 'Tax for Development'. The responsibility to follow up the political leadership and coordination of other relevant ministries lies with a coordinator in the Section for International Development Policy in MfA. Decision making and responsibility for the various budget lines in Tfd remain with the different appropriating units of the MfA, the embassies and Norad.

The Norwegian Embassies are responsible for funding and managing the institutional collaboration in the three countries. The Embassies also give advice regarding coordination of the capacity building efforts with other foreign donor activities, and they are responsible for the coordination of Norwegian support to strengthen the domestic tax system in general. The country economists at the embassies are central in developing Programme Documents (describing the goal of the cooperation, outlining a framework for monitoring/evaluation and stating the budget). Based on this document, the governments of the two countries sign a programme agreement.

The legal department in Norad has to approve the draft agreements between the governments before any agreement can be signed. When approved, the Norwegian embassy signs the agreement on behalf of the Norwegian government. An agreement is required before an embassy can start funding a programme. Since agreements have not yet been signed in Tanzania and Mozambique, the embassies have asked Norad to fund the institutional cooperation through the framework agreement between Norad and NTA in an interim period. Norad is later reimbursed from the embassies. In Zambia an agreement is in place, and the embassy is managing and financing the capacity building project directly. NTA is reimbursed for all expenses related to the institutional collaboration directly from the Norwegian embassy in Lusaka, but ZRA has to attest the invoices from NTA.

The agreements specify that there will be annual meetings between the two governments (where the embassy represents the Norwegian government). One of the purposes of the annual meeting is to monitor progress of the programme. To be able to do this, there must be a logical framework with a goal hierarchy, indicators and baselines. This framework is attached as an annex to the agreement.

The embassies provide advice on travel, culture and relevant contacts, as well as facilitate the visits in some cases. In Zambia, the Embassy administers the funds and receives the reports from NTA after

¹ Further details on *Tax for Development* can be downloaded from: <http://www.norad.no/en/thematic-areas/macroeconomics-and-public-administration/tax-for-development/who-we-are> [Last accessed 06.07.12]

each visit. In the two other countries, Norad administers the funds on behalf of the Embassies and receives copies of the NTA-reports on the work done after each visit. In all three countries the Country Economist is the main contact point at the Embassy.

Norad hosts the Tfd secretariat which has the overall responsibility to “serve as a focal point for coordination, program development and quality control.” As a focal point Norad provides advice to the MFA and the Embassies when requested and can assist with training for the NTA short-term advisors. In 2011, Norad arranged three preparatory courses for the NTA staff who were going to Mozambique, Tanzania and Zambia. The courses gave a general introduction to history, culture and Norwegian aid activities in the three countries. Representatives from the Norwegian institutions Statnett, Ministry of Finance, Office of the Auditor General, Norwegian Water Resources and Energy Directorate, and the Institute of Marine Research shared their experiences with institutional collaboration in the three countries. The country specific courses were a follow-up of the more general introductory seminar that was arranged for NTA in 2010 (NTA 2012a).

Norad has participated with an observer in the NTA teams during visits to each of the three African revenue authorities, and twice in Tanzania.

In March 2011 and April 2012 Norad/Tfd was responsible for financing and organizing two regional workshops which took place in Maputo (2011) and Lusaka (2012). This was done in close cooperation with the Norwegian Embassies in Maputo, Lusaka and Dar, as well as with CMI and ICTD. The workshops brought together staff from the Revenue Authorities in Mozambique, Tanzania, Zambia, and Norway; CMI/ICTD-researchers who were engaged by Tax for Development; and resource persons from ATAF and the South African Revenue Service (SARS). In 2011, the workshop in Maputo also included representatives from the Ministry of Finance in Mozambique.² The workshop in Lusaka in 2012 also included staff from the Zambian Ministry of Finance and National Planning; the Tanzania Mining Audit Agency (TMAA); the Botswana Unified Revenue Service (BURS) and the IMF.³

In February 2011 Norad signed a framework agreement with the Norwegian Tax Administration. The contract covers delivery of training for Norad staff, advisory services, assessments, reporting and the establishment of institutional collaboration. This agreement is used for financing the institutional cooperation in Mozambique and Tanzania until agreements between the governments are in place.

The Norwegian Tax Administration has signed MoUs with **the three African revenue administrations**. After a Programme Document is finalized and the governments have signed agreements laying out the terms for the Norwegian support, NTA and the African institution sign an institutional cooperation agreement which states the roles and responsibilities of both parties.

NTA has a small pool of experienced tax auditors and lawyers who have been freed from their daily tasks to conduct short-term advisory missions to Mozambique, Tanzania and Zambia. For each of the three partner countries NTA has assigned one coordinator. After each visit the NTA team submits a report about the activities conducted during the visit to the partner institution. A copy of the report is sent to the Embassy and the Norwegian Tax Administration. As the cooperation in Mozambique and Tanzania is funded over the framework agreement between Norad and NTA, Norad is the formal recipient of the activity reports from the visits to these countries.

² The workshop report can be downloaded from: <http://www.cmi.no/publications/publication/?4002=workshop-report-towards-fiscal-self-reliance>

³ The workshop report can be downloaded from:

<http://www.norad.no/en/thematic-areas/macro-economics-and-public-administration/tax-for-development/currents-issues/international-workshop-on-taxation-in-lusaka>

Currently, the Norwegian Tax Administration is considering expanding the institutional collaboration programme to more countries. In April 2012, the International Director of NTA visited Botswana Unified Revenue Service (BURS) to assess the model for capacity building that BURS has developed with the Swedish Tax Agency (STA). One possible expansion - depending on demand - is to provide technical assistance on a broader, less specialised form, to revenue authorities in other countries modelled after the STA – BURS partnership.

The framework agreement between Norad and NTA covers training of Norad staff in tax matters. In March 2011, NTA held a half-day seminar for Norad staff and country economists from Norwegian embassies. The main topics addressed were the differences between the tax systems in Norway and the partner countries; systems for exchange of information; and transfer (mis-)pricing.

From April 2012 a tax expert from the Norwegian Tax Administration has been on secondment to Norad working with Tax for Development.

The Revenue Authorities in Mozambique, Tanzania and Zambia are the partner institutions working with NTA.⁴ In Chapter 3 the background for the collaborations and activities are outlined.

⁴ The tax administrations in Mozambique, Tanzania and Zambia are presented and discussed in Fjeldstad and Heggstad (2011).

3. Background for the collaboration and activities

The Revenue Authorities in Mozambique, Tanzania and Zambia have requested technical assistance from Norway through a partnership with the Norwegian Tax Administration (NTA).⁵ The first phase of the capacity building projects was organised in the form of scoping missions and visits by short term Norwegian advisers, and in Zambia also with an adviser from the IMF. The revenue authorities in each of the three partner countries facilitated the visits and assigned staff and management to meet and work with the NTA teams during their visits. Practical assistance connected to visas, transport, access admissions etc. were also provided.

Activity plans for the capacity building projects were created jointly by the African partner organisations and the NTA. Building specialised auditing capacity dealing with large international companies was identified as a key priority by all the three revenue authorities. Yet, the first stage of the partnerships differed substantially between the three countries. Standardisation of the capacity building approach and contractual agreements was not attempted.

Table 1: A brief overview of the country projects

Status by May 2012	Mozambique	Tanzania	Zambia
Signed Memorandum of Understanding between NTA and the revenue authorities	6 December 2010	27 June 2011	11 June 2010
Signed agreement between governments (based on programme document)	Not in place (by May 2012)	Not in place (by May 2012)	21 July 2011
Institutional agreement between NTA and the revenue authorities	Not in place (by May 2012)	Not in place (by May 2012)	Signed 6 December 2011 by ZRA and 20 December by NTA
Focus of the work	Strengthening technical skills in tax audits with special focus on international companies in oil and gas	Analytics and business intelligence; compliance strategy for corporate taxpayers; auditing skills; taxpayer interaction methods; international taxation including natural resources and transfer pricing	Improving taxpayer compliance with a specific focus on mining and large taxpayers
Length of first project phase	4 years (1 year pilot with intention to extend if successful)	4 years	4 years

Source: Based on interviews with AT, TRA, ZRA and NTA (see Section 11.1 for an overview of interviews made); Strand 2010; RNET 2011; Ofstad 2012; MFA and MoFNP 2011; RNEZ 2011a; NTA 2010; and NTA 2012d.

⁵ Norway also supports other initiatives and organisations that aim to strengthen domestic revenue generation in Mozambique, Tanzania and Zambia, including civil society organisations and the EITI-secretariats. Fjeldstad and Heggstad (2011) provide details on some of this work. Chapter 6 in Fjeldstad and Heggstad (2011) gives an overview of multi- and bilateral organisations supporting the development of the tax systems in the three African countries.

Each of the hosting revenue authorities has to some extent identified different needs and priorities (see Table 1). The capacities of the Norwegian teams vary between the three country projects. The extent to which the agreements have been formalised impacts also on how the project is administered.

3.1 Norwegian support to strengthen the tax administration in Zambia

The Government of Zambia and the Norwegian Embassy in Lusaka initiated a dialogue on measures to strengthen the mining tax system in 2006. The initiative was based on analytical work, including studies by the World Bank and the IMF, which concluded that the mining tax regime was ineffective and implied a large, unexploited revenue potential for the country. With financial support from Norway, Zambian authorities commissioned studies and external advice on financial, legal and other key components of the existing mining tax system. In April 2007 and May/June 2008, official Zambian delegations visited Norway for knowledge sharing and to learn about Norwegian experiences with management and taxation of non-renewable natural resources. The delegation in 2007, chaired by the then Secretary to the Treasury, focused on petroleum taxation and issues related to the renegotiation of mining contracts. The delegation in 2008 focused on issues linked to public ownership of extractive industries and management of revenues, including a sovereign (copper) fund. Funding for study tours to other relevant mineral rich countries such as Botswana and Chile was also provided.

In 2007, Norway, together with DFID, EU and the World Bank, established a multidonor-fund that aimed to provide support to improve revenue management in the extractive sector. This gave the Zambian authorities opportunity to engage external expertise, finance study tours and cover other expenses related to the process of reforming the mining tax regime and to renegotiate or change existing mining contracts. The Norwegian support also included the development of a mining tax model for Zambia and training of ZRA and other relevant Government staff in applying the model (Fjeldstad and Heggstad 2011: 86). During spring 2008, Norad engaged a consultancy team that included staff from the Norwegian Petroleum Tax Office and the Central Tax Office for Large Enterprises, to assess the capacity within the Zambia Revenue Authority on mining taxation. The consultancy team recommended a range of short and longer term measures to strengthen the mining tax administration (Osvik et al. 2008). Many of the shorter term recommendations from the study were followed up by ZRA between December 2008 and September 2009, including the establishment of a Mining Tax Unit within ZRA. The Zambian consultancy company MTN Special Engagements Limited, contracted by the Norwegian Embassy, provided technical assistance to ZRA on the strategic and operational plans for the Mining Tax Unit (MTN 2009).

By request from the Zambian Ministry of Finance and National Planning, the Norwegian Embassy, via Norad, engaged in 2008 the consultancy companies Econ and Grant-Thornton to support ZRA in the audit of cost-, income- and production aspects in the mining sector. Detailed pilot audits of three mining companies were submitted to ZRA in autumn 2010 (ZRA 2011). The audit report of one of the companies was leaked to the media. It pointed at possible underreporting of sales revenues, exaggeration of costs, as well as transactions with companies registered in secrecy jurisdictions ('tax havens').⁶

For the period 2010-2014, the Norwegian Embassy in Lusaka is funding a programme that aims to build large taxpayer administrative capacity in ZRA, in particular through improved specialised mining tax administrative assessment, auditing and enforcement capacity. The programme involves institutional cooperation between ZRA, the Norwegian Tax Administration and the International Monetary Fund (IMF).

⁶ Norway has supported the establishment of a new Financial Intelligence Centre within the Bank of Zambia.

3.1.1 Cooperation between NTA and ZRA

The partnership between NTA and ZRA aims to develop capacity in mining related tax administration in Zambia. The following paragraphs address the background for the cooperation, activities and organisation of the work.

Initiation of the project

The project preparations started when Svein Osvik from the Norwegian Central Tax Office for Large Enterprises and Håvard Holterud from the Norwegian Oil Taxation Office did the first scoping study in Zambia in 2008.⁷ Thereafter, a delegation from ZRA met with Norad and NTA during the ATAF inauguration conference in Kampala in November 2009, where the Norwegians explored the interest for institutional collaboration with representatives from several African revenue administrations.⁸ Following up on this meeting, the Government of Zambia sent a request to the Norwegian Embassy in Lusaka to support ZRA's implementation of the corporate plan for 2011-2013, emphasising the need to develop the capacity of the specialised large taxpayer administration.

Zambia Revenue Authority and NTA signed the Memorandum of Understanding 11 June 2010 (NTA and ZRA 2010). A detailed 'agreement for collaboration' was signed by ZRA 6 December 2011, and by NTA 20 December 2011. On 21 July 2011, the official agreement was signed by the Norwegian Ministry of Foreign Affairs and the Zambian Ministry of Finance and National Planning (ZRA 2011).

The project is entitled 'Specialized Large Taxpayer Administration in Zambia'. The purpose is to improve large taxpayer compliance with a specific focus on mining. The goal is to increase the total tax revenues collected from the mining sector relative to GDP, while maintaining investments and job creation.

Four expected outcomes are listed in the programme proposal (ZRA 2011):

- Increased scope for mining tax audit, coverage and follow up.
- Increased efficiency of tax collection covering all large taxpayer segments.
- Success in investigation and litigation of large taxpayers, in particular mining tax disputes.
- Improved relationship with large taxpayers and the mining sector.

Activities

During 2011, an NTA team visited ZRA three times (4-15 April; 13 June-1 July and 3-5 weeks in November). NTA has participated in audits in Lusaka and the Copperbelt. The focus of the first two visits was on small and medium sized taxpayers. In November 2011, ZRA included NTA in the audit of a mining company. Throughout 2011 work to establish new audit routines took place, starting with training workshops of ZRA-staff in April (NTA 2012a).

The initial plan was to conduct four visits in 2011, but the one scheduled for September had to be cancelled due to the election in Zambia. After the election, the new President appointed Berlin Msiska as the new Commissioner General of ZRA. Svein Kristensen, Director General of NTA, visited

⁷ Holterud and Osvik were engaged as consultants for the Norwegian Embassy in Lusaka when they did the scoping study.

⁸ The meetings between the Norwegian delegation from NTA/Norad and the African revenue administrations were facilitated by Odd-Helge Fjeldstad, Chr. Michelsen Institute, in collaboration with Allen Kagina, Commissioner General of the Uganda Revenue Authority who hosted the ATAF conference.

Lusaka in February 2012 to discuss progress and continuation of the partnership with the new Commissioner General (Ofstad 2012).

By May 2012, one visit, 27 February - 23 March, has taken place, while three more are planned for May/June, August/September and November/December 2012. The annual meeting took place in connection with the first visit in 2012. NTA participated with ZRA on two field audits. Further, new audit routines were finalised and approved. Work on standard letters and templates was started jointly and ZRA completed the process. NTA also supported the Business Intelligence Unit to improve reports on statistics (Osvik e-mail 24.05.12).

Organisation of the work

The NTA team usually stays in Zambia for three weeks each time. The team leader has been released from his senior management tasks at the NTA and has been free to travel and work with ZRA as much as needed during the initiation of the project. This arrangement has given the team leader opportunity to travel to Zambia ahead of the rest of the NTA-team to prepare the activities. The team also prepares an alternative plan (Plan B) for the activities as a back-up in case something unforeseen happens that makes the original plan unfeasible. ZRA has assisted the NTA-team with a range of practical issues related to their work, including visas and transport (NTA 04.11.2011).

In Zambia the programme proposal and the agreement between MFA and GRZ included a partnership with the IMF through an adviser funded by a Norway "Subaccount" financed by the Norwegian Embassy (RNEZ 2011a) under the IMF's "Instrument for the Framework Administered Account for Selected Fund Activities". NTA has also suggested the possibility of involving an IMF adviser in Tanzania, but at present Zambia is the only country of the three where IMF participates with Norwegian funding. A formal "Letter of Understanding" between the Norwegian Embassy and the IMF was signed by the Embassy 21 July 2011 and by IMF on the 28th of July (RNEZ 2011a).

It is said that the background for the inclusion of an IMF adviser derives from a meeting in Lusaka between the then head of the IMF and the then Minister of Finance of Zambia.⁹ Initially, ZRA raised the possibility of having several short term IMF-consultants, but agreed to host a long-term adviser. It proved to be difficult to recruit a qualified long-term adviser. By end 2011 no candidate had been identified. Alternative arrangements were discussed. One suggestion was to have two consultants alternating their visits to ZRA. Eventually, an IMF consultant was engaged. He is scheduled to visit Zambia four times in 2012. Each visit is planned to last six weeks. The consultant is also paid for the preparation needed before each visit (NTA and Norad 07.02.12; NTA 04.11.2011). The consultant is under IMF's management. The coordination that takes place within the capacity building programme in Zambia largely involves the head of the NTA team and the IMF expert.

The Programme Document sets the framework for the partnership between the Norwegian Tax Administration and the Zambia Revenue Authority and includes the involvement of the IMF adviser who also is part of the programme. The logical framework for the programme was developed jointly by ZRA and the Norwegian Embassy. ZRA's corporate plan and the indicators used by the Large Taxpayer Department were used as inputs. NTA was not involved in the initial development of the logical framework. One concern expressed by NTA is that the logical framework indicators are difficult to report on because the links between the indicators and the practical activities are not always clear (NTA and Norad 07.02.2012).¹⁰ Tax for Development with inputs from CMI made an assessment of the programme document, including the logical framework (Norad 2010). The assessment found the proposed logical framework to be fairly comprehensive with a large number of

⁹ We have not been able to document this story through any written sources.

¹⁰ There are two sets of Indicators, 12 so called 'strategic' mostly outcome related, and 34 indicators within the 'operational' logical framework.

indicators. It provided some suggestions for simplification and/or improvement of the proposed logical framework, and recommended ZRA to revise the logical framework and consult with NTA in the process.

ZRA, NTA and IMF are aware of the risk for duplication of efforts if the activities and responsibilities are not planned and managed properly. Representatives of the three institutions have discussed how to divide the responsibilities (ZRA 02.11.2011; NTA 04.11.2011 and IMF 07.11.2011). It is also important for the NTA team and the IMF consultant to establish good working relations. The NTA team had already established good working relations with key staff of the ZRA when the IMF consultant first visited Zambia. The NTA-team leader then provided the IMF consultant with advice and introduced him to relevant people. In 2012 the plan is to hold one tax workshop for ZRA staff at the beginning of each visit by NTA. IMF and NTA have discussed to alternate the responsibility for organising these workshops. While NTA's work mostly will be operational (NTA 04.11.2011), IMF is in position to provide policy advice (IMF 01.11.11). The IMF consultant will not participate in tax audits in Zambia, due to official IMF policy placing restrictions on the type of activities their consultants can be engaged in (NTA/Osvik 07.02.2012).

3.2 Norwegian support to strengthen the tax administration in Mozambique

The Norwegian Petroleum Directorate has been working with the National Institute of Petroleum (INP) over many years before the collaboration between AT and NTA started. This collaboration is now part of the Oil for Development programme. Personal connections and mutual understanding of collaboration methods and communication were already in place in one of the key institutions of relevance for NTA's and AT's work in the oil and gas sector (INP 08.11.11).

The long-standing collaboration between Norway and Mozambique within the petroleum sector was the foundation for INP's direct involvement in a tax audit team in 2011 together with AT and NTA. INP and AT seem to have established good working relations with mutual exchange of information. AT plans to assess the experiences so far and whether it would be useful to continue to include INP in audits (AT 09.11.11). The NTA team is based at AT, but visits INP when they need data. INP knows NTA's team leader Håvard Holterud from previous projects in Mozambique (INP 08.11.11).

3.2.1 Cooperation between NTA and AT

The initial phase of the partnership between NTA and AT has aimed to develop capacity in petroleum related tax administration in Mozambique. The following paragraphs address the background for the cooperation, activities and organisation of the work.

Initiation of the project

The interest to establish a capacity building project was strong within AT, NTA and at the Norwegian Embassy in Maputo. Preparatory meetings between AT, NTA, the Ministry of Natural Resources, the Ministry of Finance, Oil for Development, Tax for Development, the Mozambican National Institute of Petroleum (INP) and the African Tax Administration Forum took place in 2009 and 2010.

The Mozambican Tax Authority's (AT) interest to partner with NTA was due to Norway's petroleum tax experience and expertise. Thus, the first phase of the collaboration has focused on oil and gas related audits. NTA expressed particular interest to focus on offshore oil companies, because of its experience from Norway (AT 09.11.11). AT has also expressed an interest to build capacity on taxing onshore oil companies and on other issues such as taxation of financial institutions, mining and tourism (AT 07 and 09.11.11). NTA and AT have started to explore the possibilities for capacity

building on taxation of the fishery sector. By May 2012 no conclusion had been reached on whether audits of fisheries would be included in the capacity building partnership activities or not.

6 December 2010, President Rosário Fernandes of the Autoridade Tributária de Moçambique (AT) and NTA's Director General Svein R. Kristensen signed a Memorandum of Understanding (MoU) for a four year period. The agreement is on technical collaboration. First and foremost the work will focus on building capacity in AT on tax audits of international companies in the oil and gas sectors (AT and NTA 2011). The Norwegian Petroleum Tax Office is involved. The project started with a pilot project in 2011. In December 2011 it was decided to continue the partnership throughout 2012.

Activities

The MoU is an agreement on capacity building related to specialised tax auditing. The initial focus was on large, international enterprises in the petroleum sector. In 2011, AT and NTA jointly planned, implemented and followed up auditing of one international petroleum company. Knowledge transfer between the two institutions was achieved through practical on-the-job training and workshops with staff from AT and NTA.

After the agreement was signed, the Norwegian delegation from NTA has visited AT four times in 2011 and two times between January and May 2012. The start-up meeting took place in March 2011 followed by three visits in June, August and December 2011 (NTA and Norad 26.08.2011). Each visit in 2011 lasted for two weeks. Joint plans were developed to conduct pilot audits and workshops until the end of 2011, and thereafter decide whether the partners would continue the partnership. During 2011 AT and NTA did a scoping of the existing capacity, mapping routines and assessment of risk areas for tax auditing. One tax audit of a petroleum company was planned and carried out, and NTA gave three internal seminars for AT staff and two presentations for auditors at the AT training centre in Matola. In 2012 an audit of a new petroleum company was initiated. NTA visited AT twice before the end of May 2012 (26-31 March and 16-29 April). During the visits NTA supported AT in the planning and first phase of the audit (NTA 2012c).

The goal for the first year of the institutional collaboration was to promote learning, systematise experience and ensure institutional memory. A success criterion (indicator) was defined to be an audit report by AT that met international standards, which would include information on the strengths and weaknesses of the specific audit. In Mozambique an internal AT audit report can be used as evidence in cases brought to court. By including both strengths and weaknesses of the specific audit, a company may use such information against AT in an eventual court case, if there were disagreements between the company and AT about the audit results. By May 2012 the audit report was yet to be finalised. The NTA team still insists that written documentation of the audit performance is important (NTA 2012b; Holterud e-mail 25.05.2012).

Organisation of the work

In the initial phase the NTA team consisted of three short-term advisers. The team leader has previous experience from Mozambique. However, as a senior manager, he is also in high demand in Norway with limited time to stay away from the home office. By May 2012, the capacity constraint of the Norwegian team working in Mozambique was more acute than before, due to (a) the constraints to free the team members from their daily tasks in Norway and (b) periods with leave-of-absence of key staff. The Norwegian Embassy has expressed a desire to extend the number of staff from AT who are involved, in order to make the collaboration less vulnerable for personnel changes. AT has expressed a wish for the NTA advisers to be present during the full audit cycle. However, AT understands the capacity constraints of NTA and has suggested an approach where the NTA advisers are present at the start and at the end of an audit.

It has been challenging to find a timing for the audits that fits the company that is being audited, the AT auditors and NTA staff. The plan for the audit has to be made in ample time in advance, and the flexibility to revise the plan is limited if unforeseen events occur. Because of the limited number of NTA staff with relevant specialisation, small changes in the work load and changes in staffing are likely to have substantial impacts on what NTA can deliver. Therefore, the NTA team has considered it important to limit the work to tasks that can give concrete results by the end of each year, instead of work that would require a longer time horizon (Holterud e-mail 25.05.2012).

The collaboration is based on the MoU and annual activity plans. So far, no programme document that provides a broader framework for the partnership is in place. Inputs from NTA can be described as project oriented and focused on gathering experiences before the partners potentially agree on a longer-term commitment (Holterud e-mail 25.05.2012).

During audits NTA has the formal role as adviser to AT, but the staff from AT and NTA organise the work as one team (NTA and Norad 26.08.2011; NTA 2012c). The practical experiences of NTA and the legislative knowledge of AT have facilitated learning for both institutions. AT has been trained in auditing skills, while NTA has been 'familiarised' with the national legislation and institutional systems of Mozambique (AT 09.11.2011). The trainings conducted by NTA have had up to 30 participants at the time, while the on-the job training is limited to a few AT auditors. In 2011 the audit involved three AT auditors, and in 2012 five auditors from AT. In addition, INP has participated with one or two representatives in meetings and has been present during parts of the company controls. NTA has been present with two people. Holterud (e-mail 25.05.2012) concludes that this is the maximum number of staff that should be involved in an audit at one time.

Language skills are a challenge in Mozambique. None of the involved NTA team members are fluent in Portuguese. Further, the extent to which the AT staff are comfortable with working in English varies. An interpreter translates between Portuguese and English during large part of the visits. The interpretation has worked relatively well, but there has been a challenge to find interpreters who are familiar with the specialised vocabulary and concepts required to discuss details in tax laws, technical terms, audits and different business sectors. The interpreter has, however, contributed to bridging the culture between the AT and NTA teams (NTA 2012b). One consequence of involving interpreters is that the AT staff get less training in English. When auditing international companies most contracts and vouchers are in English, and good knowledge of English is crucial. Strengthening the English skills of the involved AT staff would therefore add value to both the quality of the work and the partnership between AT and NTA (NTA 2012b). However, when the translation is sequential the participants will communicate the same message twice, which can be an advantage for training and learning purposes.

3.3 Norwegian support to strengthen the tax administration in Tanzania

Norway has funded consultants developing a *mining tax model* in Tanzania and several rounds of training in the use of the model, including recommendations for a reformed tax regime, in 2009 and in January 2012. Other related support includes work on auditing the hedging operations and their fiscal and tax implications. The Government of Tanzania has established a core modelling group with representation of economists from different public institutions, including TRA, the Ministry of Finance, the National Bureau of Statistics, Tanzania Mining Audit Agency, Bank of Tanzania, etc. TRA's Department of Research, Policy and Planning is hosting the secretariat of this group. The plan is to continue the training workshops and provide technical assistance and updated fiscal analysis based on demand. Specialised tax audits of large enterprises and technical assistance to build capacity on natural resource taxation are likely to supplement the support provided by the partnership between TRA and NTA (RNET 2012 a, b). Norway is also funding a *project on tax and non-tax policy* in the Ministry of Finance. It finances a Task Force working on tax policy and dialogue; a working group updating the tax legislation; and general tax policy analysis in the Ministry (RNET 2012 a, b).

3.3.1 Cooperation between NTA and TRA

The partnership between NTA and TRA aims to develop capacity in the administration of large taxpayers in Tanzania. The following paragraphs address the background for the cooperation, activities and organisation of the work.

Initiation of the project

The initial phase of the project has built on experiences from the collaboration in Zambia. Several meetings between NTA and TRA were conducted before the MoU was signed. TRA organised a mission to coordinate NTA's visit with other donor missions that were planned to take place at the same time in November 2010 (TRA 15.11.2011). NTA visited TRA again 21-25 of February and 23-27 May 2011. In February 2011, NTA held a seminar on transfer pricing. In May 2011 potential areas for collaboration were mapped (NTA 2012a). The visits were based on requests from TRA (TRA 15.11.2011). In June 2011 the Director General and the International Director of the Norwegian Tax Administration visited Tanzania to sign the MoU between TRA and NTA.

TRA and NTA signed a Memorandum of Understanding 27 June 2011. The MoU is valid for four years. The TRA/NTA collaboration will have a broader focus than that in Mozambique. The agreement is for NTA to provide assistance for capacity building and institutional development of TRA. Strengthening taxpayer compliance and thereby increasing tax revenue is the overall objective (TRA 14-15.11.2011).

Activities

After the MoU was signed, NTA visited TRA twice before May 2012. For two weeks in September 2011 TRA's Large Taxpayers Department (LTD), the Domestic Revenue Department and the Tax Investigation Department worked with NTA to map TRA's routines for the audit process, competence and equipment. During a half-day workshop, TRA and NTA identified concrete areas for collaboration (TRA 15.11.11; NTA and Norad 26.08.11).

During the November 2011 visit, TRA and NTA held a four day workshop on international taxation. A programme document draft with indicators for measuring progress was developed (NTA 2012a). By late May 2012 the programme document was almost finalised (Lundstøl, e-mail 24.05.12). In the draft programme document (06.06.12 version) the planned areas of collaboration are:

- Analytics and business intelligence; analysis connected to the risk assessment done as a basis for case selection and audit plans.
- Assistance to develop a compliance strategy for corporate taxpayers
- Auditing skills; the whole auditing process, including how to treat tax arrears and objections.
- New ways of interacting with the taxpayers.
- Taxation of natural resources.
- International taxation, including transfer (mis-)pricing.

In 2012, NTA did not visit TRA until mid-May 2012. The plan is to conduct three more visits by NTA to TRA after the summer.

Organisation of the work

Different people from NTA have participated in the various visits. By May 2012 it was not decided who would be assigned from NTA to the project on a longer-term basis. This has partly to do with the

fact that the final programme document and activity plan for the capacity building project were yet to be finalised.

The Commissioner General of TRA has been very supportive to the project. But whether there is full support for the collaboration from all mid-level managers is unclear. NTA's general impression is that 'sceptical' staff has become more positive through seminars and discussions (NTA 2012a).

The NTA team has worked with TRA's Large Taxpayers Department, the Domestic Revenue Department and the Tax Investigation Department. TRA has requested NTA to assist building capacity in the newly established International Tax Unit. The Unit is expected to be operational by mid-2012 (TRA 14-15.11.11.).

While communication has been described as going well during the actual visits, some challenges have occurred to following up the dialogue and exchange of information between the meetings. One practical challenge has been that NTA's e-mail servers have not been able to receive e-mails from TRA, leading to delays and a risk for misunderstandings. As an intermediary solution communication has been conducted via private e-mail addresses, with external servers, such as yahoo and Gmail, instead of the official NTA e-mail account.

Combined with some delays in communication between meetings the process to get the capacity building on track has taken longer than expected, and some plans have been delayed. There has been some concern from the Norwegian side that the process has taken too long from the initial discussions to the start of the concrete activities. Concerns have also been expressed that delays might impact on the trust between and enthusiasm of the partners. These worries have surfaced due to the delays to implementing the project after the expectations that were created during the first seminars NTA held at TRA.

3.4 Summary of lessons and risks

During the first period of the institutional partnerships, the involved staff from NTA and the African partner institutions have discussed and identified both positive lessons and challenges for the institutional partnerships. Among the positive lessons the experiences of working with the Norwegian Embassies have been frequently mentioned. Local knowledge and presence of a Norwegian embassy with a dedicated contact person has been emphasised as important by the involved tax officers in all three countries. Examples of positive lessons from each of the countries that may be transferable include:

- i. In Zambia NTA's team coordinator arrives before the rest of the team and assists ZRA to prepare the detailed schedule for the period when all the involved NTA staff are present. This approach has secured good communication and laid the foundation for effective work when the whole team is present. The presence of the NTA-coordinator at all visits strengthens the personal relations and eases the introduction to ZRA of new NTA members.
- ii. In Mozambique, the partnership is benefitting from the collaboration in the petroleum sector that Norwegian institutions have been engaged in over a long period. The Norwegian coordinator is already known by many in the Mozambican system.
- iii. In Tanzania, the initiation of the project was based on the experiences from Zambia, suggesting that there are synergies and economics of scale to run capacity building projects in several countries in the same region focusing on similar or related themes.

Perceived risks identified in discussions with the involved parties include:

- **Capacity constraints** within NTA and difficulties to recruit a larger pool of available advisers with relevant expertise, time for travelling and possibility for involvement in long-term capacity building.
- **No or little experience** with institutional collaboration and limited understanding of the wider cultural, economic and political setting in the partner countries among NTA advisers and recipient tax authority staff can create misunderstandings and unrealistic planning and expectations.
- **Language** is a concern and misunderstandings may occur due to variable English and Portuguese skills among the advisers.
- **Coordination of activities** with ongoing public planning, bilateral and multilateral donor funding and other Norwegian initiatives.
- **Irregular work flow on project tasks** were raised by several of the tax officers involved in the projects. Typically there is an intense focus on the work when the partners are together, and other tasks may be prioritised in the period between the visits. It is a risk for organisational learning and institutional development if the knowledge and experience gained through the partnership are not ingrained in the daily activities of the revenue authority.
- **Maintaining the enthusiasm** when planning processes and progress do not meet expectations.
- Norad perceives it as a potential risk that it is difficult to **measure progress and evaluate results**. Other concerns include the delays to finalise the programme documents and that logical framework indicators and goals may not be realistic and/or too complicated to operationalise. Establishing indicators to measure progress and evaluate results is a common challenge for institutional partnerships and capacity building projects.

Gender equality issues and corruption risks related to the funding of the partnerships were not seen as problematic by the tax officers interviewed as part of this study. In the programme document for Zambia, poor programme and financial management are recognised as potential risks. Mitigation measures are applied through “a separate bank account for the programme and dedicated focal point for programme management” (MFA and MoFNP 2011:10). In the programme document draft for Tanzania a point on gender equality and empowerment of women is mentioned, but it is not included as a goal (TRA 2012:7).

In Part II of this report we discuss good practices in institutional development. Experiences from other partnerships are examined with a particular focus on whether and how such experiences are relevant to address risks and challenges identified in the first period of the collaboration between NTA and the revenue authorities in Mozambique, Tanzania and Zambia.

Part II: Lessons from institutional collaborations

Institutional capacity building has been an important element of Norwegian development assistance since the beginning of the 1990s (Andersson and Isaksen 2002). The Office of the Auditor General and Statistics Norway are examples of two institutions with long experience in this field. A more comprehensive, although not complete, overview of Norwegian public institutions with experience in institutional collaboration is presented in Table 2.

Table 2: Norwegian institutions with experience from institutional collaboration

Norwegian institution	Some of the partner countries
Office of the Auditor General of Norway	Malawi, Zambia and South Africa
Ministry of Education and Research	Zambia and Nepal
Ministry of Finance	Tanzania
Petroleum Directorate	Mozambique, Bangladesh, East Timor and Angola
Statistics Norway	Malawi (National Statistics Office, Ministry of Economic and Planning Development, and Ministry of Finance), Angola and South Sudan
Directorate of Fisheries	Namibia and South Africa
Norwegian Public Roads Administration	Tanzania and Zambia
Norwegian Directorate for Nature Management	Indonesia
Central Bank of Norway	Malawi and Zambia
Norwegian Water Resources and Energy Directorate	Angola
Statnett	Tanzania
Climate and Pollution Agency	China

Sources: Kruse (2007); Hansen and Laugerud (2008); Sandvik (2011); Longva (2001); and MFA (2006).

Evaluations, academic articles, policy briefs, guide books and reports from capacity building efforts reflect that the challenges connected to institutional partnerships often lie outside the core activities of the technical tasks. To counter inefficiencies and misunderstandings a broader set of issues than the content of the work must be taken into consideration during planning and preparation. Some of these issues are addressed in following chapters in Part II:

Chapter 4: choices of how to structure the work; Chapter 5: dealing with capacity constraints for both partners; Chapter 6: unforeseen circumstances due to the political and economic context; Chapter 7: coordination of the activities; and Chapter 8: how to measure impact and progress. The techniques required to handle challenges may be unique for each project, but there are some general lessons that can be useful to keep in mind when starting new institutional collaboration projects. It is too early to evaluate the impacts of the ongoing institutional collaboration between the tax administrations covered in Part I of this report. In chapter 9, some of the general lessons from institutional partnerships are related to the experiences of the partnerships between NTA and the three African revenue authorities thus far. Finally, Chapter 10 offers some considerations for the continuation of the capacity building projects in Mozambique, Tanzania and Zambia.

4. Choices on how to structure the work

4.1 Balancing the partnership

A general concern for all donor funded partnerships is to strike a good balance between the influence and power of each partner. Funding dependency can distort the balance and create constraints on transferability of knowledge between the partners. Often, the collaboration cannot continue without donor support. An evaluation of Norwegian institutional twinning found that most of the involved partners believed that the collaboration would cease if the donors withdrew their financial support (MFA 1998). A relationship that is only sustainable as long as the external money supply flows may lay the foundation for rent seeking and dependency (Eade 2007). Desai and Snavely (2007) found that an unspoken assumption of superiority of the donor country over the recipient country created tensions in institutional partnerships. A common problem is that organisations which receive substantial external grants are more accountable to their funders than to their partner institutions. When a funder has specific ideas regarding what institutional changes are required, the scope for the partner institutions themselves to identify the focus areas can be constrained. A discrepancy between the funder's goals and the perceived need of the collaborating institutions is likely to impact on the balance of the relationship.

Another example of an unbalanced relationship is where the 'Southern' partner is serving a minor role in a larger strategy that their partner organisation is running on behalf of the Southern partner. Civil society activists and academics often complain that the Southern partners too often are assigned the role of providing local evidence for case studies and illustrations for 'Northern' analyses of the problems in the South (Eade 2007; Keet 2002; Nelson 2002; Nyamugasira 2002). Working together on the whole process of information gathering and data analysis is likely to be a better way to build capacity. 'Learning by doing' is an important principle of modern capacity building in institutional development.

Achieving sustainable effects of the project by creating conditions for mutual accountability is one of the tasks that should be prioritised in donor funded institutional collaboration (Lopes and Theishohn 2003). When required the partners must be willing to change structures and practices in order to show reciprocity, share risks and express inter-dependence (Eade 2007; RNEZ 2011b).

4.2 Modes of collaboration

There are many ways to organise institutional collaboration. The particularities of each project should guide the choices according to the project goals, available resources and risks. Further, it can be useful to envisage different stages of the collaboration, in order to address changing needs within the longer time-frame of the capacity building efforts (Kaplan 2000; Ntata 2007). Table 3 provides some examples of modes of institutional collaboration and some reflections for consideration.

Table 3: Examples of modes of collaboration

Modes of collaboration	Particularly useful if...	Some considerations
Short-term advisers	<ul style="list-style-type: none"> - There is no wish for permanent presence. - There are several advisers that are able to travel. - There is a need for a varied set of skills. -The host has capacity to host several new visitors a year. 	<ul style="list-style-type: none"> - At least one team member should: <ul style="list-style-type: none"> · have experience in institutional collaboration; · be a main contact person who participates in every visit; · preferably have a personal network in the country and/or institution already; · good knowledge of the language, culture and country setting.
Long-term adviser (visiting 3-4 years)	<ul style="list-style-type: none"> - Large projects. - Large cultural differences. - Language barriers. - No embassy. - Weak culture for learning in the host institution. - Coordination challenges. 	<ul style="list-style-type: none"> - Does the host institution want a long-term adviser? - Has the visiting institution capacity to send someone with: <ul style="list-style-type: none"> · high level of expertise; · willingness to travel; · intimate knowledge about the institution she/he represents. - Are the high costs of a long-term adviser supported by a thorough assessment of needs and available funds?
Alternation between several medium-term advisers	<ul style="list-style-type: none"> - There is a wish for full time presence from the visiting institution, but there is not one long-term adviser that is able to stay the whole period. 	<ul style="list-style-type: none"> - How to create an efficient information flow between the advisers? Should the expertise be complementary or overlapping?
Home-based experts	<ul style="list-style-type: none"> - The expert cannot travel, but the expertise would be highly valuable for the partner institution. 	<ul style="list-style-type: none"> - Which set-up will make it likely that the service will be used? - Does the home-based expert have capacity to respond within reasonable time?
Resident long-term adviser (local with permanent residency)	<ul style="list-style-type: none"> - There is a clear need for a long-term adviser with good country and language knowledge, but recruitment is challenging. 	<ul style="list-style-type: none"> - Danger that the resident adviser will be integrated into the daily activities of the organisation. - Institutional twinning requires the adviser to have intimate knowledge of the institution he/she represents. Is that possible with a resident adviser? - This is a model that has largely been abandoned due to the two considerations referred to above.
Country visits	<ul style="list-style-type: none"> - There is a concrete goal for the visit. 	<ul style="list-style-type: none"> - If there is a large difference in institutional development, other capacity building efforts or visits to more comparable institutions could be beneficial.

Source: Developed by the authors

Commonly, one project uses a combination of different modes for collaboration. Combining a long-term adviser placed at the partner institution with visits from short-term advisers is a widespread practice. The discussion of the appropriate balance is a central concern.

A short-term adviser is not based in the host country, but s/he travels back and forth between his/her home office and the partner office. A long-term adviser is permanently based in the hosting office over a longer period, commonly a period of 2-3 years. There is no clear conclusion in the literature of what is the 'best' modality. Thus, the decision on what modality to choose must be made on a project-by-project basis. What considerations should be made?

1. **Demand:** Do the partners in the South want to host a long-term adviser? What is the demand?
2. **Availability of expertise:** Is it possible to recruit a qualified long-term adviser within the budgetary framework and timeline of the project?
3. **Alternatives:** Can the same job be done better by short term advisers visiting more frequently?
4. **Expectations:** Do the partners have the same expectations for the long-term adviser? Is the role clearly defined?
5. **Follow-up:** Will the long-term adviser be able to do capacity building/training, or will the pressure be too high to become a 'gap filler' doing everyday tasks in the institution instead? Is there a project coordinator at home who will assist and follow-up the long-term adviser to ensure he/she is delivering what is agreed?

Capacity building projects by short-term advisers can be efficient when the host institution is able to continue working on the project between the visits. Experiences from the first year of collaboration show that most of the agreed activities are conducted when the short-term advisers are present in the country, while less is being done between the visits. This pattern is often observed in institutional collaboration projects where there is no long-term adviser based in the organisation. Different modes of collaboration can stimulate a more continuous work flow (NOAG 25.08.11 and Statistics Norway 25.08.11).

The long-term adviser is a powerful collaborative tool. S/he can follow up the technical staff and make sure that knowledge gained at workshops and training sessions is implemented. The use of long-term advisers is referred to as key for success by some institutions, including the German Development Agency (GIZ), the Norwegian Office of the Auditor General, and Statistics Norway. Long-term advisers are particularly useful in cases where (a) the host organisation has low capacity; (b) there are language barriers; and (c) the cultural differences between the partnering countries are large (NOAG 25.08.11 and GIZ 03.11.11).

Potential risks with a long-term adviser are that s/he gets drawn into the daily tasks of the hosting institution and starts acting like a 'gap-filler' rather than being a support for sustainable capacity in a way that enables the staff to fill the gaps themselves over time (Hansen and Laugerud 2008). To use an adviser as a gap-filler is an expensive way to assist the partner organisation. A dedicated coordinator based at the supplying institution can be assigned the task to support the long-term adviser. It is important that the 'home coordinator' is fully aware of and understands which role the long-term adviser shall fill. Regular reporting by the long-term adviser on the content and progress of the work is important for documentation and as inputs for eventual rescheduling of the work. According to Statistics Norway, monthly one-page reports have worked well in this respect. Close contact and following up from the 'home office' are mechanisms to ensure that the long-term adviser uses the position to build capacity of the local staff and is able to withstand pressure to do gap-filling tasks (Statistics Norway 25.08.11).

The most important role for the long-term adviser is to assist in applying knowledge and skills gained at seminars, workshops and on-the-job training into the daily routines of the organisation. Further, the adviser is in a key position to interpret the potential impacts of the ongoing capacity building efforts. Thus, s/he can facilitate productive communication between the partners (Jones and Blunt 1999). The most important knowledge, however, is often informal. By the time the message is formalised many opportunities to sort out eventual challenges might have passed (Statistics Norway 25.08.11). To avoid the advisers to become 'gap-fillers', the issue should be incorporated as a key element in the recruitment process (Econ Pöyry, 2008).

Two IT-consultants interviewed as part of this study, exemplified how difficult it could be to build strong and sustainable working relations with staff in the host organisation. They started as long-term advisers before switching to visiting the host organisation every second month. After reducing the length of each stay, they registered a substantial change in their impacts and influence in the host organisation. Reduced and shorter presence led to activity plans not to being complied with as expected. Further, when the advisers were not present, staff of the host organisation requested advice from other external experts which provided different and sometimes inconsistent advice. The implementation of the project slowed down (HEC 09.11.11).

Long-term advisers are expensive, and people with the right expertise and experiences are often in short supply. And if identified, many are often reluctant to relocate to a new country for a longer period. Thus, an alternative solution is to engage short term consultants who visit more frequently. Another model is to alternating the time between two advisers to secure that there is always one present.

Study trips are often arranged in addition to the use of visiting short and long-term advisers. The idea is that the Southern partner can learn from seeing how a more advanced system functions in practice. If there is a large difference in the level of institutional development, other capacity building efforts or visits to more comparable institutions could be a more efficient use of the project funds and the time of the involved advisers. To make sure that the trip contributes to the overall objective of institutional development every visit needs a clear goal which is integrated in the larger long-term plan of the partnership.

5. Dealing with capacity constraints

Although the donor funded partnerships are established to assist capacity building in the ‘Southern’ institutions, it is also important to pay attention to the risks of capacity shortage in the supplying ‘Northern’ institutions (Andersson and Isaksen 2002; Kruse 2007). Activity plans cannot be implemented if there are no available advisers to assist in on-the-job training, the required workshops etc. This aspect is important to take into consideration when developing the institutional partnerships between the Norwegian Tax Administration and the African revenue authorities.

5.1 Recruitment of NTA advisers

The team members recruited are exclusively NTA employees with good knowledge of the organisation and the work tasks. Since the aim is to build capacity through long-term institutional collaboration, engaged staff with knowledge of the home institution is necessary. Using NTA employees rather than external consultants increases the potential for sustainable working relationships between NTA and the African partners, as well as the transfer of ‘soft knowledge’ on how the Norwegian organisation works (Statistics Norway 25.08.2011). The recruitment process for NTA advisers working abroad is described in Box 2 (NTA 26.08.2011 and 04.11.2011).

BOX 2: RECRUITMENT PROCESS OF NTA SHORT-TERM ADVISERS

- There is an internal announcement about job opportunities abroad. Commonly, there are many applicants. However, many do not have the right skills and/or experiences. Thus, some are recruited directly (internal ‘head-hunting’), because experience shows that some of the more specialised staff often do not read the announcements.
- Attitude is important. Relevant staff must show substantial interest in Africa, technical specialisation and be ready for new challenges.
- The participants must have full backing from their managers.
- The NTA team leader in Zambia has been released from his senior management tasks at the NTA in order to be able to follow up the ZRA-NTA collaboration as closely as required.
- The team leader in Zambia has to negotiate with the respective heads of department in Norway, where the advisers work. For example, the IT-specialist will be in the project for three weeks in 2011, but there is no guarantee to get involved in the coming year.

Sources: NTA (26.08.2011 and 04.11.2011)

5.2 Visibility within the Norwegian institution

One potential risk is that the international advisers may experience that they are ‘lonely’ in their organisation and that they do not get sufficient recognition for the experience they gain through international work. Increased internal visibility of the international work and job opportunities may contribute to strengthen the attractiveness of such jobs and to create a stronger internal community (NOAG 25.08.2011). Recognition of the efforts of the international advisers from the home institution is important. In technical specialised fields some may view international experience as a *cul-de-sac* for their career. This is particularly relevant in the Norwegian context, where it is common that staff is specialising, while there is often need for broader and more generalised skills in the partner organisations in Africa (Statistics Norway 25.08.2011; NOAG 2009). It is essential to ensure that managers facilitate that the employee who engages in international work in Africa is not ‘parked’ in a

less attractive position when he/she returns, because he/she has not become more specialised. It is important that the initiative is supported by the senior management. One way to increase the visibility and recognition of the skills and experiences acquired by the international advisers is to establish a unit or a section for international cooperation within the institution.

Visibility of the institutional collaboration can help to strengthen the status of the capacity building work at home (NOAG 25.08.2011). One way to make the international activities more visible in the Norwegian organisation is through the internal recruitment process to international projects. Further, information about the activities conducted in international projects should be integrated in a noticeable manner on the webpage. For example, the Norwegian Auditor General's Office has created an information point about their international projects that is available directly from the main webpage (www.riksrevisjonen.no) [Accessed 26.01.2012]. Another example is the Norwegian Water Resources and Energy Directorate (<http://www.nve.no/en/>) [Accessed 26.01.2012].

6. Dealing with unforeseen circumstances

A revenue authority operates in a complex political and economic landscape with many diverging, and sometimes conflicting, interests. As illustrated in Figure 1, the environment which influences a tax administration spans from taxpayers and banks, to ministries and the legislature, to bilateral donors and international organisations.

Figure 1: The Revenue Administration Environment



Source: Adapted by the authors from Gill (2003:5)

To establish realistic expectations for capacity building, e.g. what can be achieved in the short-run, it is important to understand the political constraints facing the work of the tax administration in the host country. One risk is that the agreed activity plans may not be possible to implement because of the political sensitivity of some of the scheduled activities. The selection of companies and individuals to be audited may turn out to be less straight forward than expected. Sudden changes of planned and agreed activities may be caused by direct political interference. Demotivated staff and managers may be the consequence if they experience that their efforts are undermined by political interventions in their day-to-day activities. For the visiting adviser team this may be reflected in poor information from the partners and unclear explanations of why the activity plans have to change.

“Successful capacity building requires sticking with the process under difficult circumstances” (UNDP 2007:3)

The Norwegian Office of the Auditor General emphasises that it has been important for them to keep the political economy perspective in mind when working with capacity building. An understanding of the broader context helps visiting advisers to distinguish between small, insignificant errors and systemic challenges which are seriously damaging at the aggregate level. If the incident is a symptom of a systemic weakness, the work might become more efficient by changing the practice (NOAG/Skjønsberg 07.05.2012). Advisers can help identify such systemic weaknesses and assist in finding appropriate handling strategies if they have a better understanding of the broader context.

However, capacity building can in itself help to ease political pressure on the partner institution. Regulatory capture by the elite will be more difficult when the level of technical knowledge and skills between public officials and international advisers becomes more even (Chêne, 2009).

Another risk is delays in the project implementation due to oncoming elections. It is common that the President appoints the head of the revenue authority. A change in the Presidency may thus lead to change of the senior management of the tax administration. This may also apply for senior staff in the ministries (e.g. permanent secretaries). The political and economic context in Norway is also relevant for the partnership's long-term sustainability. A change in development policy and choice of priority sectors for Norwegian development assistance can have impacts on the support to strengthening the tax systems.

7. Coordination of activities

The collaboration between AT, TRA, ZRA and NTA is one component of a larger effort to modernise and strengthen revenue administrations in the three African countries. Coordination of the various efforts is required in relation to public plans and strategies, other donor activities and other efforts funded by Norway.

7.1 Coordination with public planning, reforms and strategies

Sustainable change of the organisation is more likely when reform efforts and institutional capacity building are harmonised. NTA contributes to building capacity at the operational level, while other reform efforts may simultaneously aim towards the same goal through other methods. One example is the work to revise tax legislation compared to work that aims to improve auditing skills. Gill (2003) argues that strengthening audit capacity is a major objective of most revenue administration reform projects. To avoid duplication of efforts good practise is therefore to pay attention to planned and ongoing reforms and to harmonise activity plans with the overarching strategy documents. Aligning the activity plans with the revenue authority's strategic plans will reduce the risk of uncoordinated efforts between the institutional partnership and the tax administration's defined goals and priorities.

7.2 Coordination with other donors

There is now a much wider appreciation of the importance of taxation in development, and many more agencies and governments are active in the field. Unfortunately, this is now associated with frequently unhealthy competition among different aid and development agencies. At the level of individual developing countries, an unhealthy competition between individual donors to fund tax agencies, often on a small scale, is growing. This poses serious problems of duplication, wasted effort and fragmentation, with the latter potentially undermining reform efforts by diverting resources, reducing local ownership and undermining the coherence of reform programmes. It is therefore important that development agencies' engagement with tax issues is planned strategically to minimise the danger that it will exacerbate these existing problems. In particular, the risk is high for overlapping efforts in training workshops, partly because an increasing number of workshops are offered, and partly because the information flow about available training may not reach other donors. One of the challenges for NTA when preparing training workshops is to secure that duplication of efforts are avoided or minimised through continued open and productive dialogue about current needs in the partner organisations.

As more donors get involved in supporting the development of the tax system, donor coordination becomes increasingly important. Development agencies need to increase the level of information sharing to guarantee that assistance is indeed complementary and aligned (ITC 2012: 50-4). Such information sharing between donors can be established through regular meetings, exchange of publications and good-practice papers as well as well-maintained project databases. Information exchange and coordination would also allow for an improved division of labour between donors.

To improve coordination, donors could channel their funding through a 'Common Fund' together with other donors. The purpose is to reduce the administrative burden of the recipient institution although this is not always the result. As an example, the national statistics office in Mozambique (INE) experienced a heavy increase in the administrative work load after a common fund was introduced to coordinate funding. New rules for procurement and a shift of responsibility from projects to the central administration made it necessary to hire more staff (Nordby 2009). A positive aspect of institutional collaboration in contrast to a common fund is that the framework for competence transfer has the potential to be longer-term, because a partnership builds professional relations and trust over time. A

possible model is to combine the two by channelling some funding through a tax common fund, while keeping the institutional partnership separate.

It is also important that the involved donors coordinate the timing of the specific activities they support. One example of beneficial coordination is if donors can ensure that activities are not competing because they take place at the same time. Allowances and per diems are important sources of income for many public sector employees. Some may therefore prioritise workshops involving travelling or meetings with 'sitting fees'. Thus, there is a risk that the initiative with the lowest allowances will experience the poor participation regardless of relevance and quality (Søreide et al. 2012). The topic is regularly treated in studies and literature, but it is still a sensitive subject to discuss with partner organisations (NOAG 25.08.11).

7.3 Coordination with other ongoing Norwegian initiatives

Coordination and communication between different programmes and activities within Norad give room for positive synergies and to avoid duplicating efforts. Organisational changes, however, also takes place within Norad. Changing political priorities pose a potential challenge to maintain the support to strengthening of the tax systems.

That the Embassy has a coordinating role is particularly important to ensure positive synergies and that efforts are not duplicated. Because of Norway's current expansion of the focus on taxation in developing countries, it is important to ensure coordination between the various Norwegian initiatives. Good coordination and exchange of information between the different projects can strengthen the effectiveness of the Norwegian efforts. The Norwegian Embassies thus have an important role to play as coordinators in relation to other ongoing Norwegian, other donor and other government funded, capacity building projects. Active contact with the Embassy has been described as particularly important when the collaboration is (a) new; (b) the visiting team has little country experience; and (c) there is no long-term adviser employed in the projects (Statistics Norway 25.08.2011; NOAG 2009).

8. Measuring impacts and progress

Reviews and evaluations at different stages of the project is a way to ensure that the content and direction of the project can be adjusted. If the project is not evaluated until after it has been concluded one risk is to identify mistakes and challenges too late. Donors often have their own systems and guidelines for how and when to evaluate. To ensure learning in the partner institutions it is important that each partner has its own plan on how to record and monitor progress and experiences. This is a way to institutionalise the 'memory' and insights that derive from the project over time. The Norwegian Office of the Auditor General's 'Handbook for the Office of the Auditor General's Development Cooperation' illustrates how experiences can feed into further work (NOAG 2009).

BOX 3: LESSONS FROM CAPACITY BUILDING EFFORTS

Kruse (2007) emphasises the importance of proper documentation for future learning. He suggests a systematic mapping of the experiences of institutional collaboration with Norwegian Directorates and Ministries as partners:

1. **Initiation:** Who initiated the collaboration?
2. **Coordination:** Are the activities coordinated with other donor activities, public planning and reform programmes?
3. **Relevance:** Is the Norwegian competence relevant for the needs in the country and the partner institution?
4. **Results:** What are the achievements? Are results found at the individual, organisational or systemic level? Which factors have contributed to promote or hinder achievements?
5. **Cost efficiency:** Are alternative and more cost efficient modalities a viable possibility?
6. **Sustainability:** What is the likelihood that the collaboration will lead to sustainable institutional development?
7. **Methods and approaches:** Are the best methods and approaches used in the collaboration?
8. **Competence and capacity:** Does the Norwegian institution have the relevant competence and adequate capacity to contribute with what is promised to the partner?
9. **Quality assurance:** Which systems are in place to ensure the quality of the advices given by the Norwegian institution?
10. **Roles:** Are the roles clearly divided between the involved parties (i.e. the partner organisation, Norad, the Embassies and potentially others)?

To trace sustainable institutional development, an evaluation at the end of the project is not sufficient. Generally, more time is needed before it is possible to see whether new practices are institutionalised, forgotten or reversed after the project has closed. Box 3 lists some questions that typically are raised in evaluations of institutional collaboration. In addition to function as a guide to evaluators, the list can be used as a reference for stakeholders involved in institutional collaboration.

9. Summary and reflections about the partnerships

9.1 Structuring the work

Conscious efforts have been made to create a good balance between the partners from the beginning of the capacity building projects in the revenue authorities in Mozambique, Tanzania and Zambia. As illustrated in Part I of this report, the partnerships between NTA and AT, ZRA and TRA have a large component of activities based on 'learning by doing'. NTA advisers found the LEAN method to be a useful tool to ensure good communication, team spirit and broad participation. This method focuses on balancing the relationship to give room for both partners to learn from each other. Further, the top management of the partner institutions has from the start supported the capacity building projects.

The modes of collaboration have thus far given the partners opportunity to learn to know each other. Long-term advisers have not been included in the most recent activity plans. When the possibility has been discussed, it has become clear that the considerations and needs in the three partner countries differ to such an extent that choices need to be made on a case-by-case basis rather than by a standardised approach.

Establishing workable indicators to measure progress and achievements have proved to be a challenge. In Zambia, the partners have found the indicators incorporated in the programme document difficult to apply in practise. More useful logical framework indicators could have been established by involving NTA more closely in the process together with ZRA and the Norwegian Embassy.

9.2 Capacity

In the partnership between NTA and the three African Revenue Authorities, the capacity of NTA has proved to be a challenge. Similar to other institutional collaborations that require advisers with highly specialised expertise, one constraint facing NTA is to release the advisers from their daily tasks at their home offices. Another constraint is to recruit experienced advisers who are willing to travel to Mozambique, Tanzania or Zambia. Feedback received from NTA advisers suggest that capacity constraints at home are a major concern for their involvement in capacity building in Africa. In interviews, representatives from AT, TRA and ZRA all expressed their understanding of the constraints facing highly specialised professionals to be absent from their home institutions over longer periods. They also expressed a willingness to create modes of collaboration that made it possible to involve and engage with the best expertise of the NTA. For the next phase of the capacity building projects creativity in recruitment, modes of collaboration, training and following-up should aim to improve the flexibility and increase the pool of available advisers. Continued support from the Director General of the Norwegian Tax Administration and the Norwegian Ministry of Finance, which NTA reports to, is important to secure that sufficient staff can be involved in and assigned to the capacity building projects on a longer term basis.

9.2.1 Recruitment

The practice of NTA is somewhat similar to the guidelines for recruitment at Statistics Norway and the Norwegian Office of the Auditor General (NOAG). All have clear guidelines for the recruitment processes for international partnerships, although the latter two have more comprehensive programmes for preparing the advisers before they start working in the host country (Statistics Norway 25.08.2011; NOAG 25.08.2011). To strengthen language proficiency, NTA could consider if a model similar to NOAG could be beneficial with a language proficiency tests in English in the recruitment process.

Discussions of the possibility of expanding the tax advisory work to the fishery sector in Mozambique have taken place. Since the relevant staff of the Petroleum Taxation Office in Norway has limited time available to participate in institutional collaboration, expansion of the partnership to include other sectors would make it possible to draw from a larger pool of NTA advisers. By May 2012 no decision had been made, and it is uncertain whether this expansion will take place (Aksnes e-mail 25.05.2012). One added challenge to recruit NTA staff to work on fisheries taxation has to do with the fact that the work will be located outside the capital Maputo where the other NTA advisers are based when in Mozambique. Recruitment of staff with the required skills and confidence in foreign languages has also proved to be a bigger challenge than expected. The team working in Mozambique is seen as particularly vulnerable to personnel change, due to the limited number of NTA staff originally assigned and available to work on the agreed topics. Broadening the thematic focus of the collaboration might therefore contribute to mitigate the risk of capacity constraints within NTA.

One idea deriving from discussions as part of this study is to gradually introduce NTA specialists to the collaboration by engaging them first as home-based online experts for the African partners. The next step would be to change status from home-based expert to visiting adviser (NTA and Norad 07.02.2012; AT 09.11.2012).

In Zambia, Norway is funding an IMF consultant who initially was planned to be full time at ZRA. The German Agency for International Cooperation (GIZ) has recently engaged a long-term adviser who is based at ZRA's small and medium taxpayer unit. The recruitment processes for the IMF and GIZ's long-term advisers demonstrated that it is difficult to find available experts with the required expertise and experience. The demand for highly skilled tax experts is high internationally. Some experts are also hesitant to relocate and to take on board longer-term commitments (IMF 07.11.2011; and GIZ 03.11.2011). The solution for the IMF adviser was to change the engagement from long-term adviser to a peripatetic advisor.

9.2.2 Visibility within the organisation

Currently, one of the NTA teams has posted information on NTA's intranet in the form of travel letters, but there is no information on the official webpage (per May 2012). Tax administration web pages typically have taxpayers as their target group. Information about how to pay tax and user friendliness therefore shapes the tax administration's communication strategy. The potential for web visibility of international projects and engagements may therefore be different than what is observed in other institutions involved in institutional partnerships in developing countries.

Currently, there is no unit within NTA specialised on international development work that provides training, visibility and career opportunities for tax officers. This option should be considered if NTA's work in developing countries expands.

9.3 Dealing with unforeseen circumstances

At the end of 2011, NTA advisers suggested that a more thorough preparatory course would have been beneficial before visiting the partner institution. In cases where some of the involved staff knew the country relatively well, the other members still felt that they would have benefitted from more information in advance. In particular, knowledge about the country context and culture was demanded. For instance, NTA advisers were not prepared to experience the direct political interventions in the revenue authorities' daily operations, which had implications on the capacity building activities. There are frequent stories about tax auditors being transferred to remote areas because they did not back down on political pressure not to audit specific companies with powerful owners. Doubt of whether a case would win through the judicial system is another factor that may influence the choice of which companies to be audited. For the involved Norwegian advisers this perceived pressure and the

following considerations took a while to understand. Such challenges are relevant to include in future preparatory training of NTA-advisers (NTA and Norad 07.02.2012).

Timing visits and activities to the period around an election should be avoided. For instance, after the Zambian elections in 2011 the new President appointed a new Commissioner General of ZRA. Such a change of management is likely to have substantial impacts on the organisation. The staff is well aware that such changes may take place after the election, and sometimes this is reflected in the way they conduct their daily tasks. The NTA visit to ZRA that was supposed to take place just weeks before the elections had to be cancelled due to the uncertain circumstances the election period had created within the institution. This lesson is also relevant for work in other African countries.

9.3.1 Securing future support from key institutions in Norway

The current Director General of Taxation in Norway has given strong support to NTA's projects in Africa. However, his tenure ends in March 2013. Whether a possible new director will be as strongly supportive remains to be seen. Yet, to increase the probability for sustainable capacity building a long-term perspective is essential and should not rely on changes in top managerial positions. This risk can be mitigated by rooting the institutional development work in NTA's longer-term strategy.

The related ministries in Norway may help to strengthen the support for the project if a feeling of ownership is established. NTA has briefed the Norwegian Ministry of Finance (MoF) that NTA is focusing on tax administration and not on legal issues. The latter is the responsibility of the MoF (NTA 04.11.2012). The Norwegian MoF has approved the projects, but the degree of ownership felt by the Norwegian Ministry of Finance is unclear. There might also be differences between the MoF and the Norwegian Ministry of Foreign Affairs about the content and objectives of capacity building projects in Africa.

Compared to the overall Norwegian development budget in each of the countries, the annual costs of the partnership is relatively low. Even if the political support in Norway for capacity building may fade, the Embassies may have some discretion to continue the funding.

9.4 Coordination

9.4.1 Coordination with public planning

In all three countries the project activities are fitted into the overall strategic plans of the revenue authorities. The aim is to build capacity in areas that need to be strengthened (AT 07.11.2011; TRA 15.11.2011; ZRA 02.11.2011). For instance, NTA's capacity building on specialised mining tax audit in Zambia is part of the overall strategy of ZRA and the work plan of the Mining Unit (ZRA 02.11.2011).

9.4.2 Coordination with other donors

At the time of the initial round of interviews for this report (November 2011), the Norwegian Tax Administration was the only external institution involved in joint tax audits of companies in extractive industries in Mozambique and Zambia, but AT, TRA and ZRA have all indicated that they are interested in support to build capacity for specialised tax audits in other sectors, too. There is, however, a risk for duplication of efforts by donors in the coming years, due to the increasing interest in the donor community to support reforms of the tax systems. In Mozambique, for instance, both the Brazilian and Spanish tax administrations have offered bilateral technical assistance to AT.

The partners active in or funding programmes in Zambia Revenue Authority are Norway, GIZ, Investment Climate Facility, IMF, USAID and PEMFA (the Public Expenditure Management and Financial Accountability project at the Ministry of Finance). PEMFA, among other PFM elements, also includes a considerable element of tax administration at ZRA. The cooperating partners contributing to this (basket) programme are DFID, the European Commission, Ireland, Finland and Germany, Sweden, the World Bank, the African Development Bank and USAID. GIZ has for some time had long-term advisers in the Ministry of Finance and has recently expanded its support with a long-term advisor in ZRA who focuses on small and medium sized taxpayers (GIZ 03.11.2011). The Norwegian Embassy in Lusaka has been concerned over the coordination and cooperation between all these partners and suggested that a “tax administration donors committee” be set up. The Committee which meets from time to time, under the chairmanship of DFID, has a seat on ZRA’s “Project Steering Committee” led by ZRA’s Commissioner General. The Committee is the supreme management institution for projects/programmes under the ZRA corporate plan as well as the cooperating partner programmes linked to them. The Country Economist of the Embassy of Norway presently represents the donors in this Committee (Isaksen, 8 August 2012).

In Mozambique, five countries (Germany, Belgium, Norway, Britain and Switzerland) channel part of their funding to AT through the Tax Common Fund. Currently, Norway is the leading donor of the tax basket. The German Development Bank (KfW), which previously led the basket, refers to the fund as ‘international best practice’ in donor coordination on tax reform (Fjeldstad and Heggstad 2011: 90). In Tanzania the basket fund for tax currently has only two members, DFID and Danida. Previously the World Bank was also part of the basket. The basket members have observed that more actors are coming into the field of taxation, but that some of the newcomers channel their funding outside of the tax basket. Even though a system for donor coordination is established in the revenue authority, uncoordinated approaches by some donors are likely to increase the workload and coordination challenges of the revenue authority, reflected in time consuming reporting and meetings (DFID 17.11.2011; and Danida 17.11.2011).

Tanzania Revenue Authority is a good example of how donor coordination can be organised. The Planning and Modernisation Unit informs new donors about who are already involved from the donor side and in what activities. The Unit is the contact point for all external partners of the TRA. The head of the unit coordinates information and contacts and ensures that the top management is updated. In this way TRA seeks to avoid that any donor funded activities are initiated before they are fitted into the broader set of ongoing initiatives in the institution. By giving development partners information about when they are welcome and what inputs are needed, the burden of hosting visiting donor delegations is to a large extent controlled (TRA 15.11.2011).

9.4.3 Coordination with other Norwegian initiatives

In Norway the capacity building projects add a technical support element to the portfolio of the Tax for Development programme. The combination of research funding and capacity building creates room for practical use of the knowledge from the broader research programmes. Combining support for capacity building in tax administrations and support to civil society creates possibilities for more and better dialogue between the two. This is seen in meetings and conferences where individuals engaged in activities organised under the Tfd umbrella have exchanged experiences and insights on good practices. The tax workshops in Maputo 2011 and Lusaka 2012 are examples of such meeting places (Heggstad et al. 2011 and Gisler et al. 2012).

In some cases where petroleum taxation is the focus there is potential for complementary efforts between Tax for Development and Oil for Development (see Box 4). The latter has a broad mandate to support developing countries in managing petroleum resources, including revenue enhancement, environmental issues and specific petroleum sector advice by engineers. There is, however, also a danger for duplication, in particular in Mozambique and Tanzania, although the coordinating role of the Embassies at the country level lowers the risk. The broad agreement is that Oil for Development

shall focus on tax policy while NTA will collaborate with the revenue authorities on activities related to revenue collection and taxpayer compliance.

BOX 4: OIL FOR DEVELOPMENT

“The Norwegian Oil for Development (OfD) initiative aims at assisting developing countries, upon their request, in their efforts to manage petroleum resources in a way that generates economic growth and promotes the welfare of the whole population in an environmentally sustainable way.”

Link: <http://www.norad.no/en/thematic-areas/energy/oil-for-development>

By May 2012, OfD and Tfd were organised in different units in Norad, but with offices close to each other they participate in each other’s meetings and share information of relevance for both programmes. Ongoing adjustments to the 2011 reorganisation of Norad may lead to an integration of Tfd and OfD in one unit. This may strengthen the initiatives to develop and improve the petroleum tax regimes in partner countries. However, it is important to ensure that the non-petroleum related activities of Tfd are maintained and possibly also expanded.

The Norwegian Embassies have been important in the three projects. This observation is consistent with the experiences of other Norwegian institutions involved in capacity building in Africa. The embassies are likely to continue to play an important role in the coming years, since no long-term advisers are yet in place and the contextual country knowledge and experiences are relatively limited for most of the NTA advisers.

9.5 Measuring impact and progress

This report is part of Tfd’s effort to document the processes of institutional capacity building in tax administrations in Africa with the purpose to extract lessons and experiences of relevance for the continuation of the current projects and future initiatives. The reports written by the NTA teams after each country visit also provide important documentation of the experiences. It is, however, important to emphasise that it is too early to make an impact assessment of the work.

In Tanzania and Mozambique there is no formalised agreement of the framework for the partnerships since the programme documents are not in place. Although the team in Mozambique has created an action plan, this is not linked to an overarching strategy. Future evaluations of the partnerships will be challenging without indicators and benchmarks that have been established from the beginning.

10. Considerations for the continuation of the collaboration

This report has documented the background for, and design of, the institutional collaboration between NTA and the revenue authorities in Mozambique, Tanzania and Zambia. The capacity building agreements have formally been active for less than a year in all the three countries. It is therefore too early to assess or to make any meaningful conclusions about the impacts of the work done so far. However, based on the reflections of the partners and on experiences from other institutional partnerships we will recommend some measures to be considered for the next phase of the institutional partnerships.

10.1 Considerations for the Norwegian Embassies, AT, TRA, ZRA and NTA

Create programme documents for the partnership and sign agreements: Programme documents are required to reduce the scope for misunderstandings, establish clearer milestones, manage expectations, create a framework for monitoring and evaluating progress and strengthen administrative efficiency. Further, an agreement (based on an approved programme document) signed by the heads of the partner organisations is important to secure institutional ownership. It is also in accordance with good practice from other capacity building projects.

Continue to work closely with the Norwegian Embassies: In accordance with experiences from other Norwegian institutional partnerships, support from and engagement by the Norwegian embassy in the respective country are crucial in the initial phase of the project. Due to the expansion of donor supported activities related to taxation the embassies' role is likely to increase in importance in the coming years. Other capacity building projects have experienced that the efforts have been strengthened when the work is coordinated with national plans, basket funding, and other donor funding. The Norwegian embassies in Mozambique, Tanzania and Zambia have all provided important support and have funded the projects. In particular, the country economists at the embassies have prioritised tasks related to the NTA visits. Since the country economists are based at the embassies for limited periods of time, it is important to ensure a smooth transition by providing the incoming country economists with sufficient information about the projects and introducing them to the project teams. Regarding a possible expansion of the tax administrative work to other countries, the recommendation from the people involved in the current three countries is clear: prioritise countries where there is a Norwegian Embassy.

Consider the sustainability of the project on a continuous basis: Experiences from the three countries show that the African revenue authorities have benefitted from the work through knowledge transfer. AT and ZRA have also profited from practical audit capacity building. All parties have expressed strong interest to continue the collaboration. Sustainability, however, can be threatened by the political and economic environment, such as changes in the political leadership and aid priorities in Norway. But it can also be threatened by reduced interest within one or both partner institutions. While it is important to keep an eye on the political and economic development in the partner countries, there are unforeseen events one cannot plan for. Impacts of elections and resignation of key people, however, may to some extent be included as risk factors in the planning. At the institutional level, close follow-up at the home office of the NTA advisers is important. Measures that have helped other Norwegian Institutions are: i) to establish an international unit; ii) to have one home based coordinator for each country project; and iii) to create visibility of the activities through intranet, the external web page, presentations, media and management support. 'Low hanging fruits' can provide a sense of progress, motivate partners and satisfy donors, while the partners are working towards longer-term goals.

Strive for realism in expectations, plans and framework agreements: The partnerships between the three African revenue authorities and NTA are at an early stage. As the personal connections and mutual understanding of tasks and challenges matures, it is likely that adjustments have to be made based on experiences of what are realistic outcomes within given time horizons. From other institutional partnerships one success criterion has been ability to adjust the expectations as the conditions for implementing the capacity building project become clearer. Some of the NTA advisers have expressed concern that the expected results of training seminars have been too high. The partnership addresses highly complex issues. It takes time to transform the training into practical application. In some areas, for instance on transfer pricing, capacity building requires specialised training at an advanced technical level over time. With respect to transfer pricing, the concrete value of training a few staff members over time, is questioned by some while others have expressed a strong interest. Successful audits and legal action against wrongdoings in a transfer mispricing case, will also impact on the capacity of structures outside of the tax administration, such as the judicial system. Further, external consultants can be hired to manage the most demanding tasks. Norad can also be used for advice and as a resource base for development planning, strategies and training.

10.2 Considerations for the Norwegian Tax Administration

Address capacity shortages of involved advisers in the Norwegian Tax Administration: This issue is important for the sustainability and scope of the project. Recommendations supported by the experiences of other Norwegian institutions include: a) improved training of advisers; b) higher visibility within NTA; c) a larger pool of advisers; d) freeing advisers from obligations at home; and e) adjust or change the focus of the activities to create realistic goals for available expertise. More active attempts to use retired NTA staff may also be considered. This would be financially attractive for retired staff members who are now allowed to take employment without cuts in their pensions.¹¹

Where there are difficulties to build a stable core team of short-term advisers, a long-term adviser could help maintaining the personal relationships and build local knowledge over time. Regarding complex tax issues that require highly specialised expertise, it should be considered to establish a home-based expert panel who do not have to travel, but who will serve as support to the in-country advisers. Expertise that otherwise would be difficult to include in the visiting adviser teams could then be made available for AT, TRA and ZRA. If NTA's work in developing countries is expanding, NTA should consider engaging a person whose main tasks would be to follow up the capacity building projects, be a liaison between the peripatetic advisers and the in-house expert panel, participate at quarterly and annual meetings, etc. on a full time basis. For some activities, NTA should assess whether it is NTA or someone else who can deliver best quality on time. Continued assessment of the appropriateness and realism of various modes of collaboration may enable the projects to adapt to changing circumstances both in terms of capacity and requests.

10.3 Considerations for AT, TRA and ZRA

The African revenue authorities can benefit from keeping records and monitor the progress of the partnership: This type of documentation will come in addition to the reporting required by and submitted to the donor. It will enable the revenue authority to record information and document the

¹¹ The OECD *Centre for Tax Policy and Administration*, backed by the *Task Force on Taxation and Development*, has recently announced a commitment to try to establish 'Tax Collectors Without Borders'. The aim of this initiative is to make international tax experts available to support the tax agencies of poor countries. The OECD hopes to establish 'Tax Collectors Without Borders' as an independent organisation, possibly answerable to international associations of tax professionals, which will be funded at least in part from the charges that it levies for its services (Moore 2012).

process and whether the work is done in accordance with the institution's needs and strategic plan. Such documentation may also provide lessons for the design of future projects. Lessons from the experiences with NTA could also be applied when developing partnerships with other partners. Likewise NTA may want to keep its own records that have a different purpose and content than the progress reports submitted to the Embassies and the Tfd. For instance, knowledge of how the political situation and power relations in the African countries impact on the work of the revenue authorities are concrete learning points that would be valuable to pass on to new advisers.

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Interviews and meetings

Institution	Persons interviewed	Date and place
Autoridade Tributária de Moçambique (AT)	Hermínio Sueia General Director of Planning, Studies and International Cooperation; Tapú Mamne, Arlindo José António da Graca and more representatives from the research and international departments	07.11.2011, Maputo, Mozambique 10.05.2012, Maputo, Mozambique
AT Audit Team and the Large Taxpayer Unit	Asmucrai, Director, Francisco Maguma and three more representatives from the Large Taxpayer Unit	09.11.2011, Maputo, Mozambique
AT General Directorate of Internal Taxes, Planning, Studies and International Cooperation Office	Percina Rosa Salvador Siteo, Deputy Director-General of General Directorate of Internal Taxes; Sheila Cristina Goncalves, Head of Division Planning, Studies and International Cooperation Office and fourteen staff members	09.11.2011, Maputo, Mozambique
Chr. Michelsen Institute (CMI)	Inge Tvedten, Senior Researcher	31.08.2011, Bergen, Norway
Danish International Development Agency (Danida)	Signe Skovbakk Albjerg Winding, First Secretary Macro Economy and Mikkel Klim, Programme Coordinator Business Sector	17.11.2011, Dar es Salaam, Tanzania
Department for International Development (DFID), United Kingdom	Adrian Stone, Senior Growth Adviser	17.11.2011, Dar es Salaam, Tanzania
German Agency for International Cooperation (GIZ)	Mari Tertsunen, Programme Director and Martin Phillips, Budget Adviser	03.11.11, Lusaka, Zambia
Het Expertise Centrum (HEC)	J.H.M. van Deuren and Peter Jongkind, Consultants	09.11.2011, Maputo, Mozambique
Instituto Nacional de Petróleo (INP)	João A. Manjate, Director of Administration and Finance, Hélder Dinisio Siteo, Economist, Célia de Amor G Correia, Petroleum Engineer	08.11.2011, Maputo, Mozambique
International Monetary Fund (IMF)	Victor Duarte Llendo, Resident Representative	07.11.2011, Maputo Mozambique
International Monetary Fund (IMF)	Perry Perone, Resident Representative	01.11.2011, Lusaka, Zambia
International Monetary Fund (IMF)	John Wakeman-Linn, Senior Resident Representative	17.11.2011, Dar es Salaam, Tanzania
Japan International Cooperation Agency	Kuroda Takanoubu 'Kobby' Programme Adviser and Ozeki Yuzuru, Adviser	14.11.2011, Dar es Salaam, Tanzania
Norwegian Office of the Auditor General [NOAG]	Svend Skjønberg, Senior Adviser; Knut Nyfløt, Senior Adviser	25.08.2011, Oslo, Norway
Norwegian Office of the Auditor General [NOAG]	Svend Skjønberg, Senior Adviser	07.05.12, Bergen, Norway
Norwegian Tax Administration	Svein Osvik, NTA team leader Zambia	04.11.2011, Lusaka, Zambia

Institution	Persons interviewed	Date and place
Norwegian Tax Administration (NTA) and Norad	Tanja Ustvedt, Senior Adviser and Marte Briseid, Adviser, Norad; Fredrik Aksnes, International Director, Svein Osvik, NTA team leader Zambia and Kirsten Underland, Audit Manger, NTA	26.08.2011, Oslo, Norway
Norwegian Tax Administration (NTA) and Norad	Tori Hoven, Assistant Director Department for Economic Development, Energy, Gender and Governance, Tanja Ustvedt, Senior Adviser and Marte Briseid, Adviser, Norad; Håvard Holterud, Director department of tax audits at the Oil Taxation Office, Svein Osvik, NTA team leader Zambia, Frank Lange, Senior Tax Adviser, Kirsten Underland, Audit Manger, Kirsten Ånneland, Head of Department, Britt Inger Ileby, Senior Manager, Geir Sveen, Senior Adviser and Vegard Kristiansen, Director Central Tax Office for Large Enterprises NTA	07.02.2012 Oslo, Norway
Oil for Development, Norad	Hege Sandvand Hegertun, Adviser and Trond Hjørungdal, Senior Adviser, OfD	25.08.2011, Oslo, Norway
Royal Norwegian Embassy [RNE], Dar es Salaam	Olav Lundstøl, Country Economist	14.11.2011, Dar es Salaam, Tanzania 02.05.2012, Dar es Salaam, Tanzania
Royal Norwegian Embassy [RNE], Lusaka	Arve Ofstad, Ambassador; Torfinn Rislåa Arntsen, Minister Counsellor; Jan Isaksen, Country Economist	31.10.2011, Lusaka, Zambia 17.04.2012, Lusaka, Zambia
Royal Norwegian Embassy [RNE], Maputo	Tove Bruvik Westberg, Ambassador; Marit Strand, Country Economist	06.11.2011, Maputo, Mozambique 07.05.2012, Maputo, Mozambique 21.05.2012, Maputo, Mozambique
Statistics Norway, Division for Development Cooperation	Bjørn K. Getz Wold, Director, Division for Development Cooperation, Geir Øvensen, Senior Statistical Adviser, Stein Opdahl, Senior Adviser	25.08.2011, Oslo, Norway
Tanzania Revenue Authority (TRA)	Harry Kitillya, Commissioner General; Mary Maganga, Programme Manager, Planning and Modernisation	14.11.2011, Dar es Salaam, Tanzania
TRA Planning and Modernisation Unit	Mary Maganga, Programme Manager, Planning and Modernisation	15.11.2011, Dar es Salaam, Tanzania 20.03.2012, Dar es Salaam, Tanzania
University of Bergen, Department of Administration and Organization Theory	Steinar Askvik, Professor	13.09. 2011, Bergen, Norway
Zambia Revenue Authority (ZRA), Domestic Taxes and the Mining Unit	Pricilla Banda, Director Domestic Taxes; Peter Phiri, Director Mining Tax Unit	02.11.2011 Lusaka, Zambia

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Annex 1: Tax for Development's mandate

Godkjent av Avdeling for

regionale spørsmål og utvikling

Juni 2011

U.off. § 14.1

Programdokument: Skatt for utvikling

Bakgrunn

Norge er involvert i arbeid relatert til skatt og utvikling på flere områder. Formålet med programmet Skatt for utvikling (SfU) er å styrke dette arbeidet, å synliggjøre den norske innsatsen og å se de ulike initiativene i sammenheng.

Programmet må ses i sammenheng med økt internasjonalt fokus på økonomisk vekst, verdiskaping, næringsutvikling, og mobilisering av egne inntekter i utviklingsland. Skatteengasjementet er også knyttet til norsk innsats innenfor naturressursforvaltning, kapitalflukt og arbeid med finansforvaltning.

Begrunnelse

Et fungerende skattesystem er en nødvendig forutsetning for en bærekraftig stat og for langsiktig økonomisk utvikling. Bistand er en viktig inntektskilde for fattige land, men etter hvert som økonomien utvikles må bistand erstattes av stabile og forutsigbare inntekter som kontrolleres av landet selv. Et velfungerende skattesystem styrker statens troverdighet og legitimitet og bidrar til en mer kompetent statsadministrasjon. Økt bevissthet i befolkningen, offentlig debatt om bruken av skatteinntekter og deltakelse fra sivil samfunn bidrar til demokratiutvikling og ansvarliggjøring av politikere. Robuste institusjoner og administrative prosedyrer fremmer godt styresett og reduserer korrupsjon. Gode skattesystemer kan også bidra til en mer rettferdig fordeling av fordeler og ulemper som følge av økt globalisering. Ulovlig kapitalflyt ut av utviklingsland er mange ganger større enn bistanden som gis til de samme landene og fører til at landene går glipp av store skatteinntekter. Disse inntektene er avgjørende for å få til utvikling og velstandsøkning.

Målsetting

Målsettingen med programmet er å bidra til bedre skattesystemer og økte skatteinntekter i våre samarbeidsland. Med bedre skattesystemer menes mer rettferdig beskatning, større grad av aksept for skattlegging og styrking av den sosiale kontrakten mellom staten og skattebetalerne. Om dette fører til økonomisk vekst og økt velstand for befolkningen, vil avhenge av hvordan de økte skatteinntektene brukes. Bruken av skatteinntekter er ikke det primære anliggende for programmet, men dette vil også være viktig når det gjelder legitimiteten for skatteinnkreving i befolkningen. Fordelingsaspektet vektlegges blant annet gjennom støtte til sivil samfunn og forskningsprogrammer der statsbygging er et viktig element. Bedre skatteregimer og skatteadministrasjoner kan ventes å gi økte skatteinntekter. En viktig faktor blir å hindre ulovlig kapitalflyt ut av landene, både gjennom styrking av kontrollkapasiteten på landnivå og gjennom bedring av det internasjonale rammeverket.

Hovedelementer

Programmet tar utgangspunkt i pågående arbeid relatert til skatt. Dette arbeidet kan deles inn i fire innsatsområder:

- Kapasitetsutvikling på landnivå og regionalt
- Kunnskapsutvikling
- Internasjonalt samarbeid
- Støtte til sivilt samfunn

Programmets fokus er på landnivå, i første omgang Zambia, Tanzania og Mosambik der Norge allerede har et bilateralt samarbeid på skatteområdet som blant annet omfatter institusjonssamarbeid. Støtten til skatterelatert arbeid i andre land gjennom IMF-fondet "Managing Natural Resource Wealth" vil omfatte en større gruppe utvalgte land.

Programmet omfatter også støtte til sivilt samfunn, skatterelatert forskning og internasjonalt samarbeid mot ulovlig kapitalflyt. Et viktig element er å identifisere og styrke koblingene mellom utviklingen på landnivå og pågående internasjonale prosesser og debatter. Det er viktig at erfaringer og synspunkter fra samarbeidsland bringes inn i de internasjonale prosessene, og at arbeidet internasjonalt blir gjort kjent og tatt videre i enkeltland.

All erfaring viser at eierskap og reell vilje til endring i mottakerlandene er avgjørende for at bistand skal være vellykket og gi varig effekt. Det er derfor viktig at ressursene brukes der det er etterspørsel og vilje til endring. Siden det kan bli etterspørsel etter nye innsatser underveis, er det nødvendig at programmet har en stor grad av fleksibilitet. Det kan for eksempel bli aktuelt å utvide samarbeidet til flere land etter hvert. Programmet har et femårig perspektiv i forhold til opptrapping av innsatsen og måling av resultater, men det er forståelse for at kapasitetsutvikling er tidkrevende og at langsiktig engasjement er nødvendig.

Programmet er bygget opp rundt tre temaområder der Norge har forutsetninger for å bidra aktivt og hvor det er store udekkede behov: Naturressursbeskatning, ulovlig kapitalflyt og statsbygging. Dette er områder som prioriteres høyt i samarbeidslandene og i ATAF (African Tax Administration Forum). Det er også områder der Norge har relevant erfaring og har markert seg internasjonalt. Vår kompetanse innen petroleumsbeskatning, både med politikktutforming og administrasjon, er relevant også for beskatning av andre naturressurser. I tillegg vil det bli vurdert å inkludere arbeidet med miljøskatter (rettet mot lokale miljøproblemer) i programmet, avhengig av interessen i samarbeidslandene. Norge har bidratt sterkt til å sette ulovlig kapitalflyt og konsekvensene for utviklingsland på den internasjonale agendaen, blant annet gjennom NOU 2009:19 "Skatteparadis og utvikling". Videre har vi mye kunnskap og erfaring med å bygge gode relasjoner mellom skatteetat og befolkning, noe som er viktig når skatt skal ses i et statsbyggingsperspektiv.

Avgrensninger

Programmet omfatter de innsatser der hovedtyngden ligger på skatteområdet. Det vil si at arbeid på relaterte områder, som også kan ha et skatteelement, ikke faller inn under programmet. Eksempler på dette er hvitvasking, korrupsjon generelt, ulovlig fiske, smugling, arbeid med riksrevisjoner og statistikkbyråer og offentlig finansforvaltning. Når det gjelder arbeid knyttet til korrupsjon i skatteadministrasjonene Norge støtter og samarbeider med, vil dette håndteres i programmet. Programmet Olje for Utvikling er ikke omfattet av skatteprogrammet. Det vil være en løpende dialog og gjensidig informasjonsutveksling mellom de to programmene.

Ansvarsforhold

Det etableres en arbeidsgruppe bestående av UD (SUP, Bankseksjonen og Afrika I) og Norad (Avdeling for økonomisk utvikling, energi, likestilling og styresett) som møtes anslagsvis hver 3. uke. Sammensetningen vil kunne endres over tid. Det holdes halvårlige møter med Finansdepartementet, i tillegg til løpende kontakt ved behov.

Arbeidsgruppen utarbeider årlige arbeidsprogrammer for hver av de fire innsatsområdene. En gang i året rapporteres det på programmets fremdrift. Både programmer og fremdriftsrapporter baseres på input fra de respektive avdelinger/seksjoner og ambassader som er ansvarlig for forvaltningen av de ulike ordningene. Tidsplan utarbeides.

UD/SUP har det overordnede ansvaret for programmet. Dette omfatter innkalling til arbeidsgruppemøter, oppfølging overfor politisk ledelse, koordinering internt i UD og med andre relevante departementer, og løpende kontakt med sekretariatet i Norad (se mandat i vedlegg 2).

Norad har det faglige ansvaret for programmet. Det innebærer å gi råd og kvalitetssikre arbeidet i UD/ambassadene og å være ansvarlig for at erfaringene fra programmet blir dokumentert og systematisert, samt at den samlede norske innsatsen blir evaluert (se mandat i vedlegg 3).

Bankseksjonen følger opp arbeidet mot ulovlig kapitalflukt i internasjonale fora som IMF og Verdensbanken, og Seksjon for Afrika I følger opp ambassadene og deres skatterelaterte innsats i utvalgte samarbeidsland. Begge seksjoner har ansvar for å holde koordinatoren og arbeidsgruppen løpende orientert om aktiviteter relatert til programmet.

Ambassadene har ansvar for å lage helhetlige planer for arbeidet med skatt og kapitalflukt på landnivå, som del av den regulære planleggingsprosessen.

Vedlegg:

- 1 Skatterelatert innsats 2009-2010 og tentativt budsjett for 2011-2012, samt forslag til kriterier for videre satsing
- 2 Mandat for koordinator
- 3 Mandat for sekretariatet

Vedlegg 1

Forslag til kriterier for satsing fremover:

- Etterspørsel etter norsk innsats og reell vilje til endring
- Politiske prioriteringer, kapasitet og kompetanse i Norge
- Muligheter for synergieffekter ved å samarbeide med andre aktører, som f.eks. IMF og OECD
- Prioritering av Sør-Sør samarbeid
- Søke å øke innsatsen rettet mot parlamentarikere og media
- Sørge for god koordinering og komplementaritet med OfU der begge programmer er inne

Vedlegg 2

Mandat for koordinator:

- Ha det overordnede ansvaret for programmet, inkludert politisk budskap og profil.
- Koordinere og levere innspill til politisk ledelse vedrørende skatt og utvikling, og også selv bidra til synliggjøring av innsatsen utad.
- Koordinere synspunkter internt i UD, med Norad og ev. med andre departementer.

- Innkalle til og lede regulære arbeidsgruppemøter og halvårslige møter med FIN, samt andre møter etter behov.
- Holde løpende kontakt med sekretariatet i Norad og være løpende orientert om aktiviteter under programmet.
- Lage og oppdatere oversikt over arrangementer tilknyttet programmet.
- Følge opp skatt som utviklingspolitisk satsing i budsjettprosessene.
- Delta på nasjonale og internasjonale arrangementer, med spesielt ansvar for oppfølging av OECDs arbeid innen skatt og utvikling.

Vedlegg 3

Mandat for sekretariatet:

- Være et fagmiljø innen skatt og utvikling (koblingen mellom bistandsfag og sektorfag) og utvide Norads faglige ressursbase knyttet til skattespørsmål ved å skape relasjoner til og trekke på relevante fagmiljø i Norge. Initiere analytiske studier etter behov.
- Gi råd og innspill overfor UD mht strategiske valg og prioriteringer i utviklingen av programmet.
- Koordinere Norads innspill overfor UD på de områder som faller inn under programmet.
- Organisere temamøter/seminarer med relevante instanser etter behov (både i Norge og internasjonalt).
- Gi råd og kvalitetssikre arbeidet som gjøres på ambassadene. Ha ansvaret for at det gjøres evalueringer (appraisals) av programdokumenter (selv eller ved hjelp av konsulenter).
- Bidra med råd og opplæring om bistandsarbeid overfor Skattedirektoratet, blant annet i form av kurs og seminarer.
- Følge opp støtten til ATAF og se på muligheten for et nærmere samarbeid.
- Identifisere, stimulere og eventuelt samarbeide med sivilt samfunn som jobber med skattespørsmål (sammen med SIVSA og ambassadene).
- Delta i internasjonale arbeidsgrupper, som OECD DAC Task Team on Taxation and Statebuilding.
- Forvalte avtalen og sitte i styringsgruppen til IMF-fondet MNRW (sammen med OfU).
- Forvalte avtalen, sitte i styringsgruppen og utvikle et faglig samarbeid med forskningskonsortiet International Center for Tax and Development.
- Gi innspill til programkomiteen for forskningsprogrammet TAXCAPDEV i NORGLOBAL gjennom Norads representant. Samarbeide med UFO om formidling av resultater fra forskningsprogrammene.
- Sørge for en god dialog med OfU, særlig om arbeidet i land der begge programmer er representert.
- Ha det faglige ansvaret for å se de ulike innsatsene i skatteprogrammet i sammenheng og foreslå aktiviteter/satsinger som omfatter flere innsatser. Ha fokus på hvordan erfaringer fra landnivå kan bringes inn i internasjonale fora og prosesser og hvordan internasjonale fora og prosesser kan dras nytte av på landnivå.
- Ha ansvar for et opplegg for å dokumentere og følge opp den norske bilaterale innsatsen på skatteområdet. Formålet er å samle eksisterende kunnskap slik at innretningen på arbeidet kan bli best mulig, samt å systematisere erfaringer og innsikt som genereres underveis og som kan være nyttig i andre sammenhenger /programmer. Ha ansvar for at det foretas "reviews" av programmet, for eksempel etter 2,5 og 5 år.
- Utarbeide en kommunikasjonsstrategi for programmet, samt synliggjøre omfanget av programmet i form en egen temaside om skatt på norad.no.

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The Revenue Authorities of Mozambique, Tanzania and Zambia have initiated a partnership for capacity building with the Norwegian Tax Administration (NTA). The overarching objective of the collaboration is to improve revenue collection and increase taxpayer compliance by building specialised technical expertise in the African revenue administrations. Part I of this report documents how the collaboration was initiated and designed from the start until May 2012. Part II of the report draws lessons from institutional capacity building in other sectors where Norwegian institutions have been involved, and relates some of these experiences to the current work in tax administrations.