

Global Tax Program

An umbrella trust fund that focuses on strengthening tax systems in developing countries



Target Establishment Date:
September 2017

Duration:
6 years
(2017-2024)

Target Size:
US\$72.17 million

Geographic Scope:
Global, regional, and country levels

Managing Unit:
The World Bank's Macroeconomics, Trade and Investment (MTI) Global Practice

Purpose and Rationale

The Global Tax Program (GTP) seeks to strengthen the tax systems of developing countries by facilitating the design and implementation of evidence-based tax reforms. Domestic Revenue Mobilization (DRM) is a central pillar of the global 2030 Financing for Development agenda, reflecting the financing needed in many developing countries to meet the Sustainable Development Goals (SDGs). The connection between taxation and SDGs follows four broad pathways: (1) Taxation is a fundamental element in securing public revenues that make it possible to finance investments in human capital, infrastructure, and the provision of services for citizens and businesses. And developing countries that are most in need of revenues, including fragile and conflict-affected countries, often face the steepest challenges in collecting taxes; (2) taxes affect equity and economic growth; (3) taxes influence people's behavior and choices, with implications for health outcomes, equity, and the environment; and (4) fair and equitable taxation promotes taxpayer trust in government and strengthens social contracts that underpin development. Taxes have a key role to play in making growth sustainable, inclusive and equitable, especially in the context of the COVID-19 crisis, and through such efforts as "greening" tax systems, curbing consumption of unhealthy products, and fighting tax evasion and avoidance.

Strategy

With a strong representation in developing countries and a wide range of instruments for supporting reform, GTP implements a broad package of activities tailored to the specific policy and capacity development needs on the ground, while assisting countries in addressing key international tax issues. GTP also supports knowledge creation, knowledge management and sharing on domestic resource mobilization (DRM) and the expansion of these activities and tools on a global scale. In May 2020, the GTP Steering Committee (SC) created a temporal Fiscal Policy Pillar (FPP) to accommodate rapid responses to address the economic and fiscal impact of COVID-19, providing just-in-time advice to governments on fiscal policy measures designed to contribute to sustainable and inclusive growth.

IDA and Fragility, Conflict and Violence (FCV)

GTP mirrors the WB's commitment to focus support on IDA countries and those with tax-to-GDP ratios below 15 percent. The design of the Program and allocation of resources are also guided by the WB's effort to increase its focus on FCV countries, recognized by IDA 18-19 as one of the most pressing challenges to the Sustainable Development Goals (SDGs). As of the end of FY20, US\$15.6 million (30 percent) of GTP's portfolio was allocated to FCVs and IDA countries, mostly in Africa.

Equity and Gender

Equity is a cross-cutting priority that is central to the strategy of GTP. The program supports governments with their efforts to increase revenue mobilization, enhance sustainable growth, and reduce compliance costs while ensuring that the tax system is fair and equitable. To address equity considerations, traditional distributional analysis is implemented alongside a stronger focus on gender wherever appropriate. For example, in FY20, GTP and the World Bank's Gender Unit worked on the design of a new initiative in Ethiopia that provides support to build data collection and analysis capacity on taxation across different socioeconomic and demographic groups, to better understand the economic needs of these groups.

Climate and Sustainability

GTP's technical assistance focuses on tax measures to promote economic recovery and sustainable growth, with the goal of equipping governments with the knowledge to introduce changes in tax policy that promote green growth and climate resilience. In FY20, GTP launched an initiative to design a Carbon Pricing Assessment Tool (CPAT), which aims to allow governments to rapidly assess and design green fiscal policy instruments.

Sector-related Tax Issues

GTP prioritizes comprehensive reforms that include tax policy instruments to encourage a change of behavior including health taxes and revenue management of extractive industries and natural resources. Offering proposals for improvement, the World Bank supports governments in the design and implementation of sector-specific instruments. Using tobacco tax as an example, countries require technical assistance in this particular area of tax reform in order to deal with issues such as its potential regressivity; subsequently, the GTP assistance includes specific analytical tools aimed at improving analysis in the preparation of tobacco taxation as part of an integral development plan, looking at tobacco taxation from a multi-sectoral angle to assess distributional impacts.

Implementation

As of FY20, US\$51.24 million has been allocated to active projects. 7 percent of this funding has been assigned to Window 1: Global Tax and Global Public goods activities; 82 percent to Window 2: Country Level Activities; 6 percent to Window 3: Actionable Research and Knowledge-related Projects; and 6 percent to Window 4: Program Management. Project teams have proposed a total of 52 reform recommendations during this last Fiscal Year, for a total of 122 recommendations since the program's inception. From this total, 45 reform recommendations were endorsed by client governments in 21 countries and 74 capacity building events were conducted, 16 of them with a regional approach.



Partnerships

Since the Global Tax Program's inception, the number of development partners that fund the program has increased from three to nine and as of FY20-end includes Australia, Denmark, France, Japan, Luxembourg, Netherlands, Norway, Switzerland, and the United Kingdom. GTP combines different types of funds. As tax is cross-cutting, the team works across global and regional teams in the Bank, providing actionable research that tackles many of the emerging research agendas and topics in the fields of tax and DRM, including tax in sectors, climate, and gender. The GTP invests in knowledge and collaboration across the Bank, combining sectoral, policy and administrative aspects to reinforce core Bank agendas.

Contact Information

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