

STUDY ON MAPPING

INTERNATIONAL SUPPORT TO TAXATION



International
Monetary
Fund



European
Commission
Taxation and Customs Union



World Bank
Group



Inter-American
Development
Bank



DFID

Department for
International
Development



STUDY ON MAPPING INTERNATIONAL SUPPORT TO TAXATION

Study commissioned
by the International Tax Compact (ITC)
in collaboration
with the International Tax Dialogue (ITD)

final version:
June 2012



Imprint

The International Tax Compact (ITC) is an international development policy initiative to fight against tax evasion and inappropriate tax practices in developing countries. The German Federal Ministry for Economic Cooperation and Development (BMZ) has launched the initiative and commissioned GIZ and KfW to support the implementation.

Commissioned and supervised by

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
on behalf of the Federal Ministry for Economic Cooperation and
Development (BMZ)

In collaboration with

the International Tax Dialogue (ITD)

Published by

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
Roland von Frankenhorst
Head of Sector Project International Tax Compact (ITC)
Dag Hammarskjöld Weg 1-5
65760 Eschborn
T +49 6196 79-0
F +49 6196 79-801639
I www.giz.de

Authors

Virginia Tortella
Dr Ute Eckardt

Design and layout

Gudrun Barenbrock, Cologne

Bonn, June 2012

Table of Contents

Acronyms	5
Executive Summary	6
1. Introduction	13
1.1 Purpose and Scope	14
1.2 Methodology	16
2. Sources of Information that allow regular updating and aggregate analysis of international support to taxation:	
DAC Aid Statistics and ITD TA Database	17
2.1 DAC Aid Statistics	18
2.1.1 Description of CRS Aid Activity Database search for 2009 on DAC donors' USD Commitments	18
2.1.2 Conclusions from search	23
2.1.3 Analysis of data of CRS Aid Activity data for 2009 DAC Donors' USD commitments	26
2.1.4 Conclusions of Analysis	32
2.2 International Tax Dialogue Technical Assistance Database	34
2.2.1 Description of search of ITD TA database for 2009 and 2010	34
2.2.2 Conclusions from search	36
2.2.3 Analysis of data from ITD TA Database for 2009 and 2010	36
2.2.4 Conclusions of Analysis	39
3. Demand for regularly updated and aggregated data on international support to taxation	40
3.1 Views of the donor community	41
3.2 Views of partner countries	43
Example - Rwanda Revenue Authority	43
Example - El Salvador's General Internal Revenue Service of the Ministry of Finance	44
4. What are the gaps between information supply and demand?	46

5. The road ahead	51
6. Conclusions	55
7. References	56
8. List of Annexes	57
Annex 1 – Terms of Reference	
Annex 2 – CRS Purpose Codes	
Annex 3 – Structured questions for donor community	
Annex 4 – Structured questions for partner countries	
Annex 5 – List of donor agencies and tax administrations interviewed	

Boxes

Box 1: Most common CRS Codes where taxation projects are included	19
Box 2: Details of Taxation Activities Search for 2009 USD Commitments in DAC CRS Aid Activity Database	21
Box 3: Details of the Search	35
Box 4: Comparison of thematic areas in studies	48

Figures

Fig 1: Donor Taxation activities captured according to search of CRS Purpose codes	26
Fig 2: Donor taxation activities according to word search in CRS Aid Activity Database	27
Fig 3: Donor taxation activities by region	28
Fig 4: Donor activities by number of projects and funding	30
Fig 5: Providers by region	36
Fig 6: Providers by activity type	38

Acronyms

ADETEF	L'agence de coopération technique internationale des ministères chargés de l'économie et du budget
ATAF	African Tax Administration Forum
CIAT	Inter-American Center of Tax Administration
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DFID	UK Department for International Development
EC	European Commission
GIRS	General Internal Revenue Service (El Salvador)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH/German Technical Cooperation
GOVNET	Network on Governance
HQ	Headquarters
IDB	Interamerican Development Bank
IFC	International Finance Cooperation (World Bank Group)
IMF	International Monetary Fund
ITC	International Tax Compact
ITD	International Tax Dialogue
MoF	Ministry of Finance
NGO	Non-governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance/Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
OOF	Other Official Flows
PFM	Public Finance Management
TA	Technical Assistance
UN Tax Committee	United Nations Committee of Experts on International Cooperation in Tax Matters
UN	United Nations
USAID	United States Agency for International Development
USD	United States Dollar
WB	The World Bank Group

Executive Summary

This study is written in the context of two growing trends in cooperation on tax matters between developed and developing countries, which have triggered mounting support to capacity building activities on taxation. These are first, the increased encouragement within the donor community to promote domestic resource mobilisation in partner countries as a means to strengthen accountability links between the state and its citizens, to sustainably finance public services and finally to reduce dependency on aid; second, a new impulse within the G20 process to boost tax transparency and exchange of information among tax administrations.

This paper was commissioned by the International Tax Compact (ITC) in collaboration with the International Tax Dialogue (ITD) with the main objective of offering an overview of existing, publicly available sources of information that could help to map out international support to taxation at aggregate level on a regular basis. The study is organised as follows:

Chapter 2 analyses what sources of information tell us about mapping of international support to taxation at aggregate level. It also covers in detail the content and possibilities for analysis that two databases, namely DAC Aid Statistics and the database of the International Tax Dialogue on Technical Assistance, offer by testing their technical functionality and how accessible they are to the public.

Chapter 3 focuses on shedding light on the demand for regularly updated and aggregated data on international support to taxation from the point of view of both the donor community and recipient countries. It also attempts to assess what type of information would be more useful in their view to acquire a global picture.

Chapter 4 analyses the limitations of available information sources vis-à-vis the demand identified by bilateral donors, international organisations and country recipients.

Chapter 5 looks for alternatives to strengthen available sources of information on international support to taxation on a regular basis.

A. Sources for aggregated data analysis

Sources that facilitate an aggregate analysis based on time series data and on main trends in international support to taxation are limited. There are a number of studies that provide insight into the current landscape of international support to taxation, such as the ITC study of May 2010 or the study on capacity building commissioned by the United Nations (UN) as of October 2010.

However, this existing information gives static snapshots that reflect a particular moment in time. Also, the majority of bilateral and multilateral agencies as well as regional networks on taxation have websites that offer a disaggregated picture of what each organisation is doing individually. The accuracy of the information provided, however, relies greatly on the regularity with which the websites and project databases are updated.

Among the sources reviewed for this study there are currently only two databases which may serve as a starting point to collect aggregated and regularly updated data:

(a) The Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) Aid Statistics show data on tax activities in the Creditor Reporting System (CRS) Aid Activity Database. The search function captures taxation activities through keywords. This study analysed data on DAC donors' USD commitments for 2009.

(b) The International Tax Dialogue (ITD) maintains a database on Technical Assistance (ITD TA database) that focuses exclusively on recording activities undertaken in the field of taxation. The database started functioning in 2009.

Both databases present currently serious limitations and do not currently feature “user friendly“ applications that facilitate a robust aggregated analysis by third parties.

The **CRS Aid Activity Database** shows 157 entries (out of 200,000 in total) related to a taxation keyword in 2009. Most activities are attributed to the CRS code for trade facilitation (here most is related to customs), for public finance management and for public sector policy and administration management. Unfortunately it is not possible to assess to what extent the result of a search covers the existing activities in taxation:

- Some agencies have developed their own internal coding systems, while others follow the CRS purpose code framework. Personnel in charge of putting together the financial reporting to the DAC are often detached from programme staff more familiar with the content and substance of the taxation activities at hand. As a result, the process of transferring the information from internal databases containing specific details about taxation to the DAC CRS Aid Activity database is unclear. Most interview partners within this acknowledged that it is possible that their bilateral agencies' taxation activities may not be reported to the DAC with enough specificity for the CRS Aid Activity database search system to be able to capture it.
- Taxation activities are often components of major sector programmes, so taxation activities do not appear at all if they are not tagged with keywords. The study has found that internal reporting systems on taxation components are often too simplistic. As a result, an undetermined number of taxation activities may remain undetected due to internal systems that fail to capture the nuances of tax-related projects.
- Even if taxation activities are tagged, the share of the taxation activities cannot be specified within the larger programme through the CRS Aid Activity reporting system. Many taxation activities – like the technical assistance measures shown in the ITD database – are not related to heavy investment, and therefore will not show as significant shares in the DAC Statistics related to financial commitments.

As a result, the DAC Statistics give a broad picture on the larger scope of cooperation in tax issues, but in addition to the insecurity of data integrity, the DAC statistics will not provide more detailed information on capacity building in taxation – a gap which can be bridged by the ITD database.

a) The **ITD database on technical assistance** started in 2009, and data included in this database are provided by the organisations themselves through a framework given by ITD. To date, the database only includes a limited number of providers and years: International Monetary Fund (IMF) (2009/2010), World Bank (WB) (2009/2010), OECD (2009/2010), USAID (2009), and the Inter-American Center of Tax Administration (CIAT) (2010). This study can thus assess the potential of the database rather than the actual situation. The analysis must be viewed with caution, as data are not representative. The main findings are:

- consistent with ITC's Mapping Survey and the DAC CRS Aid Activity Database, in regional terms donors are most engaged in Asia;
- in general most activities are short-term, which relates mainly to IMF focusing on missions and OECD on workshops; more resident projects are shown in Africa than in Asia;
- resident projects are mostly reported by the World Bank.

For the purpose of providing an overview of technical assistance activities, the ITD database has great potential:

- the main advantage is that it is exclusively dedicated to taxation, not bound to Overseas Development Assistance (ODA) criteria, and allows for inclusion of other than ODA actors; therefore it allows for sector-specific shaping;
- with a limited amount of information requested, the provision of data and the analysis remain easy;
- data included are precise because the reporting is usually done by headquarters programme staff familiar with the substance of taxation activities;
- searches can be related to the country perspective and provide an overview of activities in a given country and region.

In order to develop this potential, the database can be significantly bolstered. First of all, the database needs to be broadened significantly by including more organisations providing information. Major restructuring is planned in 2011, which will render the ITD TA database content more comprehensive in terms of both providers and substance. This process has already been started by amplifying the data included by bilateral donors in 2011. Also, a couple of improvements in the use of the database could support the broadening of the ITD TA database. The functions currently accessible to the public could be augmented by more search categories, such as "year", "activity type" or "topic." Also, the development of a pre-defined typology on taxation could contribute to showing TA providers' areas of expertise. Still, it is important that the ITD database content remains simple and manageable. Downloading information on to user-friendly software (e.g. Excel) could facilitate aggregate analysis by third parties.

B. Demand for aggregated analysis

In order to look for future possibilities of providing aggregated data on taxation and development on a regular basis, it is important to see what information exactly is requested. The study covers this through a limited number of telephone interviews conducted with selected bilateral and multilateral officials at headquarters on the donor side. For the partner country side two interviews with tax administrations (Rwanda and El Salvador) have been included, as well as the result of a group discussion held at an IMF seminar on resource mobilization in Nairobi, Kenya, in March 2011. This provides at least anecdotal views on what the demand for information to map out international support to taxation could be.

Based on the accounts from donors and partner countries reviewed above, it can be inferred that the objectives for both constituencies to have access to a one-stop searchable source of information on taxation activities differ slightly.

For interested donors, the main reason for obtaining updated and aggregated information in terms of recipient countries, areas of expertise, TA instruments utilised, nature and length of interventions, etc. is to acquire stronger evidence to guide their engagement decisions as well as the impact of their interventions. As such, it appears that what they are looking for is specific detail or granularity on taxation activities at aggregated level. On a secondary level, a centralised and regularly updated source of information would be useful to allow them to analyse and identify how the field of international support to taxation is evolving over time.

For partner countries, a centralised database would help them identify donors active in their countries, providers of expertise in specific areas of technical assistance on taxation, as well as interesting initiatives and taxation projects set up in other countries or regions that could be replicated in their own.

C. Gaps between existing information and demand

The type of information that cannot currently be obtained periodically and aggregately despite the demand for it comprises:

- **Comparable description of tax thematic areas of specialisation:**

There is no agreed typology of tax activities that will allow for cross-comparisons among donors, TA providers and recipient countries. Substantive areas such as tax policy and administration often share overlapping components.

- **Division of labour issues among TA providers:**

Lack of a common typology means that complementarity issues between donors and other TA providers are difficult to define. Therefore, existing mapping studies or analyses from databases cannot conclude whether TA providers coordinate their efforts building on their comparative advantage.

- **Country-based perspective:**

For both bilateral and multilateral agencies, the point of departure to obtain information on international support to taxation should be a country perspective. Knowing who are the most active players, project description/area of expertise offered, and number of project were listed as the most important aspects. Currently, only the ITD TA database can offer a picture of taxation activities at country level. The limited number of providers updating information in the database to date, however, hinders an in-depth analysis.

D. The road ahead – narrowing the gap

This study advocates that a more in-depth debate is necessary within the donor community to establish the format and specific content required to acquire a holistic view of trends in international support to taxation.

Strengthening the internal reporting of taxation projects at agency level: If development agencies want to obtain more robust data on taxation activities, they need to intensify efforts to provide more accurate information, including internally and on the sub-components of major sector programmes. According to donor officials, there is scope for better reporting in the tax area. DAC Aid Statistics and the ITD database are complementary, and if used in combination they could advance current efforts to improve reporting on taxation activities.

Building on existing databases on taxation and expanding their mandate and functionality: The expansion of a database such as the ITD TA database could be a cost-effective stepping stone to bridge current gaps in available information. The database would need to be expanded content-wise and with searchable functions. Downloading information on to user-friendly software (e.g. Excel) could also be considered to facilitate aggregated analysis by third parties. Alternatively, in-house analysis of trends could be made publicly available on a regular basis in the ITD website.

However, mapping and information gathering is only one issue in enhancing the support to domestic resource mobilisation in developing countries. Specialised forums on resource mobilisation in developing countries, such as the International Tax Compact or the OECD Task Force on Tax & Development, are valuable exercises that add granularity and content to the current debate on international support to taxation and need to be continued. Particularly because a database can only cover a number of limited aspects, more in depth-debates on wider areas like good governance principles on tax matters (transparency, exchange of information, fair tax competition), or state building and domestic resource mobilisation are needed.

1. Introduction

¹ This study will follow the framework provided in the paper “Overview of Cooperation and Capacity Building in Taxation” by Michielse and Thuronyi (Oct 2010), which was commissioned by the UN Committee of Experts on International Cooperation in Tax Matters to define the terms capacity building and technical assistance.

As explained in the UN commissioned paper, capacity building initiatives describe activities involving international cooperation with the aim of building up capacity in one or both of the cooperating partners.

For some donors (for instance, the IMF), capacity building activities are described as technical assistance. Hence, for the purposes of this study, capacity building and TA initiatives are intended to describe the same type of activities.

In the last few years the number of actors involved in providing capacity building initiatives¹ has increased, including bilateral donors, international organisations, multilateral financial institutions, regional networks, and non-governmental organisations (NGOs). This picture is further complicated by the fact that the degree of specialisation in taxation matters of all these actors may vary. Furthermore, tax activities undertaken may be embedded in projects with a broader scope, including development or public governance, which makes it difficult to identify the depth and nature of a programme’s taxation component. Moreover, not all countries have access to information on the different business models and approaches utilised by the available technical assistance (TA) providers.

This access to updated information is regarded as key to helping TA providers and the development agencies financing and implementing this assistance to better design their capacity building programmes. In addition, it is also crucial to enable tax administrations in developing countries to understand what assistance is available to them and under what terms and procedures they can access it. In sum, a comprehensive study on mapping international support to taxation (please see Annex 1 – Terms of Reference) would make it possible to elucidate whether current sources of information can facilitate:

- easier access to information on international support available to developing countries;
- a stronger evidence base to guide engagement decisions in the tax area of aid;
- more efficient and effective division of labour among international assistance providers; updated information on the comparative expertise and advantage of bilateral agencies may also boost collaboration with multilateral agencies;
- enhanced synergies between the different programmes available at the regional and global level and programmes at country level.

1.1 Purpose and Scope

This paper analyses sources of information available on international support to taxation. In particular, this study considers two main mapping reports, namely Mapping Survey on Taxation and Development commissioned by the International Tax Compact (ITC) (May 2010), which reviews a country-specific and thematic overview undertaken by the donor community and other players active in tax and development initiatives, and Overview of Cooperation on Capacity Building in Taxation commissioned by the United Nations (UN) Committee of Experts on International Cooperation in Tax Matters (UN Tax Committee) (October 2010), which offers an overview of the types of assistance available and what organisations are doing in taxation-specific areas. It also provides a snapshot of the context, administrative framework and financing of the available assistance.


In addition, the ITC and the Task Force on Tax and Development of the Development Assistance Committee Network on Governance (DAC GOVNET) of the Organisation for Economic Co-operation and Development (OECD) have recently requested another study entitled Appropriate Aid Modalities for Supporting Tax Systems that is in the process of being finalised.

Finally, in April 2011 the European Commission (EC) published a report entitled “EU Accountability Report 2011 on Financing for Development. Review of progress of the EU and its Member States”², with a chapter reviewing the efforts made by Member States of the European Union (EU) to support national tax systems in partner countries. It also includes a survey based on the Monterrey questionnaire, which builds on the EU commitments on financing for development as set out in the Monterrey Consensus and the Doha Declaration.

This Study on Mapping International Support to Taxation aims to complement the existing literature. Its main purpose is to:

a) offer an overview of the existing sources of information accessible to the public and whether these sources can serve to map out international support activities at aggregate level on a regular basis;

² http://ec.europa.eu/europeaid/how/accountability/eu-annual-accountability-reports/index_en.htm

- 
- b) analyse what these sources tell us about international support activities to taxation in terms of thematic areas of expertise, main providers, and main recipients at regional and country level;
 - c) gauge the main information gaps and limitations of the sources;
 - d) provide recommendations on how to bridge them.

Hence, this study attempts to assess how the information on both financing and thematic areas is reported and whether data at aggregate level can be quantified.

The study's main contribution to the existing literature is the analysis of two databases, namely the OECD DAC Aid Statistics (DAC Aid Statistics)³ and the International Tax Dialogue's database on Technical Assistance ITD TA.⁴ The study analyses what the data offered tell us about taxation. However, it does not cross check the accuracy of the data obtained vis-à-vis donors' internal records and partner country tax administrations interviewed.

Despite their limitations, these two databases are currently the only two resources making it possible to acquire a dynamic and aggregate, albeit partial, picture of the main taxation-supporting trends in the activities of the international providers.

The study primarily focuses on international support available to low and middle income developing countries provided within the framework of Overseas Development Assistance (ODA).

The study limits the coverage to the main international support providers in the donor community, namely multilateral organisations and bilateral agencies. In order to also capture the views of partner countries in terms of available sources of information on international support to taxation and their potential demand for additional sources and specific areas, the mapping study also includes two examples from local tax administrations.

³ <http://stats.oecd.org/WBOS/Default.aspx?DatasetCode=CRSNEW>

⁴ <http://www.itdweb.org>

1.2 Methodology


The main components of the methodology include a literature review of main survey studies available on international support to taxation, a review of DAC Aid Statistics on tax-related activities, a review of the ITD TA database, and structured telephone interviews with key donors at headquarters and government officials in selected developing countries. Finally, the study includes two examples of local tax administration in developing countries (from El Salvador and Rwanda).

Furthermore, the study also screens the project databases produced by bilateral development agencies, as well as the World Bank (WB) and the International Monetary Fund (IMF), on their efforts to support taxation programmes and projects.

As mentioned above, the study gathers information through structured telephone interviews with key donor representatives dealing with tax programmes in multilateral institutions and bilateral agencies (see Annex 3 for questionnaire and Annex 5 for list of agencies interviewed), as well as with tax administration officials in Rwanda and El Salvador (see Annex 4 for questionnaire). It is worth mentioning that telephone interviews with donor representatives and tax administration officials are limited in scope.

The main purpose of the telephone interviews is to research both supply and demand of information on taxation activities. Therefore, the questionnaire aims on the one hand to better understand how data on tax-related programmes and projects are collected internally, and on the other to initiate a conversation on what type of information would be necessary from the perspective of both donors and tax administrations in developing countries to acquire a regularly updated and comprehensive view in order to map out international support to taxation. More in-depth research will be necessary in future to both establish what the limitations and opportunities in the supply of data on taxation activities by bilateral and multilateral agencies are and reach a consensus on what aggregated and regularly updated data are most suitable for obtaining a comprehensive overview of taxation activities at global level.

The criteria for selecting bilateral and multilateral agencies are based on their level of engagement in the International Tax Compact and the DAC/GOVNET Task Force on Tax and Development. The examples of Rwanda and El Salvador are chosen due to their activity in the Global Relations Division of the OECD Centre for Tax Policy and Administration.



2. Sources of Information that allow regular updating and aggregate analysis of international support to taxation: DAC Aid Statistics and ITD TA Database

The majority of existing information mechanisms on taxation activities tend to be static snapshots that reflect a particular moment in time: e.g. reports and surveys. To date, there are limited sources that could facilitate an aggregate analysis based on time series data on what the main trends in international support to taxation are.

In fact, the sources reviewed for this paper have found only two databases, DAC Aid Statistics and the ITD TA database, which can serve as a starting point to collect aggregated data. However, both databases present limitations that prevent them from providing a global view of the international landscape. While DAC Aid Statistics centres its data on aid financial flows reported by DAC donors, the ITD TA database focuses on recording technical assistance provided by a number of actors active in the field of taxation.

Although currently both databases present serious limitations and do not currently feature “user-friendly” applications that facilitate an aggregated analysis by third parties, they possess great potential as a starting point for gathering information on donor support activities to taxation in developing countries, especially as they complement each other and could be used in combination.

In addition to assessing the content and possibilities for analysis that these two datasets offer, one of the objectives is to also test their technical functionality and how accessible they are to the public. Hence, in-depth detail on the specifics of conducting a search on each of the databases is presented below.

2.1 DAC Aid Statistics

The **DAC Aid Statistics** focus primarily on reporting by DAC members, multi-lateral organisations and other donors on statistics and reports on aid and other resource flows to developing countries. The data are collected through two reporting systems (as specified in its website):

- The **DAC Statistics**⁵ provide comprehensive data on the volume, origin and types of aid and resource flows to over 180 aid recipients. The data cover official development assistance (ODA), other official flows (OOF) and private funding (foreign direct investment, bank and non-bank flows) from members of the Development Assistance Committee (DAC), multilateral organisations and other donors.
- The **Creditor Reporting System (CRS) Aid Activity**⁶ provides a set of readily available basic data that enables analysis on where aid goes, what purposes it serves and what policies it aims to implement, on a comparable basis for all DAC members. Most commonly, Aid Activity data are used to analyse the sectoral and geographical breakdown of aid for selected years and donors or groups of donors.

2.1.1 Description of CRS Aid Activity Database search for 2009 on DAC donors' USD Commitments

Data on donor tax activities can be extracted from the **CRS Aid Activity Database**. However, this is difficult from a subject matter and technical point of view. This study analysed data on DAC donors' USD commitments for 2009. From a **subject matter standpoint**, the functionality of the **CRS Aid Activity Database** for obtaining taxation-related activities is very limited. Taxation is not an area that has its own specific purpose code. In order to conduct a search for tax projects, the user first needs to understand and browse closely the detailed description of CRS purpose codes (See Annex 2 for a full description). The user must first decipher in which type of sectoral activities and purpose codes tax projects may be included. In general, donors use a fair degree of discretion to tag taxation activities and utilise the CRS purpose code that best suits the sector in which the taxation activity took place. It is worth mentioning that one of the rules on reporting to the **CRS Aid Activity Database** is that only one purpose code can be applied to each activity.

⁵ www.oecd.org/dac/stats/dacguide / ⁶ www.oecd.org/dac/stats/crsguide

Box 1: Most common CRS Codes where taxation projects are included

DAC 5	CRS Code	Description	Detail
150		GOVERNMENT AND CIVIL SOCIETY	
151		Government and civil society, general	
	15110	Public sector policy and administrative management	Institution-building assistance to strengthen core public sector management systems and capacities. This includes macro-economic and other policy management, co-ordination, planning and reform; human resource management; organisational development; civil service reform; e-government; development planning, monitoring and evaluation; support to ministries involved in aid co-ordination; other ministries and government departments when sector cannot be specified. (Use specific sector codes for development of systems and capacities in sector ministries.)
	15111	Public finance management	Fiscal policy and planning; support to ministries of finance; strengthening financial and managerial accountability; public expenditure management; improving financial management systems; tax policy and administration; budget drafting; inter-governmental fiscal relations, public audit, public debt. (Use code 33120 for customs.)
331		TRADE POLICY AND REGULATIONS AND TRADE-RELATED ADJUSTMENT	
	33120	Trade facilitation	Simplification and harmonisation of international import and export procedures (e.g. customs valuation, licensing procedures, transport formalities, payments, insurance); support to customs departments; tariff reforms.

Source: DAC CRS Purpose Codes

These three codes provide the closest detailed description available in the CRS Purpose Codes guidelines to include taxation projects. However, to a lesser extent other CRS codes are also used (a more in-depth analysis of findings follows below).

From a **technical point of view**, isolating taxation activities from the **CRS Aid Activity Database** is complex, time-consuming and requires in-depth knowledge of Excel techniques.

As taxation projects are too specific, there is no search function utilising the different categories of ODA listed, namely by donor, by recipient or by sector. Nor is it possible to search taxation activities utilising the drop-down menu following the framework provided by the CRS Purpose Codes, as taxation does not have a specific rubric in the purpose codes. Therefore, the only available option is to download a ready-made file – accessible through the icons on the upper side of the CRS database – containing all entries for any given year.

A ready-made file can be downloaded on to Excel. The information is classified according to the following categories:

year	donor code	donor name	recipient code	recipient name	purpose code	purpose name	USD commitment	short description	project title
------	------------	------------	----------------	----------------	--------------	--------------	----------------	-------------------	---------------

Once the ready-made file is downloaded into Excel, taxation activities can be captured through a text search of tax-related words and selected CRS purpose codes in all entries. The objective is to isolate tax activities from the hundreds of thousands of entries that each ready-made file contains. In order to do that, it is necessary to have a commercial software program which allows the end user to capture the entries that contain the selected tax-related words. The DAC Statistics Department uses Microsoft SQL. However, there are other commercial software programs that serve the same purpose.

As the database contains information in English and French, in order to capture all taxation activity a word search must include both languages. It is important to note that a word search is sensible to spelling. Therefore, in order to capture all variations of the word – which, in turn, will yield a greater amount of entries – it is necessary to keep the word to its most basic structure (e.g. “revenu” instead of “revenue” so that any plural spelling such as “revenues” is also picked up).

Box 2: Details of Taxation Activities Search for 2009 USD Commitments in DAC CRS Aid Activity Database

This study utilised a ready-made file on USD aid commitments for year 2009 as a basis for analysis. The complete file contained more than 200,000 entries.

With the help of the OECD DAC Statistics department two text searches were run: 1) basic, covering only a few words and CRS purpose codes, and 2) expanded, including a greater number of tax-related words and CRS purpose codes. The software program utilised by the DAC to enable a text search that would select only tax-related projects is Microsoft SQL. However, any other software allowing a text search would work equally.

Basic search criteria

Purpose CRS codes: The search was limited to Code 151 (Governance and Civil Society, general) and all its components⁷ (please see Annex 2 for a detailed description) and code 33120 (trade facilitation).

Word Search: The English text search included the words: tax, revenu (in order to capture any plural spellings also), custom.

The French text search included the words: impôt and impot (without accent in order to make sure that any misspelled words were also included), revenu, douan.

The reason for including CRS purpose code 151 (with all its components) and code 33120 was that both these codes include the most common areas where taxation projects are usually embedded, namely public sector policy, public finance management, and decentralisation and support to subnational government under code 151; and customs and simplification of export/import procedures under 33120.

The choice of words to narrow the search is self explanatory. The word “fiscal” was intentionally left out in order to not capture expenditure management activities.

Results: The search yielded 150 entries. Fewer than 10 of these 150 were discarded since they were not related to tax projects.

⁷ Public sector policy and administrative management; public finance management; decentralisation and support to subnational government; anti-corruption organisations and institutions; legal and judicial development; democratic participation and civil society; elections; legislatures and political parties; media and free flow of information; human rights; women's equality organisations and institutions.

Box 2: Details of Taxation Activities Search for 2009 USD Commitments in DAC CRS Aid Activity Database

Expanded search criteria

The expanded search wanted to elucidate whether taxation projects were also reported under other major areas where taxation activities may be a component.

Purpose CRS codes: It included Code 151 (Governance and Civil Society, general) and all its components and code 33120 (trade facilitation) as in the basic search. In addition, it was expanded to include the following additional codes: Code 16010 (Social/ welfare services); Code 33110 (Trade policy and administrative management); Code 33130 (Regional trade agreements); Code 33140 (Multilateral trade negotiations); Code 33150 (Trade-related adjustment); Code 41010 (Environmental policy and administrative management); and code 43030 (Urban development and management); and finally 51010 (general budget support).

The search incorporated code 16010 on social/welfare services, as this type of programme may include a component on social security taxes and other contributions.⁸

Additional 331 CRS purpose codes related to trade in order to capture other aspects of trade policy and regulation that could include components on taxation, such as reform of tariffs to VAT. The inclusion of Code 41010 (environmental policy and administrative management) was meant to capture taxation projects dealing with land tax administration, in particular ways to effectively collect taxes. This may be a field of interest in the future, particularly in partner countries where land access and land distribution policies play a significant role in development.

As for code 43030 (urban development and management), its insertion was aimed at also capturing issues related to municipal financing in addition to decentralisation issues already included under code 15112.

Word Search: The English search included the same words as the basic search and in addition: fiscal, tarif, receipt, excise and "social security." The French search included exactly the same new words. For this search, the word fiscal was included for two main reasons: a) in French, fiscal may include a taxation component; b) to assess whether and what type of activities (revenue-related or expenditure-related) were included in projects that contained the word fiscal.

Results: This new and expanded search yielded a total of 165 entries. Eight entries were discarded as their content was not relevant to taxation. A total of 157 entries was obtained. These 157 entries captured through the expanded search form the basis of the analysis below by comparison with the 147 obtained through the basic search.

⁸ As per ITD's definitions on tax topics. (<http://www.itdweb.org/Pages/BrowseTopic.aspx?lang=3>)

2.1.2 Conclusions from search

What can be concluded from the results is that donors concentrate reporting on the vast majority of taxation projects under CRS Purpose codes 151 (particularly 15110-Public Sector Policy and Administration and 15111-Public Finance Management) and 33120 on trade facilitation. The inclusion of additional CRS codes and words (see Box 2 on Details of Taxation Activities Search) only yields a marginal increase in entries that does not have an impact on the overall picture.

As explained in section 2.1.1 above, tax-related activities are difficult to extract due to the current system of searching for taxation activities in the DAC CRS Aid Activity Database. Hence, it is difficult to assess the robustness of the results obtained for 2009. What can be inferred from both the fact that a total of 157 projects (results from the expanded search) was picked up out of 200,000 entries and telephone interviews conducted with donor representatives on their internal systems to collect data on taxation activities is that the results of the search may indicate that:

a) CRS Aid Activity Database relies on the quality and detail of the project description provided by bilateral and multilateral agencies in order to capture the words related to taxation activities. Unless the “project title” rubric contains a word related to taxation, the search system cannot pick up the activity at hand. Donors seem to be unaware of how to make full use of the categories provided by the CRS Aid Activity database to tag taxation activities effectively. The rubric “project title” accepts up to 150 characters to include additional information on a programme and its components. On average, donors only use 70 characters⁹ to provide details.

b) Donors carry out a limited number of standalone taxation activities. Most donors interviewed ratify that there has been a tendency in the last few years to move away from isolated tax projects to horizontal taxation activities that are part of broader-scope programmes. Internal recording processes at bilateral and multilateral agency level to tag taxation components of major sector programmes such as Public Finance Management (PFM), public management administration or decentralisation may be too simplistic. The majority of donors interviewed acknowledge that they lack the means to accurately tag tax components of programmes with a broader scope. As a result, a significant number of taxation activities may remain undetected. This conclusion would be consistent with the research performed on donors’ project databases available on-line, as well as with the accounts obtained through telephone interviews with officials at bilateral and multilateral agencies.

⁹ Information obtained through interviews with DAC Statistics Secretariat

c) In contrast with accounts obtained through interviews conducted with bilateral donors, none of the 157 entries show any bilateral contribution to trust funds dedicated to taxation managed by a multilateral organisation, or regional networks which deal specifically with partner countries' tax administrations such as the African Tax Administration Forum (ATAF). In general, bilateral donors' contributions to multilateral trust funds or partner country organisations¹⁰ qualify as bilateral flows and are collected in the CRS database. The fact that no activity is captured in 2009 is due to the fact that trust funds devoted to taxation were not set up until 2010. However, it may also imply that contributions of such characteristics are not tagged with enough specificity regarding their taxation nature and are therefore not captured in the word search. This may partly explain the lack of entries for financial contributions to ATAF in 2008 when this organisation was officially launched.

The analysis of the functionality of CRS Aid Activity Database search options described above is complemented by information gathered through telephone interviews with bilateral and multilateral agencies on how they collect and tag taxation activities internally.


DAC CRS Purpose Codes is the most common framework used by bilateral agencies to internally record taxation activities. Only a few bilaterals such as France's L'agence de coopération technique internationale des ministères chargés de l'économie et du budget (ADETEF), the United States Agency for International Development (USAID) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, or multilaterals like the World Bank (WB) utilise their own internal coding to tag taxation activities. However, for the majority of bilateral agencies interviewed, personnel in charge of putting together the financial reporting to the DAC are often detached from programme staff more familiar with the content and substance of the taxation activities at hand. As a result, the process of transferring the information from these internal databases containing specific details about taxation activities to the DAC CRS Aid Activity database is unclear. Most actors interviewed acknowledge that it is possible that their bilateral agency's taxation activities may not be reported to the DAC with enough specificity for the CRS Aid Activity database search system to be able to capture them.

For instance, France ADETEF has a comprehensive and detailed internal database to collect and record taxation technical assistance activities. ADETEF's system comprises an internal coding which identifies taxation as a sector; therefore all taxation projects can be properly tagged and followed up.

¹⁰ "Where donors effectively control the disposal of funds channeled through multilateral agencies, these should be reported as bilateral aid. This applies to contributions earmarked for specific countries, sectors or themes.

Agencies may also administer funds that are specifically directed to developing countries or development concerns.

Contributions to such funds may be reported in full as ODA, regardless of whether core contributions to the agencies administering the funds are reportable as ODA."



However, the task of reporting and compiling aid flows to the DAC is undertaken by the French Treasury. As can be observed in Figure 4 (on page 28), in 2009 there are no entries for France in the CRS Aid Activity database, even though according to the ADETEF's internal records roughly EUR 1.5 million in ODA were devoted to taxation activities. It is unclear whether this discrepancy is due to the fact that the analysis for this study is based on USD aid commitments for 2009, whereas the French Treasury reported data on disbursements, or to other reasons related to lack of specificity of taxation activities in the report submitted in 2009. More research is necessary to establish an accurate conclusion.

For bilateral agencies with a decentralised structure such as the UK Department for International Development (DfID), the Norwegian Agency for Development Cooperation (Norad), USAID or the Netherlands Ministry of Foreign Affairs, aid disbursements and implementation decisions are done at country level by the Embassies or the agencies' field offices. Therefore, Headquarters (HQ) rely on the quality of reporting by the field offices. HQs and field offices do not always have systematised means of collecting and recording information conducive to providing sufficient details, especially regarding tax components of broader programmes.

In this regard, all bilateral and multilateral agencies acknowledge difficulties in effectively putting into place internal recording systems to isolate tax components of broader programmes. For instance, one challenge that the World Bank team faces in maintaining its own internal database is the different business models utilised in interventions. The WB usually intervenes through taxation projects often embedded in broader public administration/public finance management scope, while the International Finance Cooperation (IFC) provides technical assistance activities related to strengthening the business climate. Currently, it is still not possible to always link operations to a financial figure, as it is difficult to assign a money tag to taxation components and subcomponents of larger projects.

Finally, the main limitations reported by both bilaterals and multilaterals to strengthen their internal reporting systems on taxation activities are the lack of capacity and resources.

2.1.3 Analysis of data of CRS Aid Activity data for 2009

DAC Donors' USD commitments

On analysing the results obtained through the expanded search, the following can be observed:

Figure 1: Donor Taxation activities captured according to search of CRS Purpose codes

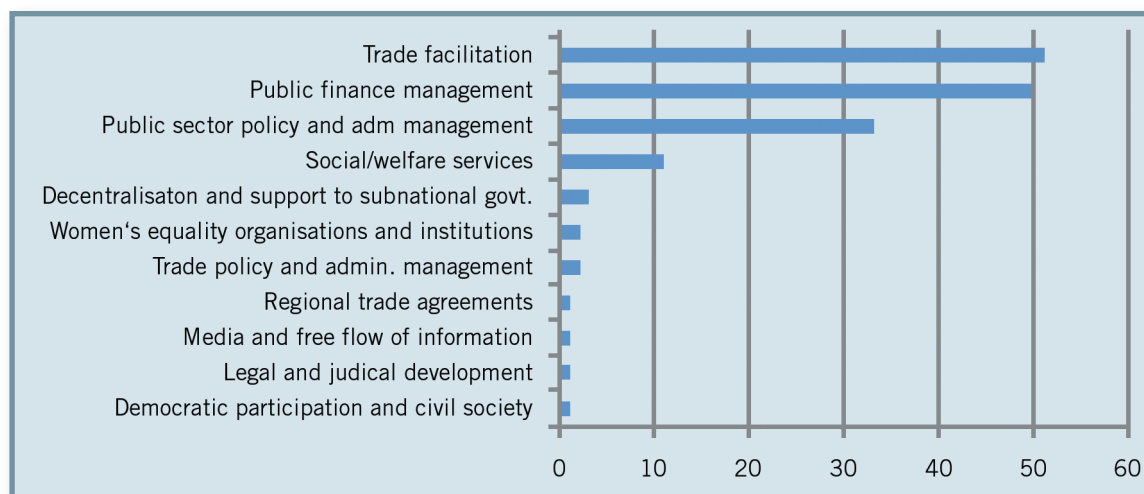


Figure 1 above demonstrates that the majority of tax activities undertaken by DAC donors is reported under three major sectors: **Trade facilitation** produced 51 results (out of 157 total projects identified) or 32% of the total; followed very closely by **public finance management**, which yielded 50 results, also representing 32% of the total, and **public sector policy and administration** following with 34 results representing 22%. At a significant distance, **social welfare and services** yielded 11 results; this accounts for 7% of the total. The rest of the projects were distributed in insignificant numbers (1 to 3 results) per sector, not amounting to more than 1% of total projects identified.

On closer inspection, **trade facilitation** encompasses the majority of projects related to customs (as specified in the detailed description of CRS purpose codes), although in certain instances customs projects are also tagged by a number of donors as **public sector policy administration**, and to a much lesser extent as **public finance management**.

On the other hand, **public finance management** includes both tax policy as well as tax administration activities, which complies with the guidelines provided by the DAC in the detailed description of the code. It also includes all projects with a fiscal approach on evaluating taxes.

It is worth mentioning that fiscal projects may also include an expenditure component, although it cannot be properly assessed due to the simplicity of the project description.

The picture is more muddled under public sector policy administration, as donors apply a greater degree of free discretion when utilising this code to tag taxation activities. The 34 results collected for this purpose code correspond almost entirely to customs projects. This may be due to the fact that the detailed description of this code in the CRS purpose codes guideline is rather general and it encompasses any “institution building and assistance to strengthen core public sector management systems and capacities”, which may be interpreted to include support to customs administration.

Figure 2: Donor taxation activities according to word search in CRS Aid Activity Database

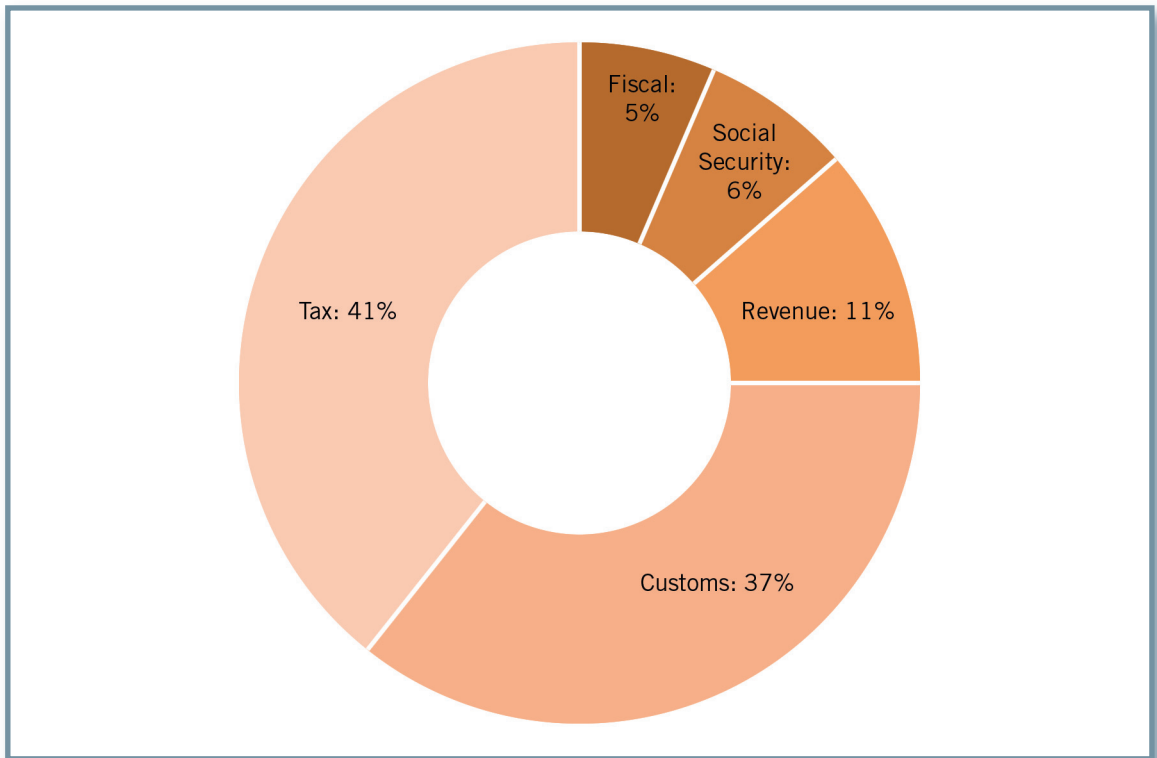


Figure 2 above is included to showcase the words that yielded results in the search. Tax and customs are the most frequent terms. The discrepancy in percentages between Fig 1 (Donor Taxation Activities captured according to search of CRS Purpose codes) and Fig 2 (Donor taxation activities according to word search) demonstrates the degree of donor discretion applied when reporting and tagging taxation activities.

In general, the words “customs” and “tax” are concentrated in the CRS purpose codes trade facilitation and public finance management respectively. Nevertheless, these two words are also applied to CRS purpose code public sector policy administration, even though on closer inspection the description of the project is exactly the same (or very similar). For instance, certain donors inconsistently classify customs projects that correspond to exactly the same descriptions to either public sector policy administration or trade facilitation CRS purpose codes.

Figure 3: Donor taxation activities by region

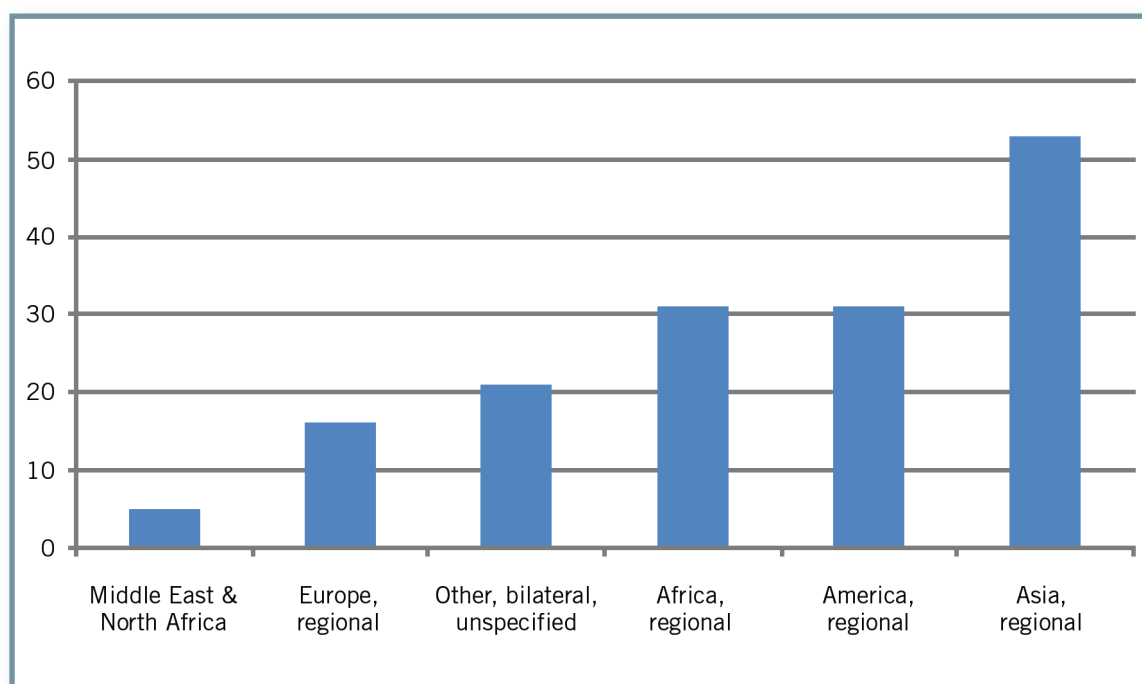



Fig 3 above depicts the regions where most donor activity is detected. The region where there seems to be more donor involvement is Asia and the Pacific. This finding is consistent with ITC’s Mapping Survey, which also identifies Asia as a region well covered by donor engagement.¹¹ Africa and Latin America and the Caribbean seem to have the same levels of donor intervention. Although classification of regions in the EC’s Survey on financing for development¹² is slightly different than this study’s regional classification, results from the EC Survey also point out that the most active regions in terms of donor engagement are Asia and the African, Caribbean and Pacific (ACP) countries.

In particular, the EC’s survey results yield that 22 EU Member States active in the field of taxation concentrate their activities in ACP countries (68.2%), Asia (50%), EU Neighbourhood Policy (54.5%), EU candidate countries (50%) and Latin America (31.8%).



The category “bilateral, unspecified” in the CRS Aid Activity database included in Fig 3 above includes projects which are implemented in two or more countries that are not on the same continent or that are not known at the time of reporting.

However, results on donor regional activity obtained through the CRS Aid Activity database needs to be considered with caution. The database does not permit an analysis of the nature and length of donor interventions. For instance, while the total hits for the Asia and Pacific region number 36, a closer inspection of the results show that 28 of these 36 correspond to seminars on customs modernisation financed by Korea. Figure 4 below seems to indicate that while Korea is very active in taxation; its actions may be short-term exercises rather than long-lasting assistance judging by its spending (less than EUR 500 million) spread across a significant number of projects.

Finally, given the wide range of countries that are covered by the CRS database and the limited number of entries analysed, it is not possible to develop a visual figure highlighting donor activities on taxation by country. However, a closer inspection of the 157 entries demonstrates that usually no more than two donors are involved in any given country. This finding is consistent with ITC’s mapping survey on worldwide activities on taxation and development.

In addition, the search also indicates that a significant degree of donor interventions target Middle Income Countries in Latin America, Asia and Europe as opposed to Low Income Countries in Africa. This finding is also consistent with ITC’s mapping survey.¹³ It also coincides with results from EC’s Survey on financing for development¹⁴ where 23 EU Member States together responded that they are active in EU candidate and EU Neighbourhood Policy countries as opposed to only 15 EU Member States active in ACP countries.

¹¹ ITC Mapping Survey (May 2010). Analysis of country-specific and topical mapping, page V.

¹² EU Accountability Report 2011 on Financing for Development. Review of progress of the EU and its Member States. Volume 6, Survey Results (http://ec.europa.eu/europeaid/how/accountability/eu-annual-accountability-reports/documents/working-document-vol6_en.pdf)

¹³ Country specific Mapping: Worldwide Activities on Taxation and Development, Page VI, ITC’s Mapping Survey

¹⁴ EU Accountability Report 2011 on Financing for Development. Review of progress of the EU and its Member States. Volume 6, Survey Results (http://ec.europa.eu/europeaid/how/accountability/eu-annual-accountability-reports/documents/working-document-vol6_en.pdf)

Figure 4: Donor activities by number of projects and funding

Donors	USD Commitment (in mill.)	# of Projects	Distribution of projects across CRS codes and word search
Australia	\$ 8,301	9	8 Public Sector Policy and Admin (customs, tax, revenue); 1 Trade Facilitation (customs)
Belgium	\$ 13,000	2	1 PFM (fiscal); 1 Social/Welfare (tax)
Canada	\$ 2,224	19	16 Public Sector Policy and Admin (tax, fiscal, revenue, customs); 1 Trade Facilitation (customs); 2 Women's equality (fiscal)
EU Institutions	\$ 41,916	7	1 PFM (customs); 1 Public Sector Policy and Admin (tax); 5 Trade Facilitation (customs)
Germany	\$ 18,823	19	7 PFM (social security, tax, customs); 7 Social/Welfare (tax, revenue, social security); 5 Trade Facilitation (customs)
Ireland	\$ 9,664	1	1 Democratic participation & civil society (tax)
Japan	\$ 9,218	1	1 Trade Facilitation (customs)
Korea	\$ 442,000	28	28 Trade Facilitation (customs)
New Zealand	\$ 13,336	5	2 PFM (customs, revenue); 1 Public Sector Policy and Admin (customs); 2 Trade Facilitation (customs)
Norway	\$ 1,058	9	2 Media and free flow of information (revenue, tax); 7 PFM (tax, revenue, fiscal)
Portugal	\$ 2,306	3	1 PFM (customs); 2 social/welfare (social security)
Spain	\$ 1,703	5	2 Decentralisation (social security, tax); 1 Legal and Judicial Development (social security); 2 PFM (tax)
Switzerland	\$ 554,000	1	1 Trade Facilitation (custom)
United Kingdom	\$ 18,902	7	2 PFM (revenue, tax); 4 Public Sector Policy and Admin (tax, revenue, customs); 1 Regional Trade Agreements (revenue)
United States	\$ 10,121	28	22 PFM (tax, tariff, customs, revenue); 5 Trade facilitation (tax, customs); 1 Trade Policy (customs)
IDA	\$ 4,563	3	1 PFM (customs); 1 Public Sector Policy and Admin (customs); 1 Trade Facilitation (customs)
IDB Spanish Fund	\$ 674,000	2	1 PFM (social security); Social/Welfare (tax)
UNDP	\$ 504,000	8	2 PFM (custom); 3 Trade Facilitation (tax); 1 Decentralisation (custom); 2 Public Sector Policy and Admin (revenue)
Total	\$ 144,325	157	

While no robust conclusions can be reached, Fig 4 above aims to illustrate and shed light on a two main aspects:

Number of taxation activities captured on the CRS Aid Activity database according to donor

The table may serve to help donors gauge the number of taxation projects that are not reported as such to the DAC vis-à-vis their internal records. It also highlights how some donors such as France ADETEF, who according to their internal records had an ODA volume of EUR 1.5 million in 2009, or major players in the field of taxation such as the IMF or the World Bank, are underrepresented or simply do not appear. For instance, the data analysed for the same year in ITD TA database (see section 3.2 below) show that both IMF and the World Bank reported 43 and 15 taxation activities respectively. In general, IMF and World Bank interventions qualify as ODA and are reported in the DAC CRS Aid Activity database. Hence, the reasons for this discrepancy need to be further analysed.

Highlighting the degree of donor discretion in the use of key tax-related words applied to CRS Purpose codes

As can be observed in the last column of Fig 4 above, donors apply different keywords to define similar or identical taxation projects. The most obvious reason for this is that the CRS purpose codes provide general descriptions of what can be included under the different rubrics available. For example, customs projects are often tagged in different CRS purpose codes although project descriptions are identical or very similar.

This said, there may be other reasons that deserve more in-depth research. As explained before, personnel in charge of transferring financial information to report to the DAC often work in different departments than those familiar with the content and substance of programmatic areas. The majority of donors interviewed were unclear on the process of reporting to the DAC or how their internal records on taxation activities transferred to the DAC CRS Aid Activity database. It is plausible that some specific information providing more details about taxation activities is lost in the process and subsequently not captured by the search options currently available through the CRS Aid Activity database.

Another factor that may also impact a more homogeneous use of keywords may be related to the development of a matrix to define areas of taxation expertise. For instance, not all donors have developed a typology on taxation areas of specialisation that will assist them in defining the type of activities they undertake. In fact, according to the donors interviewed¹⁵ for this study, only a very limited number have the means to classify their taxation projects internally following a matrix that will permit them to specify a particular taxation component of a broader programme or a specific area of expertise.


In the vast majority of bilateral agencies taxation interventions are not classified according to a matrix or typology agreed between HQ and field offices that would facilitate details about the nature of taxation interventions. HQ staff usually relies on personal contact with staff in field offices to obtain the details they need. As for multilateral agencies, the WBG does have a system in place to obtain data on implementation of taxation activities. They have set up a simple matrix according to the following categories: tax policy, tax administration and customs. A team manually reviews all documents provided by the network, identifies all operations that have a taxation component, and inputs the data into an Excel database.

2.1.4 Conclusions of Analysis

As the results have shown for 2009, currently taxation activities captured through the CRS database are statistically insignificant in financial terms vis-à-vis overall donor activities. It is clear that the non-existence of a dedicated code for taxation in the CRS purpose codes and the fact that donors apply a reasonable degree of discretion in tagging taxation activities under a variety of sectors play a role. However, this in itself does not explain the quantity of taxation entries.

While this paper cannot produce the reasons for this, it can already point that more research with regards to how donors collect information on taxation activities internally and how this information is subsequently transferred to the DAC CRS Aid Activity database is key to understanding the limited turnout in results. Until this further research is done, it is difficult to assess the robustness and accuracy of the data on taxation spending obtained through the CRS Aid Activity database.

¹⁵ See annex 5 for a detail list of donors interviewed



Before the option of proposing a reform of the DAC Aid Statistics to introduce a new CRS code is brought to the table, donor agencies need first and foremost to intensify efforts to increase the quality of their reporting on taxation activities – both internally and externally.

However, the issue of a reform of the DAC Aid Statistics is complex and may not necessarily yield intended results. First, the process of introducing new CRS codes is long and necessitates an in-depth debate within the DAC. It may take years before the code is effective. Second, implementing the introduction of data according to a hypothetical new CRS code on taxation would also require a few years to yield time series results that allow for a meaningful analysis on donor trends in financing taxation projects.

But more importantly, the DAC Aid Statistics will not permit a deep level of granularity to acquire a country perspective picture on tax specialisations or aid modalities utilised (see section 4 on demand for regularly updated and aggregated information for more information). One of the main purposes of the DAC CRS Aid Activity is to measure donor spending by sector of activity. Therefore, issues related to division of labour among providers could well remain, even if data on financing were more conclusive. Likewise, length and depth of projects are not specified in the current design of the CRS database. While it would be possible to acquire an estimate of how much is spent, where and by whom, it would be unclear whether interventions are long-lasting capacity building exercises or just short-term one-off events.

In addition, as the number of non-DAC donor actors increases, the DAC Aid Statistics may not offer in the short-term an outlet to gauge tax support offered outside traditional ODA schemes such as south-south support; or financed not following ODA criteria such as bilateral technical assistance initiatives provided by Ministries, which are not coordinated by development agencies. As reported by several bilateral development agencies interviewed in this study, this latter business model seems to be rather frequent. To date, with the exception of France's ADETEF which effectively receives information on technical assistance provided directly between the French Internal Revenue Administration and its counterparts in developing countries, some bilateral agencies report that they have limited avenues for tracking and coordinating how Ministries and Revenue Administrations in their countries are providing TA to developing countries.

2.2 International Tax Dialogue Technical Assistance Database

The International Tax Dialogue is a joint initiative involving the European Commission, InterAmerican Development Bank (IDB), International Monetary Fund, Organisation for Economic Co-operation and Development, UK Department for International Development and the World Bank to facilitate discussion of taxation issues among national tax officials, international organisations, and other key stakeholders.

The ITD maintains a database on Technical Assistance that focuses exclusively on recording activities undertaken, mostly by donors, in the field of taxation. The database started functioning in 2009. To date, it only includes a limited number of providers and years. A few providers currently update their information, namely: IMF, WB, OECD, USAID, and the Inter-American Center of Tax Administrations (CIAT). Through the on-line version of the database, it is also possible to obtain data on past events and activities, as well as on interventions taking place in future years. While the current design of the database does not allow for an in-depth analysis, the flexibility with which actors can report on their tax activities offers great potential. The main advantage is that providers input the information about their taxation activities themselves following a very simple framework that is established by ITD.

The database will gain greater legitimacy with increasing participation among a wider range of providers. Major restructuring is scheduled for 2011, which will render ITD TA database content more comprehensive in terms of both providers and substance. Thus, in 2011, all DAC bilateral donors have started reporting to ITD and the database will contain a greater number of providers in 2012. As for substance, ITD intends to review the database's design and categories in which information is presented towards the end of 2011. This study will inform ITD's Secretariat and may be used to feed in the discussions and provide a roadmap.

2.2.1 Description of search of ITD TA database for 2009 and 2010

The database can be found at www.itdweb.org, "technical assistance activities". An advanced search option allows the user to download information according to:

Period	Provider	Location	Region	Keyword
--------	----------	----------	--------	---------

¹⁶ Currently only including: missions, seminars/workshops, technical assistance loan, resident project, multilateral commitment, conference, consultant project

Once the user establishes the search criteria, a list of projects appears on the screen. Each project has an active link, which leads to a fiche/scorecard that provides the most basic information, including the contact details of the official in the organisation to whom any queries may be addressed directly. It is important to mention that the public view includes the categories above. However, the categories explained below in Box 3 are available only through the Excel table received from the ITD Secretariat for the purpose of this study.

Box 3: Details of the Search

For this study, the ITD Secretariat provided an Excel table with data for 2009 and 2010. Data for these two years analysed in this study contain data for only five providers, namely: IMF, WBG, OECD, USAID, and CIAT. It worth mentioning that the categories available publicly and the categories that are used internally at ITD are different. The data in Excel were organised according to the following categories: year, topic, activity type, country, provider, and region. Under the rubric “topic”, providers include the name of the project according to their internal records (it is the equivalent of the project title in the public view of the database). The ITD so far does not provide a predefined menu of available topics. Therefore, each provider utilises this category freely. The diversity of topics available hinders a robust global analysis of areas of specialisation. This rubric could also be used as an opportunity to initiate a debate on what categories of areas of expertise would be recommendable for inclusion in order for the database to serve as a mapping source on division of labour issues among providers of international support to taxation.

With regard to the rubric “activity type”¹⁶, providers have to enter their information according to ITD’s categories. This means that the information contained can be compared across providers, allowing for an aggregated analysis. It would be helpful if the ITD offered a brief description on what type of interventions may be included under each “activity type” in order to give users a more concrete idea of which interventions qualify as what. For instance, “consultant projects” or “technical assistance” may include a wide array of interventions. It would indeed be recommendable for simple criteria to be developed to clarify concepts.

Time series

For the year 2009, there are 69 entries. However, this number has significantly increased in 2010 with 159 entries. The number is likely to be much greater in 2011, as DAC donors will also include their projects in the database. In both years, there are only four providers inputting information, of which only three are constant in both years, namely IMF, World Bank and OECD. USAID provided data in 2009, and in 2010 a new actor, CIAT, started adding its projects.

2.2.2 Conclusions from search

The main advantage that the ITD TA database offers is its simplicity. A number of donors (e.g. World Bank and USAID) interviewed report that the amount of information that providers need to input is manageable, which makes it attractive for them to report. The ITD facilitates a template that providers have to fill in. In addition, reporting to the ITD TA database is usually done by the HQ programme staff, who are familiar with the substance and content of their taxation activity. This stands in sharp contrast with reporting to the DAC CRS Aid Activity database, which is often done by experts working in the financial or accounting department.

One of the most useful features is the possibility of obtaining taxation activities according to a country perspective. The list that a user can download offers the minimum information needed for any type of coordination to take place. Offering a link to download information on to a software (e.g. Excel) would facilitate the analysis by third parties even further. Currently, this option is not available. This said, the potential of the database can be significantly bolstered. The functions currently accessible to the public could be augmented if only some simple search categories, which are already entered by providers and collected internally at ITD, were made available, namely the rubrics “year”, “activity type” and “topic.”

2.2.3 Analysis of data from the ITD TA Database for 2009 and 2010

The information that can be obtained from the ITD TA database is the following:

Figure 5: Providers by region

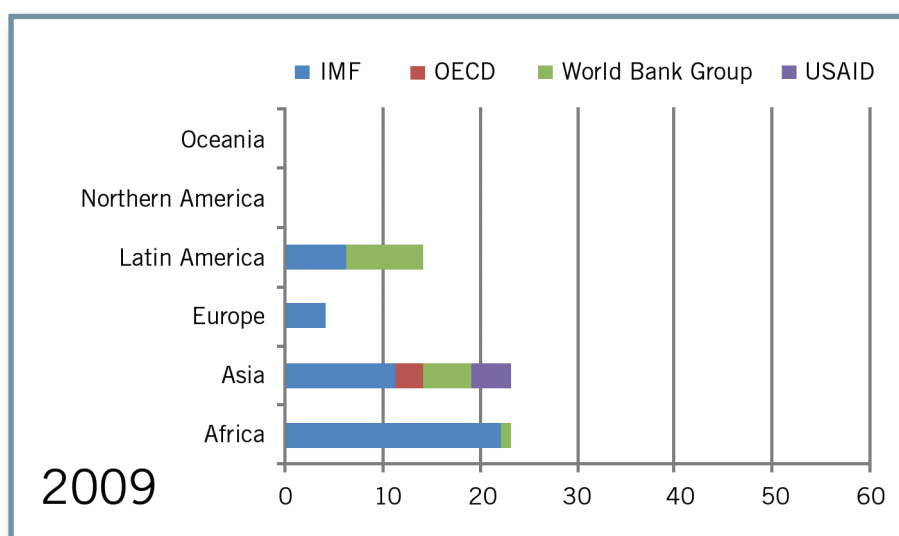


Figure 5: Providers by region

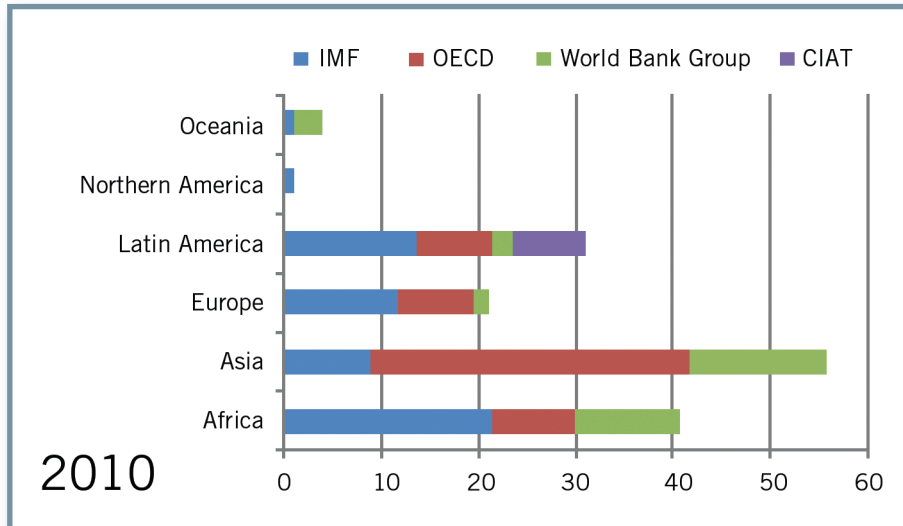


Fig 5 above shows that consistent with ITC’s Mapping Survey and the DAC CRS Aid Activity Database, the region where donors are most engaged is Asia. However, a closer inspection of results yields that out of 56 hits for Asia in 2010, 34 are classified as seminar/workshops. Again then, most of the activity taking place represents short-term rather than long-term capacity building interventions. This stands in sharp contrast with Africa, which is the second most active region in 2010. Out of the total of 41 hits, 19 are classified as missions, 10 as resident projects, and 11 as seminars/workshops.

As can be observed in Fig 6 below, missions are usually performed by the IMF, as its business model for intervening in developing countries is the assessment mission to diagnose needs, or punctual interventions to assist in a particular taxation matter, e.g. tax legislation. With regard to resident projects, according to Fig 6 below this is the business model more frequently utilised by the World Bank. Resident projects may involve long-term capacity building programmes with a wider scope, but with an important taxation component. Hence, it may be inferred that donor interventions in Africa – while fewer in number – have a longer-term approach. Given the limited number of providers, analysing the concentration of donors by country does not produce significant results.

Figure 6: Providers by activity type

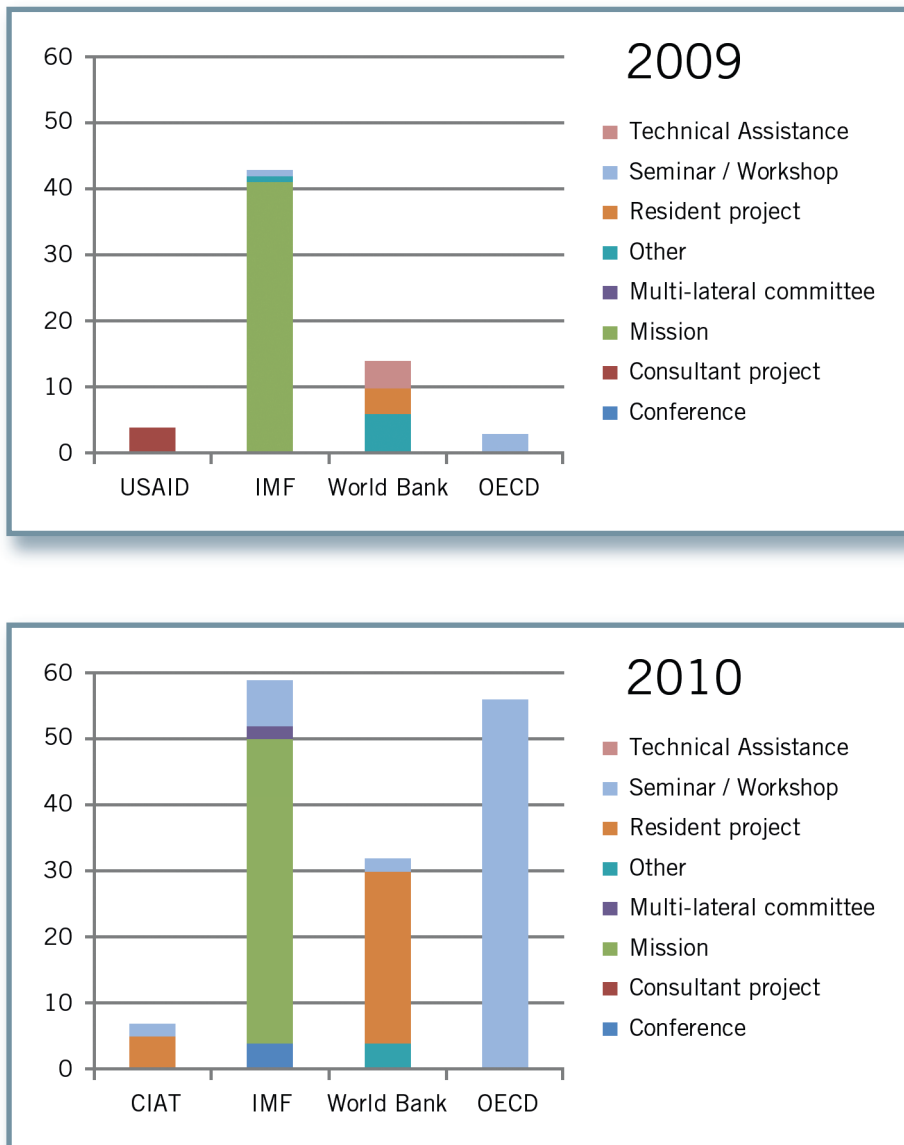


Fig 6 above offers a picture of the potential that ITD TA database has. Although there is a slight discrepancy in the “activity types” listed for years 2009 and 2010 and the number of providers is low, it is already observable that organisations tend to have preferences or specialisations in their business models of intervention. Thus, the World Bank utilises resident projects to deliver its support, while the IMF uses missions to either undertake needs assessments or deliver specific technical assistance. The only OECD’s activities reported are in the form of exclusively used method of seminars and workshops.

2.2.4 Conclusions of Analysis

The ITD TA database is still in its infancy, but it has great potential. It is the most promising stepping stone to functioning as the one-stop source of updated and aggregated information on taxation support activities. Donors, other TA providers and recipient countries could use it to regularly map out their interventions in developing countries if only the data available were expanded to cover a greater number of providers.

The main advantage of the ITD TA database is that it is dedicated exclusively to taxation. Data providers can upload data flexibly following a simple categorisation pre-defined by the ITD. The process of uploading data is easy and providers are only requested to turn in a minimum amount of information.

Information contained in the database is not bound by ODA criteria, therefore non-DAC donors as well as other TA providers (e.g. south-south collaboration) can be accounted for. This means that the database can have a broader clientele that includes any type of stakeholder active in any given country.

For instance, in future the ITD could include a pre-defined typology on taxation specialisation in order to gauge TA providers' comparative advantage in certain areas of expertise. An additional alternative could also be to redefine themes under the rubric of "activity type", which would enable providers to facilitate more detail about the nature and approach of the activities they perform.

The debate on the ITD TA database restructuring could be informed by the knowledge and expertise of ITC and the OECD/DAC Task Force on Tax and Governance. The ITD TA database restructuring could also take into account complementarities with the DAC Aid Statistics database.

ITD's data on what donors are doing on taxation may be used in 2012 when data for bilaterals will finally be available to provide better understanding of why certain taxation components or certain donors such as France's ADETEF, IMF or WB are not captured in the CRS Aid Activity database. This could improve donors' understanding of how reporting is done in the CRS Aid Activity database and increase the notification of information available, including spending of TA on taxation.

While presenting many opportunities, the process of expanding the ITD TA database features is not exempt from dangers. It is important that ITD's content remains simple and manageable.

3. Demand for regularly updated and aggregated data on international support to taxation

This section aims to pinpoint what is the demand for access to updated information on taxation enabling an aggregated analysis from the perspective of both the donor community and partner countries. The study has conducted telephone interviews with a limited number of selected bilateral and multi-lateral officials working at headquarters and accounts from two partner country administrations, namely Rwanda and El Salvador (see Annex 5 for a detailed list of donor agencies interviewed).

Thus, it provides anecdotal views on what the demand for information to map out international support to taxation could be. A more thorough methodology, such as a focus group or a dedicated seminar held under the auspices of the ITC, the GOVNET Task Force on Tax and Development or the ITD, would be more suitable for properly assessing the type of information that main stakeholders would find necessary to satisfy their demand.

In addition, the study incorporates the summary of an informal meeting with African Tax Commissioners that took place during the IMF Seminar “Revenue Mobilization in Sub-Saharan Africa” held in Nairobi, Kenya, on 21-22 March 2011, aiming to assess whether there was demand for mapping out taxation activities.

In order to not duplicate information, this section does not include the qualitative description of what bilaterals and multilaterals offer in terms of tax specialisation, regions where they are more active, and the financing of their assistance, which is already covered by ITC’s Mapping Survey and the UN Committee’s Overview.

3.1 Views of the donor community

The telephone interviews asked bilateral and multilateral officials in HQs what type of information on taxation would be necessary – in their view – to acquire a regularly updated, comprehensive picture on the provision of TA to tax administrations. (See Annex 3 for complete questionnaire.)

Out of ten donors interviewed, seven responded that a centralised database could be useful. The concerns most aired were how to consensuate criteria in the design of the database, how much effort this would represent in terms of reporting, or the sustainability of creating or restructuring existing databases

Three donors answered that they were not necessarily interested in a centralised source of information. The issues cited were that decisions to launch a taxation project or programme were based on consultations with their field offices and contacts with counterparts in the country of intervention. Likewise, it was their field offices who coordinated with other donors and stakeholders on the ground, therefore access to aggregated information on what other donors were doing would probably not change the decision making process on whether to intervene.

The type of information necessary for a comprehensive, regular overview of TA provision that was most cited by those donors who would like a centralised source of information on international support to taxation was as follows:

Country perspective

For both bilateral and multilateral agencies, the point of departure for obtaining information on international support to taxation should be a country perspective. Knowing who the most active players are, and what type of services are offered in terms of areas of taxation expertise were listed as the most important aspects to guide decisions on engagement. For some bilateral donors, it was also interesting to gauge the type of aid modality utilised.

A country perspective would help identify aid orphans and elucidate issues of mismatch between demand and supply of international support on taxation. Likewise, it could serve to obtain a robust analysis to facilitate coordination at field level.

Common typology to define taxation areas of expertise

Generally, officials consulted agreed that a common understanding of areas of expertise would be useful to assess issues of division of labour. Nevertheless, officials reported that coordination takes place at country level, hence a fair amount of division of labour happens directly in the country through regular meetings and other exchange of information outlets. A number of donors also rely on regional networks such as ATAF or CIAT to keep a finger on the pulse of what is happening at country and regional level.

This said, a centralised information point, collecting data on areas of expertise, would permit an aggregated analysis of what is being offered and by whom, which may be useful from the point of view of a partner country.

Financing flows devoted to taxation

The majority of bilateral and multilateral agencies identified obtaining aggregated data on donor spending on TA taxation activities as a priority for their constituencies at home. As already seen in previous sections, the DAC CRS Aid Activity database provides a basic framework for this measurement, although to date – due to the available search options – it is not possible to accurately capture how much is spent on taxation activities. Further research is necessary in order to establish how much taxation activity may not be captured in the database. An additional challenge to calculating financing flows devoted to taxation accurately will be assigning a monetary figure to taxation components or subcomponents of programmes with a broader scope.

3.2 Views of partner countries

The accounts were obtained at an informal meeting with African Tax Commissioners during the IMF Seminar held in Nairobi, Kenya, in March 2011 and in two telephone interviews (please see Annex 4 for detailed questionnaire) with the Rwanda Revenue Authority and El Salvador's General Internal Revenue Service of the Ministry of Finance.

Tax commissioners from partner countries do have their sources of information regarding who the main players in their countries offering support on taxation are. They rely on regular meetings, conferences, and ad-hoc visits by donors. There are no systematised internal processes within tax administrations to keep track of the assistance offered.

Major players such as the World Bank and the IMF are well known. The WB is usually contacted for assistance related to implementation issues (e.g. need for funds on setting up modernisation systems such as e-payments), and the IMF's expertise is more frequent on assessments, diagnosis and training. As for bilateral agencies, the picture is more muddled. In general, bilaterals are not known by their comparative advantage or areas of expertise.

Generally, the idea of developing a resource to centralise information and facilitate mapping of international support to taxation is well received. The need for information for partner countries' tax administrations goes beyond donor support and also includes the identification of individual experts for specific tasks (e.g. for transfer pricing or modelling).

Example:

Rwanda Revenue Authority

The Revenue Authority is autonomous in coordinating and receiving assistance from the donor community. It also shows a fair degree of sophistication in conducting its needs assessments internally. The institution knows which donors to contact in order to obtain financing and expertise for the specific needs identified. In general, the IMF is contacted for training and the WGB on projects related to implementation, particularly on modernising IT processes. Rwanda Revenue Authority is also up to date concerning private contractors' specific expertise and can put a procurement process in place to obtain the services required.

There is no systematised means of collecting information on what donors offer. Information is gathered rather organically through meetings, conferences, etc. There is no particular unit that deals with contacting and coordinating relations with the donor community.

Rwanda Revenue Authority would welcome a resource to centralise information on the type of international support that is offered by the donor community. As the taxation field develops and newcomers enter the arena of TA provision, the institution cannot keep track of donors' comparative advantage and areas of expertise. Rwanda Revenue Authority is also interested in using this resource to learn about the type of assistance other countries receive in order to be able to identify and tap into interesting initiatives applicable to Rwanda, as well as to call upon the expertise.


Example:

El Salvador's General Internal Revenue Service of the Ministry of Finance

The General Internal Revenue Service (GIRS) is not independent of the Ministry of Finance (MoF); as such it cannot deal directly with the donor community or any other TA provider. The MoF centralises all information. In general, the MoF is not proactive requesting or identifying assistance and frequently it is donors themselves who propose the implementation of specific taxation projects. When a proposal is received, an internal GIRS technical committee evaluates the offer and its applicability and feasibility for the context in El Salvador. The exception to this modus operandi is GIRS' request to CIAT for training opportunities.

Recently, a strategic planning unit has been created within the GIRS. This unit is in charge of liaising with donors and also maintains a direct channel of communication with the MoF. To date, however, there is still no in-depth understanding of what the donor community can offer in terms of TA assistance, particularly in specific expertise areas in taxation.

The GIRS would welcome the existence of a centralised information point on international support to taxation. The strategic planning unit could utilise this resource to identify taxation projects or services offered globally and make specific requests to the MoF to initiate contact with providers.



Based on the accounts from donors and partner countries reviewed above, it can be inferred that the objectives of the two constituencies for access to a one-stop searchable source of information on taxation activities differ slightly.

For interested donors, the main reason for obtaining updated and aggregated information in terms of recipient countries, areas of expertise, TA instruments utilised, nature and length of interventions, etc. is to acquire stronger evidence to guide their engagement decisions as well as the impact of their interventions. As such, it appears that what they are looking for is specific detail or granularity on taxation activities at aggregated level.

At a secondary level, a centralised and regularly updated source of information would be useful to allow them to analyse and identify how the field of international support on taxation is evolving over time.

For partner countries, a centralised database would help them identify both donors active in their countries, providers of expertise in specific areas of taxation technical assistance, as well as interesting initiatives and taxation projects set up in other countries or regions that could be replicated in their own.

Nevertheless, this study can only uncover the tip of the iceberg regarding what type of specific information is necessary to satisfy demand. As the field of domestic resource mobilisation gains momentum in the G20 process and the donor community, other TA providers and partner countries consolidate their interventions and collaboration, more thorough research will be necessary to accurately define and consensuate what type of information is required to guide engagement decisions.

4. What are the gaps between information supply and demand?

The evidence about demand gathered through telephone interviews in section 4 above yields anecdotal information serving to highlight that the jury may still be out with regard to the specific demand for information necessary to develop a centralised source of information on international support to taxation.

What seems to be clear is that among interested donors and the tax administrations of partner countries, a comprehensive up-to-date searchable source of information that allows aggregate, cross-referenced analysis of support activities to taxation in terms of providers, recipient countries and regions, and thematic areas of specialisation would be useful. The exact format of how this information should be organised and the detail that each of the categories mentioned should contain is still to be defined and needs further research. In addition, more accurate information for donors on donor spending would also help them justify the relevance and impact of their interventions vis-à-vis their home constituencies.

The two existing databases analysed for this study, namely DAC Aid Statistics and the ITD TA database, each provide a part of the picture, which basically means that the gap between information supply and demand is partially matched. However, both databases present limitations that will need to be addressed in future if donors and partner countries decide that: 1. a better understanding of which type of taxation activities may not be captured by the CRS Aid Activity is necessary, and 2. details on taxation activities that are currently available in the ITD TA's database need to be bolstered in order to offer a basis for strengthened comparable fields across TA providers.

Nevertheless, the first premise in order to narrow the gap is to *strengthen the quality and quantity of reporting on taxation activities by donors*.

As has already been mentioned, taxation activities are often embedded in projects with a broader scope and are difficult to identify. For instance, a Public and Administration Management or PFM programme may include a tax component. It is unclear how development agencies systematise information to keep track internally of which or whether tax components are included in projects.

¹⁷ G. Michielsen and V. Thuronyi - Overview of Cooperation on Capacity Building in Taxation (Oct 2010)

It is difficult then to ascertain the quantity of tax projects in both the CRS Aid Activity and the ITD TA database that go undetected due to a limited description of the programme at hand. This is most evident in bilateral and multilateral agencies' individual project databases that were also screened for this study and through the evidence gathered in telephone interviews.

Strengthening the quality and quantity of reporting on taxation activities would impact donors' understanding of the range of activities conducted. In addition, it would also improve the accuracy of financial ODA flows recorded by the CRS Aid Activity database. Currently, multilateral and bilateral agencies have difficulties linking financing and available international support in terms of recipient countries, modalities used, and areas of specialisation. While it is unlikely that obtaining a complete picture is cost effective, strengthening and systematising internal recording of taxation activities would help.

The type of information, which was mentioned in telephone interviews that cannot be currently obtained periodically and in aggregate basis is as follows:

Comparable description of tax thematic areas of specialisation.

Currently, there is no agreed typology of tax activities that will allow for cross-comparisons among donors, TA providers, and recipient countries. As outlined in the paper commissioned by the UN Committee of Experts on International Cooperation in Tax Matters¹⁷, particular substantive areas such as tax policy and administration, tax reform, etc. often share overlapping components.


More importantly, however, the lack of a common typology means that to date, division of labour or complementarity issues between donors and other TA providers – which is a recurring theme in the discussion about co-ordination at political level – are difficult to define.

The EC's Survey on financing for development addresses a question on tax matters in which EU Member States provide support. The typology offered is very simple: Tax Policy and Tax Administration. Altogether 22 EU Member States responded; 63.6% (or 14 responses) are involved in "Tax Policy"; 90.9% (or 20 responses) offer support in "Tax Administration matters"; while 27.3% (or 6 responses) report that they are active in "Other tax matters", although specific responses are not accessible in the on-line version of the Survey. This said, the EC's Survey does not provide an explanation as to what specialisations are included in Tax Policy and Administration.

As for the other two most prominent and recent mapping studies on taxation and development conducted by ITC and the UN Committee, the taxation thematic or substantive areas provided as a framework to assess TA's areas of specialisation vary greatly (please see Box 4 below for a comparison). Furthermore, the report on aid modalities commissioned by ITC and the DAC/GOVNET Task Force on Tax and Governance included a different framework to define thematic areas in order to gauge donors' specialisation.

Box 4: Comparison of thematic areas in studies

Substantive / Thematic areas		
ITC Mapping Study	UN Committee Overview	ITC/GOVNET Aid Modalities Study
<ul style="list-style-type: none"> • Tax Policy and Reform • Tax Administration and organisational Reform • Tax Law • Tax Procedure 	<ul style="list-style-type: none"> • Tax Policy • Tax Administration Strategy • Legal Drafting • Tax Administration Implementation • Training and Knowledge Management • Judicial Reform • Private Sector Development 	<ul style="list-style-type: none"> • Comprehensive Tax Reform Programmes • Tax Policy / Tax Law • Tax Administration Process Re-engineering • Tax Administration Organisational Reform • Information Systems / e-Taxation • Taxpayer Services / Public Information • Customs Reform • Local Government Fiscal Systems • Accountability / Anti-Corruption • Judicial Reform / Strengthening • Fiduciary Oversight • Strengthening Stakeholder or Media Organisations



It is not surprising then, that all these studies cannot conclude whether TA providers, and donors in particular, coordinate their efforts building on their comparative advantage and concentrating their taxation activities in a particular area of expertise. This is consistent with accounts gathered through the case studies on national tax administrations. In Rwanda for instance, while the Tax Administration is aware of what type of support is offered by a key number of selected donors, it cannot keep track of what newcomers offer.

While it is beyond the scope of this paper to define what a common typology would look like, the study proposes that a basic typology be developed in the interest of strengthening division of labour and coordination efforts as outlined by the aid effectiveness agenda. A broader discussion on this topic is offered in Section 6.

Country-based perspective

Currently, only the ITD TA database can offer a picture of taxation activities provided at country level in terms of type of activity and topic of intervention. The limited number of providers updating information on the database to date, however, hinders an in-depth analysis. In 2012, once information on DAC donors is also available, the database will offer a much broader picture of taxation support, taking a country perspective.

The CRS Aid Activity database may also offer a country perspective in the future. However, given the limited number of entries currently available and the wide range of countries and donors covered, it is not possible to develop a figure which highlights donor taxation activity by country. Furthermore, since the main input of the CRS Aid Activity is donors' ODA disbursements and commitments, the dataset would only yield details on donor spending on taxation.

Information on support offered outside ODA schemes through non-DAC donors, or bilateral agreements on TA not managed by development agencies or international organisations.

Structured interviews highlighted that there seems to be a fair amount of support to partner countries' tax administrations which takes place outside traditional ODA schemes. As highlighted by the *UN's Committee Overview of Cooperation on Capacity Building in Taxation*, a number of specialised Ministries within DAC donor countries offer technical assistance programmes on taxation to tax administrations in developing countries. The business models offered by these type of institutions differ from those used by development agencies. They usually entail direct collaboration between technical experts rather than utilising external contractors for implementation. This is the case with twinning programmes or punctual expert collaborations.

Activities of this kind are often not reported as ODA and not necessarily coordinated by development agencies, with the exception of France's ADETEF that actually coordinates and records all taxation activities undertaken by public organisations, regardless of whether it is ODA-eligible or not.

Likewise, the role of south-south cooperation is widely talked about, but no concrete data on what this covers in terms of support to taxation is easily available.

Finally, the EC utilises its MEDA (for the Middle East), European Neighbourhood and Partnership Instruments, and Instruments for Pre-Accession Assistance to deliver technical assistance and financing support to national tax administrations. These instruments are not accounted for as ODA and details on the nature and approach undertaken to deliver them are not easily accessible to the public.

5. The road ahead

This paper aims to highlight a number of possible alternatives to strengthen access to updated and aggregated information in order to assess trends in international support to taxation.

Strengthening the internal reporting of taxation projects at agency level

The most crucial factor to improve updated access to information on international support to taxation is a better understanding of donors' internal reporting on tax-related activities. According to the majority of accounts gathered through interviews with donor officials, there is scope for better reporting in the tax area. As mentioned, there are a limited number of bilateral and multilateral agencies that develop internal databases with specific sector coding that allow them to isolate taxation activities without much effort in terms of financial amounts, life cycle, recipient countries, and implementers of projects.

However, the majority of donors interviewed acknowledge that how this internal information is transferred to the DAC CRS Aid Activity database is unclear. Therefore, a more in-depth analysis to understand the reason behind possible under-reporting of taxation projects in terms of ODA spending is necessary.

Nevertheless, it is clear that the quality and detail of project descriptions matters: the majority of donors report that horizontal programmes, where taxation is a component of a programme with a wider scope, are frequent. If development agencies want to obtain more robust data on taxation activities, they need to intensify efforts to provide more accurate information, including internal reporting, on the sub-components of major sector programmes. Likewise, they also need to investigate why contributions to specific partner organisations such as ATAF dealing exclusively with taxation are currently not captured in the CRS Aid Activity.

The debate on how bilateral and multilateral agencies could be more effective at recording and reporting taxation activities in order to improve donors' own project databases and, in turn, strengthen reporting to CRS Aid Activity needs to be conducted first within the agencies themselves. The two communities of practice, financial and programmatic experts, would benefit from understanding the main challenges to developing keywords to facilitate the task of searching for taxation activities.

An additional possibility is to initiate a debate under the auspices of the DAC/GOVNET Tax and Governance Task Force or the ITC regarding the exchange of good practice and cost-effective means of strengthening systems to tag and record taxation activities at agency level.

There may also be a role for the ITD to play. As previously mentioned, there are certain complementarities between the CRS Aid Activity Database and the ITD's TA database on taxation that could be further exploited. These complementarities will be clearer in 2012 once the ITD TA database includes a broader number of providers of information from bilateral agencies. At that point, it will be possible to establish a more accurate comparison between the data on taxation provided to the ITD by programme experts in donor agencies and the taxation data on ODA spending provided to the CRS Aid Activity database by financial and accounting experts in the same donor agencies.

Taking advantage of the fact that both initiatives are hosted by the OECD, a further analysis on how the two databases can complement each other would definitely advance current efforts to report taxation activities. For instance, as DAC donors have started reporting their taxation projects to the ITD TA database, this database could serve to help understand how taxation activity can be better captured in DAC Aid Statistics.

Building on existing databases such as the CRS Aid Activity or the ITD TA databases and expanding their mandate and functionality

A number of donors interviewed suggested including a sub-code in addition to the CRS purpose codes to tag activities in the DAC CRS Aid Activity. As explained in section 3.1, donors can only apply one CRS code per activity. The addition of a sub-code would effectively function as a policy objective marker, which is a statistical code employed by the OECD/DAC to measure aid targeted to a specific policy objective. Currently, markers are applied to gender equality and poverty reduction, and Rio markers are related to climate change mitigation and adaptation.

The criteria for establishing policy objective markers are multiple. Since taxation or domestic resource mobilisation is an activity that expands across a variety of sectors, it could potentially qualify as an activity that requires a concrete marker. However, for this debate to take place, it is crucial to establish a more in-depth debate within the DAC GOVNET Task Force on Tax and Development. The use of policy objective markers is not exempt from dangers and limitations. In addition, the use of a policy objective marker would have the measuring of aid devoted to domestic resource mobilisation as a main target.

However, it may not shed light on concrete issues such as areas of expertise, or nature and length of TA interventions. Another option could be to expand a database such as THE ITD TA DATABASE as a cost-effective stepping stone to bridge current gaps in available information. The database would need to be expanded on content-wise and with more searchable functions. It would be also desirable to allow information to be downloaded in user-friendly format. Alternatively, in-house analysis of trends could be made available on the ITD website on a regular basis.

The ITD is in the process of restructuring the TA database. 2011 is a key year since participation is expanding and all DAC bilateral agencies have started reporting their activities. In addition, major players such as the IMF and WGB will continue to provide their data and the ITD will also include data from regional development banks such as the IADB. The database will be more comprehensive in 2012. Hence the timing is right to undertake an in-depth debate on what donors and other TA providers of taxation support as well as recipient countries would need to create a resource to regularly track taxation projects.

Country perspective as the starting point

Mostly for coordination purposes, the database must offer a country perspective on the type of support that is being delivered. Donors consulted who were interested in developing a comprehensive dataset concur that a country perspective is the most useful starting point to understand what is going on. The ITD's TA database already offers this feature. It would just be a matter of tweaking how the information is classified (e.g. by year and activity type, attributes which are currently not available in the on-line public search) and the picture would be more complete.

Estimating approach, depth and nature of TA interventions

Nevertheless, a country perspective in itself is not sufficient to estimate division of labour and comparative advantage issues, as well as the extension and depth of TA interventions. These three aspects seem to be key from the point of view of both donors and tax administrations in order to coordinate and assess the impact and effectiveness of their efforts. As discussed above, for these three aspects to be measured on a regular basis, more granularity on the content and depth of taxation interventions is necessary. This latter aspect is key as bilateral and multilateral donors often use different business models in their interventions, which makes it difficult to establish common criteria for comparison.¹⁸

¹⁸ For a review of business models employed, please see UN Committee's Overview on Capacity Building

Improving understanding of division of labour and coordination issues among TA providers

While it is difficult to consensuate definitions internationally on what substantive areas of specialisation on taxation include, the donor community could develop a basic typology in the interest of better understanding of the division of labour and coordination efforts within the aid effectiveness agenda. This typology would aim to establish a minimum common denominator that assists development agencies (both bilaterals and multilaterals) to classify the TA interventions that they offer. It is beyond the scope of this study to define what this typology would look like. However, conversations with donor agency officials highlight the need for a simple matrix.

- Tax policy: This could include issues related to simplification of tax structures, legislation, or investment climate
- Tax administration: This could include implementation issues at organisational level (e.g. integration of revenue authorities)
- Customs: This is a contained area of specialisation that could be isolated.

The details of the typology could be discussed in the context of the ITD TA database restructuring in combination with the DAC/GOVNET Task Force on Tax and Governance. ITD's membership and increasing participation as well as the profile of participants in the DAC/GOVNET Task Force will guarantee that the consensus reached is representative enough.

Information sharing and conducting periodic surveys

Information sharing is at the core of estimating all aspects outlined above. Currently, exchange of information takes place through platforms, regular meetings and conferences, exchange of mapping studies and overviews and dissemination of good practice papers.¹⁹ No doubt these efforts have advanced the general understanding of the state-of-play in international support to taxation and they should continue. The level of detail that they provide is indeed useful and necessary.

However, current information-sharing efforts do not facilitate a regular updated analysis of evolving trends. Furthermore, mapping studies and surveys are labour intensive, costly one-off exercises that would require regular repetition in order to capture evolving trends.

¹⁹ Information sharing methods identified in ITC's Mapping Survey

6. Conclusions

As the number of TA providers on taxation both within and outside the donor community increases, there is demand for more readily available updated information on the type and nature of services offered, countries and regions in which these actors operate, and areas of expertise. The rationale for better access to updated information comes from the understanding that the more easily accessible information is, the more it will facilitate efforts for donors and other TA providers to coordinate their activities and to evaluate the effectiveness of their taxation activities. This study advocates that a more in-depth debate is necessary within the donor community to establish the format and specific content required to acquire a holistic view of trends in international support to taxation.

Nevertheless, there are two datasets, the DAC CRS Aid Activity and the ITD TA databases, that provide a starting point for satisfying the seemingly increased demand for information. In the short term, the most cost-effective means of obtaining access to updated information is the restructuring and expansion of the two available databases gathering data on taxation, mainly from the donor community, but nevertheless not excluding other actors that intervene outside traditional ODA schemes. Strengthening the reporting to the DAC CRS Aid Activity database and the increased information available in the ITD TA database will allow interested stakeholders to attain aggregate and cross-referenced robust analyses of support activities on taxation. If donors are serious about intensifying their efforts to strengthen reporting on taxation, both datasets could centralise information on a number of limited aspects necessary to guide engagement decisions in the tax area, mostly from aid, but seeking to understand how aid interacts with other support channels. This could also facilitate a more effective division of labour among international assistance providers.

This said, initiatives to conduct surveys such as ITC's Mapping Survey or the EC's Monterrey questionnaire²⁰ based on the Doha Declaration and Monterrey Consensus on financing for development, or specialised forums such as the DAC/GOVNET Tax and Governance, are valuable exercises that add granularity and content to the current debate on international support to taxation and need to be continued. This holds particularly true because for a database to be functional, it can only cover a limited number of aspects and debate on wider areas like good governance principles on tax matters (transparency, exchange of information, fair tax competition) or state building and domestic resource mobilisation significantly advance efforts to support tax systems in developing countries.

²⁰ The EC's Monterrey questionnaire, which from 2011 onwards will be run yearly in order to monitor compliance with EU Member States' Monterrey commitments.

7. References

- Mapping Survey Taxation and Development.
International Tax Compact (May 2010)
- Overview of Cooperation on Capacity Building in Taxation.
UN Committee of Experts on International Cooperation in Tax Matters
(October 2010)
- EU Accountability Report 2011 on Financing for Development.
European Commission Working Document (April 2011)
- Appropriate Aid Modalities for Supporting Tax Systems.
International Tax Compact and OECD/DAC Tax and Governance Task Force
(June 2011)
- Restricting the Type of Aid to which Markers May Apply.
Working Party on Statistics, OECD Development Cooperation Directorate,
Development Assistance Committee (February 2011)



8. List of Annexes

Annex 1 – Terms of Reference

Annex 2 – CRS Purpose Codes

Annex 3 – Structured questions for donor community

Annex 4 – Structured questions for partner countries

Annex 5 – List of donor agencies and tax administrations interviewed

Mapping study on international support in tax and development activities – Terms of reference as of December 6, 2010

Introduction


On 27th January 2010, the OECD hosted a joint meeting of the Committee on Fiscal Affairs and the Development Assistance Committee, bringing together the tax and development communities for the first time.

During this meeting tax and development experts set up an Informal Task Force on Tax and Development and agreed on a set of general principles. These principles include the need for dialogue and co-operation, as well as the appropriate division of labour among the wide range of international initiatives providing technical assistance in the tax and development area.

As a follow-up action to this meeting, the Informal Task Force on Tax and Development requested (11 May 2010) the International Tax Compact, the International Tax Dialogue, ATAF and other international organisations to work together on the mapping of international assistance and developing country needs in the area of taxation and development, building on the work already done by these organisations in this area and to report back during the first meeting of the Task Force. This document describes the general terms of reference of this task.

Why a mapping project?

Providing access to information to meet the needs of the countries and provide information on the division of labour amongst all bi- and multilateral donors and international organisations working on tax policy and administration reforms is not an easy task.



There is a significant number of technical assistance providers in the tax domain which includes bilateral donors, international organisations, multi-lateral financial institutions, regional networks, and NGOs. Many of them are not specialised in taxation and tax activities and may be embedded in projects with a broader scope, including development, and public governance.

Moreover, not all countries have access to information on the different business models and approaches of the available technical assistance providers.

All these difficulties in accessing information call for a comprehensive mapping project that would allow:

- Easier access to information on international support available to developing countries;
- A stronger evidence base to guide engagement decisions in the tax area from aid;
- A more efficient and effective division of labour among international assistance providers;
- Enhanced synergies between the different available programmes at the regional and global level and programmes at country level.

Project description

a) Scope

A comprehensive mapping study will be carried out covering the following main tasks:

1. A review and synthesis of data provided by OECD-DAC aid statistics and further existing mapping studies/data, including those developed by the International Tax Compact, World Bank and IMF database/reports on technical assistance, the Victor Thuronyi's note for the UN Committee of Experts on capacity building, and the ITD database on capacity building. The synthesis should include an overview of modalities, instruments and approaches of the different donors.
2. Analysis of information gaps from the perspective of different users.
3. Assessment of alternative options to fill information gaps.
4. Assessment of possibilities and challenges to provide such reporting on regular, i.e. annual basis and to establish public on-line access to this information.

b) Main outcomes

The main output of this study will be a technical oriented paper and a policy brief, which will address specific questions including:

- How can data on tax-related donor activities be improved?
- How can public on-line access to this data be made available?
- What kind of core information is necessary for improving the coordination and a reasonable division of labour between international partners, at the country level, regionally and at the international level?
- What does the pattern of international support look like (geographical and/or thematic areas of concentration)?

The output from this study may lead to a further phase of this work to include following up recommendations from the OECD Task Force.

c) Implementation

The mapping study will be commissioned to a consultant that will report to an informal steering group formed by the OECD CTP/DCD, the ITD and ITC. A draft report should be provided to the steering group and their feedback should be incorporated and revised before the final version is distributed.

d) Financial support

The ITC has agreed to provide financial support for this mapping study. These funds will cover the costs of a consultant services for a period of 20 days and travel and accommodation costs of (possibly) one 2-day mission to Washington DC, two 1-day missions to Paris and one 1 day mission to Brussels.

e) Timeline

This mapping study is expected to start on February 1st, 2011. A draft of the paper will be sent to the steering group for feedback by the middle of March 2011. The final paper is expected to be ready on March 30th, 2011 and presented to the next meeting of the OECDs Informal Task Force on Tax and Development as well as on the 2011 ITC workshop.

THE LIST OF
CRS PURPOSE CODES
taking effect in 2011
reporting on 2010 flows

In comparison with the code list effective in 2010 reporting on 2009 flows:

- purpose codes for water and sanitation have been revised [agreed by the DAC Working Party on Statistics – WP-STAT – in May 2009];
- three purpose codes in the field of peace and security have been revised [agreed by the WP-STAT in June 2010]: 15220-Civilian peace-building, conflict prevention and resolution, 15230-Participation in international peacekeeping operations, and 15250-Removal of landmines and explosive remnants of war;
- purpose codes related to core support to NGOs (92010, 92020 and 92030) have been removed. [This reflects the decision of the WP-STAT to identify core support to NGOs as a “type of aid” and to use the purpose codes for recording the sector of intervention of the NGO concerned. (If cross-cutting or unknown, the code multisector aid is used.)]

DAC 5	CRS Code	Description	Clarifications / Additional notes on coverage
150		GOVERNMENT AND CIVIL SOCIETY	
151		Government and civil society, general	
	15110	Public sector policy and administrative management	Institution-building assistance to strengthen core public sector management systems and capacities. This includes macro-economic and other policy management, co-ordination, planning and reform; human resource management; organisational development; civil service reform; e-government; development planning, monitoring and evaluation; support to ministries involved in aid co-ordination; other ministries and government departments when sector cannot be specified. (Use specific sector codes for development of systems and capacities in sector ministries.)
	15111	Public finance management	Fiscal policy and planning; support to ministries of finance; strengthening financial and managerial accountability; public expenditure management; improving financial management systems; tax policy and administration; budget drafting; inter-governmental fiscal relations, public audit, public debt. (Use code 33120 for customs.)
	15112	Decentralisation and support to subnational government	Decentralisation processes (including political, administrative and fiscal dimensions); intergovernmental relations and federalism; strengthening departments of regional and local government, regional and local authorities and their national associations. (Use specific sector codes for decentralisation of sector management and services.)
	15113	Anti-corruption organisations and institutions	Specialised organisations, institutions and frameworks for the prevention of and combat against corruption, bribery, money-laundering and other aspects of organised crime, with or without law enforcement powers, e.g. anti-corruption commissions and monitoring bodies, special investigation services, institutions and initiatives of integrity and ethics oversight, specialised NGOs, other civil society and citizens' organisations directly concerned with corruption.

DAC 5	CRS Code	Description	Clarifications / Additional notes on coverage
	15130	Legal and judicial development	<p>Support to institutions, systems and procedures of the justice sector, both formal and informal; support to ministries of justice, the interior and home affairs; judges and courts; legal drafting services; bar and lawyers associations; professional legal education; maintenance of law and order and public safety; border management; law enforcement agencies, police, prisons and their supervision; ombudsmen; alternative dispute resolution, arbitration and mediation; legal aid and counsel; traditional, indigenous and paralegal practices that fall outside the formal legal system.</p> <p>Measures that support the improvement of legal frameworks, constitutions, laws and regulations; legislative and constitutional drafting and review; legal reform; integration of formal and informal systems of law.</p> <p>Public legal education; dissemination of information on entitlements and remedies for injustice; awareness campaigns.</p> <p>(Use codes 152xx for activities that are primarily aimed at supporting security system reform or undertaken in connection with post-conflict and peace building activities.)</p>
	15150	Democratic participation and civil society	<p>Support to the exercise of democracy and diverse forms of participation of citizens beyond elections (15151); direct democracy instruments such as referenda and citizens' initiatives; support to organisations to represent and advocate for their members, to monitor, engage and hold governments to account, and to help citizens learn to act in the public sphere; curricula and teaching for civic education at various levels.</p> <p>(This purpose code is restricted to activities targeting governance issues. When assistance to civil society is for non-governance purposes use other appropriate purpose codes.)</p>
	15151	Elections	<p>Electoral management bodies and processes, election observation, voters' education.</p> <p>(Use code 15230 when in the context of an international peacekeeping operation).</p>

DAC 5	CRS Code	Description	Clarifications / Additional notes on coverage
	15152	Legislatures and political parties	Assistance to strengthen key functions of legislatures/ parliaments including subnational assemblies and councils (representation; oversight; legislation), such as improving the capacity of legislative bodies, improving legislatures' committees and administrative procedures,; research and information management systems; providing training programmes for legislators and support personnel. Assistance to political parties and strengthening of party systems.
	15153	Media and free flow of information	Activities that support free and uncensored flow of information on public issues; activities that increase the editorial and technical skills and the integrity of the print and broadcast media, e.g. training of journalists. (Use codes 22010-22040 for provision of equipment and capital assistance to media.)
	15160	Human rights	Measures to support specialised official human rights institutions and mechanisms at universal, regional, national and local levels in their statutory roles to promote and protect civil and political, economic, social and cultural rights as defined in international conventions and covenants; translation of international human rights commitments into national legislation; reporting and follow-up; human rights dialogue. Human rights defenders and human rights NGOs; human rights advocacy, activism, mobilisation; awareness raising and public human rights education. Human rights programming targeting specific groups, e.g. children, persons with disabilities, migrants, ethnic, religious, linguistic and sexual minorities, indigenous people and those suffering from caste discrimination, victims of trafficking, victims of torture. (Use code 15230 when in the context of an international peacekeeping operation.)
	15170	Women's equality organisations and institutions	Support for institutions and organisations (governmental and non-governmental) working for gender equality and women's empowerment.

DAC 5	CRS Code	Description	Clarifications / Additional notes on coverage
331		TRADE POLICY AND REGULATIONS AND TRADE-RELATED ADJUSTMENT	
	33110	Trade policy and administrative management	Trade policy and planning; support to ministries and departments responsible for trade policy; trade-related legislation and regulatory reforms; policy analysis and implementation of multilateral trade agreements e.g. technical barriers to trade and sanitary and phytosanitary measures (TBT/SPS) except at regional level (see 33130); mainstreaming trade in national development strategies (e.g. poverty reduction strategy papers); wholesale/retail trade; unspecified trade and trade promotion activities.
	33120	Trade facilitation	Simplification and harmonisation of international import and export procedures (e.g. customs valuation, licensing procedures, transport formalities, payments, insurance); support to customs departments; tariff reforms.
	33130	Regional trade agreements (RTAs)	Support to regional trade arrangements [e.g. Southern African Development Community (SADC), Association of Southeast Asian Nations (ASEAN), Free Trade Area of the Americas (FTAA), African Caribbean Pacific/European Union (ACP/EU)], including work on technical barriers to trade and sanitary and phytosanitary measures (TBT/SPS) at regional level; elaboration of rules of origin and introduction of special and differential treatment in RTAs.
	33140	Multilateral trade negotiations	Support developing countries' effective participation in multilateral trade negotiations, including training of negotiators, assessing impacts of negotiations; accession to the World Trade Organisation (WTO) and other multilateral trade-related organisations.
	33150	Trade-related adjustment	Contributions to the government budget to assist the implementation of recipients' own trade reforms and adjustments to trade policy measures by other countries; assistance to manage shortfalls in the balance of payments due to changes in world trading environment.
	33181	Trade education/training	Human resources development in trade not included under any of the above codes. Includes university programmes in trade.

ANNEX 3

Structured questionnaire for donor community

The purpose of the brief interview is two-fold:

a) to gauge how data on tax related programmes and projects is collected internally at your agency

1. Do you have an internal database/system to keep track of taxation activities undertaken in any given year?
 - 1a. If yes, what is the input to collect such data (e.g. projects approved, disbursements, etc)? Do you follow the same framework as DAC CRS purpose codes?
2. Do you have a specific system to keep track or collect information on taxation components of major programmes such as PFM, Public Administration Reform? If yes, please describe
3. Do you utilise a specific matrix to classify your taxation activities as per area of expertise? If yes, please describe
4. What time of challenges do you find to collect data on taxation activities undertaken by your agency? (e.g. resources to keep track of activities, capacity of personnel in charge of collecting and recording data, decentralised structure of agency HQs vs. field level, other)

b) to understand what type of information on taxation would be necessary – from your perspective – to acquire a regularly updated, comprehensive view on what is going in the provision of TA to tax administrations.

1. Do you think that a system to centralise information that was updated on a regular basis on international support to taxation would be useful?
 - 1a. If yes, what format would you like this system to have? (e.g. periodical surveys, database, other)
2. What type of information would you find more useful? (e.g. country perspective, areas of expertise, aid modalities, spending, other)

ANNEX 4

Structured questionnaire for Tax Administration

1. **Does your tax administrations have information on the types of support that they can request from international providers of technical assistance/capacity building?**
2. **How do you find out what international providers offer?**

E.g.: supply based (meetings at the request of development agencies, private companies, international organisations, bilateral meetings with other countries' ministries or tax administrations), contact with other tax commissioners, easy access to embassies/country delegations or bilateral development agencies in order to request support, regional networks, particular websites
- 2a. **Are you able to list any sources?**
3. **If you do know where to get the support they need from international providers, do tax administrations consider that certain providers are specialised in a particular area of expertise?**

E.g.: IMF for expertise in tax policy, OECD for tax administration strategy, GIZ for drafting tax legislation, etc
4. **What are the main obstacles to obtain information on what type of assistance international providers offer?**

E.g.: fragmentation of activities by providers, lack of clear information available at embassies/bilateral development agencies (areas of activity, expertise, etc), lack of sources of information on what is offered and by whom
5. **Would you find it useful to have a database that provides centralised information on international providers, their areas of specialisation, and where they work?**

ANNEX 5

List of interviewed donor representatives and tax administration officials

Multilateral and Bilateral Agencies

- 1. The World Bank:**
Mr Raúl Félix Junquera Varela, Senior Public Finance Specialist Public Sector Governance (PRMPS), Poverty Reduction and Economic Management
- 2. UK Department for International Development:**
Mr Simon Whitfield, Senior Advisor Anti-corruption Team
- 3. European Commission:**
Mr Tassilo Von Droste zu Huelshof, Policy Officer, Directorate-General Development Cooperation – EuropeAid, Unit J3 Economic governance and budget support
- 4. NORAD (Norwegian Agency for Development Cooperation):**
Ms Tanja Ustvedt, Senior Advisor Tax and Development Unit
- 5. Netherlands Ministry of Foreign Affairs:**
Mr Mirco Goudriaan, Senior Advisor Effectiveness and Quality Department (DEC), Public Sector Division
- 6. United States Agency for International Development:**
Mr David Dod, Senior Economist, Office of Economic Growth and Mr Douglas Pulse, Economic Growth Advisor, Bureau Latin America and the Caribbean
- 7. German Federal Ministry for Economic Cooperation and Development (BMZ):**
Mr Hans Wollny, Deputy Head of Division, Division 203 – Governance, Democracy, Rule of Law
- 8. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ):**
Mr Roland von Frankenhorst, Director International Tax Compact
- 9. France ADETEF:**
Jan Robert Suesser, Director and Carolina Ballester, Project Officer, Public Finance Management Department and Latin America
- 10. Spain FIIAPP Program – DGPOLDE (General Directorate Development Policies):**
Maria Villanueva, Expert in Innovative Development Financing, Development and Finance Instruments, Finance for Development, Innovative Finance Department

Tax Administrations

- 1. Rwanda Revenue Authority:**
Mr Celestine Bumbakare, Commissioner Domestic Taxes
- 2. El Salvador General Internal Revenue Service of the Ministry of Finance:**
Mr Mauricio Eduardo Orellana, Advisor to the Commissioner General Internal Revenue



international tax compact

initiative to strengthen international cooperation with developing countries to fight tax evasion and tax avoidance