

Indicator description	DFID spend on improving tax systems
Indicator Type	Input
Rationale	Manifesto commitment to double DFID spend on tax mobilisation by 2020.
Technical definition	<p>DFID budget (including DFID's share of cross government funds) spent on improving 'domestic revenue mobilisation'.</p> <p>For the purposes of calculation this indicator refers to DFID spend which falls under the OECD-DAC's new 15114 code 'Domestic Revenue Mobilisation' which includes all activities that:</p> <p>'Support [to] domestic revenue mobilisation/tax policy, analysis and administration as well as non-tax public revenue, which includes work with ministries of finance, line ministries, revenue authorities or other local, regional or national public bodies.'</p> <p>It is important to note that this no longer includes programmes that fall under the Public Financial Management OECD-DAC Code 151-11 which has been amended to now EXCLUDE the above noted activities (tax policy and administration):</p> <p>'Fiscal policy and planning; support to ministries of finance; strengthening financial and managerial accountability; public expenditure management; improving financial management systems;; budget drafting; inter-governmental fiscal relations, public audit, public debt.'</p> <p>Spending departments should therefore review Public Financial Management (PFM) programmes coded prior to this change to ensure that tax programmes are not accidentally classified as PFM programmes.</p> <p>For the purpose of this indicator, "DFID budget" includes</p> <ul style="list-style-type: none"> • All DFID bilateral spend in countries including regional and centrally managed global programmes. <p>"DFID spend" is thus the sum of bilateral ODA (including DFID spend of any joint funds). The former is recorded in the DFID programme management system ('ARIES').</p>
Data calculations	<p><u>Headline points:</u></p> <ul style="list-style-type: none"> • We need to be able to single out spend on improving tax systems—hence the code. • We understand that tax work (both policy and administration) is often part of wider programming (e.g. PFM, anti-corruption, growth, state building, economic development, citizen engagement and accountability, extractives) but we also recognise the need to be able to pinpoint what elements are on tax as that will be a different type of work than the other elements of the programme.

- We set it up on our system and have been using it since the summer.
- We are currently going through a manual process to identify tax elements within programmes that were set up **before** the new tax code was created. We will then be using these manual returns to update our systems centrally, as teams cannot change their coding once a programme has been approved.
- For **new** programmes, teams are now able to select the new tax code themselves and code an appropriate % to it.

Generic example

DFID structures its project data at two main levels, project and component. A project may have any number of components, with each component representing a different element of the project such as procurement activity, working with NGOs, budget support. Each component can have up to 8 input sector codes, with a % given to each input sector code. Total % must add to 100% and there must be one input sector code with a higher % than all the others. Input sector codes are aligned with the DAC purpose codes, [available here](#).

A sample structure is shown below.

Project code	Component code	Input Sector code	%
xxxxxx	xxxxxx-101	yyyyy	30%
		yyyyy	20%
		yyyyy	10%
		yyyyy	20%
		yyyyy	20%
	xxxxxx-102	yyyyy	50%
		yyyyy	25%
		yyyyy	25%
	xxxxxx-103	yyyyy	40%
		yyyyy	10%
		yyyyy	10%
		yyyyy	5%
		yyyyy	5%
		yyyyy	5%
yyyyy		15%	
		yyyyy	10%

In the case of introducing the new input sector (purpose) code for tax, components have been recoded as follows, often removing % of spend from 15121 Public Sector Financial Management and putting that into 15114 Domestic Revenue Mobilisation (tax policy and tax administration support):

	<table border="1" data-bbox="375 228 1455 443"> <thead> <tr> <th>Project code</th> <th>Component code</th> <th>Input Sector code (old)</th> <th>%</th> <th>Input Sector code</th> </tr> </thead> <tbody> <tr> <td rowspan="3">203654</td> <td>203564-101</td> <td>15121</td> <td>100%</td> <td>15114</td> </tr> <tr> <td>203564-102</td> <td>15121</td> <td>100%</td> <td>15114</td> </tr> <tr> <td>203564-103</td> <td>15121</td> <td>100%</td> <td>15114</td> </tr> </tbody> </table> <table border="1" data-bbox="375 481 1455 728"> <thead> <tr> <th>Project code</th> <th>Component code</th> <th>Input Sector code (old)</th> <th>%</th> <th>Input Sector code</th> </tr> </thead> <tbody> <tr> <td rowspan="4">203919</td> <td rowspan="4">203919-101</td> <td>15121</td> <td>70%</td> <td>15121</td> </tr> <tr> <td>15110</td> <td>15%</td> <td>15114</td> </tr> <tr> <td>24010</td> <td>15%</td> <td>15110</td> </tr> <tr> <td></td> <td></td> <td>24010</td> </tr> </tbody> </table> <p data-bbox="375 766 1455 981">The new % allocations are then updated on DFID systems centrally, which will be applied to the entire history of the component. A record is kept offline of the changes as well as the availability of the historic datamark which takes a snapshot of the system at the end of each day.</p>	Project code	Component code	Input Sector code (old)	%	Input Sector code	203654	203564-101	15121	100%	15114	203564-102	15121	100%	15114	203564-103	15121	100%	15114	Project code	Component code	Input Sector code (old)	%	Input Sector code	203919	203919-101	15121	70%	15121	15110	15%	15114	24010	15%	15110			24010
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Data sources	ODA calculations based on CRS extract from ARIES as prepared for publication in Statistics on International Development (SID) using the tax mobilisation input sector code.																																					
Reporting roles	Reported within Statistics in International Development (SID). Quality assurance is undertaken by the GOSAC Statistics Adviser.																																					
Worked example	<p data-bbox="375 1361 1455 1400"><u>Example: Ghana Oil and Gas for Inclusive Growth</u></p> <p data-bbox="375 1429 1455 1496">This programme is focused on supporting Ghana on economic growth. Only part of it includes a focus on tax.</p> <p data-bbox="375 1541 1455 1608">The number of the programme/programme ID is 204330. It has five components:</p> <ul data-bbox="422 1653 1455 1948" style="list-style-type: none"> • 204330-101: Ghana Oil and Gas for Inclusive growth- Technical Assistance – procurement of services • 204330-102 Monitoring and Evaluation - procurement of services • 204330-103: Programme Management - procurement of services • 204330-104: Support for Improving Transparency and Accountability – non-profit org • 204330-105: Support for Improving Citizens' Oversight for Transparency – non-profit org <p data-bbox="375 1989 1455 2016">As part of our current manual process to code existing programmes to the</p>																																					

new code, our DFID Ghana office identified what proportion of each of these components should be coded as tax/DRM.

They decided:

- 30% of component 102 should be 15114 (50% is 23101 and 20% is 15110)
- 30% of component 103 should be 15114 (50% is 23101 and 20% is 15110)

These percentages will be manually put into our system as part of our current exercise and then will automatically code the spend for these components in this automatically in future years.

Component	Current coding of this component	Current % of this component coding	Proposed new coding for this component	Proposed % of new component coding
204330-102	15110 23010	30% 70%	15110 23010 15114	20% 50% 30%
204330-103	15110 23010	30% 70%	15110 23010 15114	20% 50% 30%

Baseline data

DFID budget spent on tax system improvements in 2015 was: £32,674,899.

Country programming	
Country	Summary of programme
Afghanistan	Technical assistance, through Adam Smith International, to the Afghanistan Revenue Department (2011-2016). Focus is to improve tax administration across the department and provincial offices and prepare for implementation of VAT.
Bangladesh	DFID has supported the Tax Administration Capacity and Taxpayer Services (TACTS) programme (2010-2016), a reform programme run by the National Board of Revenue (NBR). The programme aims to widen the tax base and promote transparency and trust in the revenue administration system. Technical assistance on transfer pricing has also been delivered, through DFID's centrally managed tax transparency programme.
Burma	DFID Burma has a public financial management programme (2014-2018) which includes a expected results of improving revenue mobilisation from large taxpayers, as well as improving the management of public funds, oversight of public spending and improved

		transparency.
	Burundi	DFID support to TradeMark East Africa (2013-2015) to increase trade, growth and poverty reduction in Burundi and includes a focus on tax and customs capacity strengthening.
	DRC	DFID supports revenue collection at the provincial level (North Kivu, Equateur, Kasai Oriental) through a World Bank multi-donor trust fund (2014-2017) and supports participatory budgeting and citizen control on revenue collection and PFM at the national and provincial level.
	Ethiopia	DFID supports tax administration and policy reform through a technical assistance programme delivered by DAI (2014 – 2019). The aim is to increase domestic revenue to cover at least 80% of the state budgets from domestic resources and to improve accountability and transparency in how the revenues are deployed. This is complemented by technical assistance from HMRC. OECD and World Bank have provided technical assistance on transfer pricing through the tax transparency programme.
	Ghana	DFID funds a tax administration and reform programme (2015 -2019) to strengthen tax administration and policy systems for sustainable domestic revenue generation. Support includes technical assistance from HMRC. DFID has partnered with the Ghana tax authority to pilot the Automatic Exchange of Information standard. HMRC will provide technical assistance.
	India	DFID is supporting tax collection in the states of Orissa and Madhya Pradesh as part of wider governance and PFM programmes (2010-2017) which aim to increase Government of Odisha's capacity to attract private investments, generate revenue and improve service delivery.
	Kenya	Support to the Kenyan revenue authority to help with the implementation of the Global Forum international standards of transparency and exchange of information for tax purposes, provided through DFID's centrally managed Tax Transparency programme. Support on transfer pricing also given through tax transparency programme.
	Kyrgyzstan and Tajikistan	DFID supports the Central Asia Investment Climate Programme, (2012 -2017), a multi-country programme. The focus is on improving the investment climate and business enabling reforms, including work on tax systems.

	Malawi	Technical assistance from HMRC.
	Mozambique	DFID supports the Central Revenue Authority through a multi-donor common fund and technical assistance. (2013-2019). The programme aims to strengthen tax administration in order to improve the effectiveness, efficiency and fairness of the tax system.
	Nigeria	Support to Nigerian state governments to enhance their domestic revenue mobilisation as part of a wider growth and employment programme (2009-2017). Support given through the tax transparency programme on Exchange of Information.
	Occupied Palestinian Territories	DFID supports the Palestinian Governance Facility (PGF) which includes a focus on improving revenue administration.
	UK Overseas Territories	Support in a number of Overseas Territories including Montserrat, St Helena and Turks and Caicos to improve tax administration and policy.
	Pakistan	DFID is currently supporting revenue reform in Pakistan through a number of channels, including support to sub-national taxation in Punjab and Khyber Pakhtunkhwa provinces, and support to the Federal Board of Revenue through technical assistance from the World Bank and HMRC. Pakistan has received support on Exchange of Information through the tax transparency programme.
	Rwanda	As part of a wider public financial management programme, DFID supports the Rwanda Revenue Authority to improve revenue mobilisation. HMRC is providing technical assistance to the RRA. Pilot TADAT assessment completed in August 2015. HMRC conducted a Tax Inspectors Without Borders mission to the RRA in 2014.
	Sierra Leone and Liberia	Technical assistance programme (2014-2017) to support Government of Sierra Leone to increase revenue flows and combat corruption through a programme of reform in the Sierra Leone National Revenue Authority.
	Southern Africa/Africa Regional	Support to WCO-SARS collaboration to strengthen customs reform in East and Southern Africa (2012-2016). Technical assistance from HMRC to regional tax body, the African Tax Administration Forum.
	South Sudan	Support to improve effectiveness and transparency of customs services at borders (2012-2015).

	Tanzania	Support to the Tanzanian Revenue Authority to implement its Corporate Reform Plan which is focused on improving and modernising tax administration (2013-2019). Technical assistance is also being provided from HMRC to support this.
	Uganda	DFID is supporting GoU on range of revenue-related reforms, including support to the Government's PFM reform strategy, the third Financial Management and Accountability Programme (FINMAP III) 2014-2018; support to Trade Mark East Africa (TMEA) including work on customs and regulatory and tax environment 2009-2017; a local governance programme in collaboration with USAID, the Governance, Accountability, Participation and Performance (GAPP) programme 2014-2019, that addresses some local taxation issues, and support to Uganda Revenue Authority on oil taxation (2012-2017). Pilot TADAT assessment conducted in August 2015. Support on Exchange of Information received through tax transparency programme.
	Yemen	Support to improve business regulation and tax systems including support via the IFC on tax simplification (2013-2015).
	Zambia	Support to improve the Government of Zambia's financial management and revenue generation by reforming and modernising core financial management and tax systems (2014-2017). Pilot TADAT assessment conducted.
	Zimbabwe	Support to formalise and legalise production and trade of artisanal gold miners to improve livelihoods and increase tax revenue (2014-2016). OECD has given support on transfer pricing through tax transparency programme
	Centrally managed programmes/funding	
	Tax Transparency	Funding to OECD, Global Forum on Transparency and Exchange of Information for Tax Practices and World Bank to provide technical assistance to developing countries on exchange of information and transfer pricing. Also, includes support to the OECD for the Secretariat of Tax Inspectors Without Borders Secretariat and for reviews of tax incentives for investment. (2013-16). The programme has worked in Tanzania, Nigeria, Pakistan, Uganda, Columbia, Ghana, Jamaica, the Philippines, Cameroon, Ethiopia, Rwanda, Jamaica, Zambia,

		Botswana, Zimbabwe and Kenya amongst others.	
	TADAT	Funding to the IMF to develop and implement the Tax Administration Diagnostic Assessment Tool (TADAT), which tax authorities and donors can use to (2014-18). The tool was rolled out for use in November. Pilots have taken place in Rwanda, Uganda, Zambia and South Africa. We are planning upcoming assessments Tanzania and Ethiopia.	
	ODA transfer to HMRC	ODA to HMRC for use to provide technical assistance to developing countries on tax administration and tax policy, including specific resource on international tax issues such as tax avoidance and evasion (2013 -2024)	
	Tax policy analysis	Funding to the Institute for Fiscal Studies (to start in 2016, until 2018) to provide tax policy analysis in partner countries as well as deliver cross-cutting tax policy research.	
	Research	Research programmes with the International Centre for Tax and Development, and the International Growth Centre, which look at tax and development issues.	
Return Format	Amount of ODA, in £ sterling, spent by DFID, per calendar year.		
Data dis-aggregation	Not applicable – financial input only.		
Data availability	Annually		
Time period/ lag	Bilateral: up to 1 year. Multilateral: up to 2 years.		
Quality assurance measures	Data published in SID are already subject to quality assurance checks, whereby draft summary statistics are shared with designated statistics advisers to carry out ‘sense checks’ on the figures. For the purpose of this indicator, those sense checks will be the primary method of quality assurance, used to confirm that all relevant expenditure is included in the calculations.		
Interpretation of results	To allow for trends to be analysed, each annual update will report against both the 2015 list and the contemporary list. This is akin to a financial index reporting in both ‘constant’ and ‘current’ prices.		
Data quality	The final output in SID will be National Statistics status. Quality assurance will require the assessment by the relevant policy division statistics and tax advisors to ensure that the contributing programmes are improving tax systems. For additional information please contact the current GOSAC		

	statistics advisor, Alexander Hamilton (alexander-hamilton@dfid.gov.uk).
Data issues	Poor classification of programmes, especially given the linkages between PFM and tax mobilisation may result in over/under estimation of actual spend..
Additional comments	None
Variations from standard methodology	None, the aim of this note is to ensure only relevant activities are counted.