UK Department for International Development [DFID]

Tax for growth and poverty reduction in Africa

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Executive Summary
This paper explores the linkages between taxation policy and its administration and the impact of tax systems on investment, economic growth and poverty reduction in developing African countries.

The paper examines the scope for harnessing the tax system to promoting economic growth in African countries and makes three main strategic recommendations in this area: improvements to corporate income tax through efforts to broaden the base of the tax and to streamline the system of tax incentives and preferential tax regimes; removal of tax costs and barriers inhibiting formalisation of the informal economy; and improvements to the VAT regime.

The paper gives particular emphasis to the governance aspects of taxation in African countries. Reform of tax systems needs to focus much more on how taxation regimes can be developed to promote transparency, capacity, accountability and responsiveness that together create the legitimacy and effectiveness of the state and improve tax efficiency and equity.

Some important lessons learnt from a review of DFID’s experience in taxation reform projects to date, in Africa and elsewhere, include (i) the need to embed revenue reforms in the broader public sector reform effort; (ii) better application of change management techniques; (iii) the importance of improving linkages between tax policy and tax administration (iv) the value-added of technical lessons learnt by one Revenue Authority to assist in helping others; and (v) the overwhelming importance of high-level political commitment to taxation reform.

The paper concludes by outlining DFID’s current strategic approach to supporting taxation reform efforts in the developing world. This encompasses both a continued focus on tax administration reform and more proactive efforts in tax policy work, including linking tax policy more closely to tax administration.
Taxation for Enterprise Development: Growth with Governance in Africa

Capacity to raise taxes is one of the core foundations of both economic and political development. The tax regime is critical for investment, private sector development and growth. The share of tax revenue in GDP for the lowest income countries averages around 10-12%, rising to around 20% for countries with per capita incomes of $1,500, and exceeding 40% in many high income countries. The share varies widely across low income countries (which tend to be relatively dependent on selective sales taxes and trade taxes), approaching zero in the most fragile states. Many developing countries have tax systems that impose an impossible burden on the private sector, forcing firms either to go bankrupt or to go informal or illegal. Overall, the average tax ‘take’ from profits in sub-Saharan Africa is estimated at 71%, compared with 47% in the OECD and 45% in South Asia.

The UK’s 2006 White Paper on development recognises that tax plays an essential role for better political governance without which growth is unlikely to be sustainable. It is a core part of the social contract between citizens and the state: it can help build legitimacy through domestic accountability and good public financial management and funding the delivery of core services to citizens, or undermine it when associated with ‘state capture’ and corruption (which diminish tax revenues and deter private investment). DFID is attempting to understand better the multiple dimensions to taxation around both governance and growth that shape the development of the private sector in developing countries.

Understanding of Tax and Enterprise Development in context

The importance of tax reform for reducing poverty, promoting growth, and improving governance underscores that improving both tax policy and tax administration contributes to and needs to be understood in direct connection to:

1. **Growth**: promoting the private sector and investment climate;
2. **Governance**: building effective states while strengthening political accountability and institutional transparency;
3. **Global Trends**: affecting national taxes.

These need to be addressed against the challenges of:

4. **Aid effectiveness**: improving the sustainable impact of foreign aid to achieve the ending of aid dependency.
5. **Administration**: ‘administration is tax policy’: Taxation systems in developing countries face big challenges:
   - There is a fundamental shift in revenue sources away from trade customs/tariffs towards domestic taxation (primarily VAT), but developing countries are losing out because they are unable or unwilling to increase revenues sufficiently from domestic taxes (which are more difficult to levy).
   - The tax base (especially for corporate taxes) must be broadened. Exemptions and preferential arrangements (especially for foreign investment) should be reduced.

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1 World Bank ‘Doing Business’ – [http://www.doingbusiness.org/ExploreTopics/PayingTaxes/](http://www.doingbusiness.org/ExploreTopics/PayingTaxes/) In several countries multiple taxes and poor tax design mean that the total take exceeds profits e.g. tax amounts to an estimated 235% of profits in DRC.
International tax fraud, evasion and avoidance (such as through transfer pricing and thin capitalisation) pose a major threat, requiring both a technical response and joined up working with international initiatives to address global governance issues.

Despite its shortcomings, VAT is indispensable - but its performance has to improve to generate sufficient revenues for development.

More attention should be given to how tax systems prevent the informal sector from formalising, as well as the most appropriate tax arrangements for small businesses.

The contribution to government revenues of personal taxes needs to be raised, including for state-building reasons.

1. Growth
Promoting Growth is essential if the Millennium Development Goals are to be achieved. Taxation, both policy but also how it is administered shapes growth dynamics: more attention may be needed in some areas, e.g.:

- Improving corporate income tax to preserve its role in a changing economic environment. This will require efforts to broaden the base of the tax and to review and streamline the system of tax incentives and preferential tax regimes.

- Broadening the Tax Base: the informal sector: The informal economy forms a large part of the economies of many developing countries. While it rarely is the sole reason for operating informally, the tax system can be a major factor impeding formalisation. However, operating in the informal economy can have major drawbacks. In particular, it reduces access to formal credit networks and markets, and government business. Facilitating formalisation requires a comprehensive strategy to reduce formalisation costs and barriers, while increasing incentives to formalise. Incentives to formalise are of key importance. The creation of special tax offices to administer and serve small taxpayers and the introduction of simplified tax rules, such as reducing the filing frequency, simplified tax accounting, or even the design of a simple, presumptive tax system for small businesses, can help to implement the recommendations listed.

- Special attention to the VAT regime: An efficient VAT can provide a major contribution to revenue generation without being regressive. Given that the sales taxes, which it replaced, have a much smaller revenue yield, a high potential for evasion, and risk to have negative economic effects (in particular cascading), there is no effective alternative to VAT [see ‘Global Trends’ below]. However, not uncommonly the operation of the VAT causes frustrations. The efficiency of the VAT in developing countries tends to be considerably lower than in developed countries, while the burden for businesses to comply with the VAT regime is rather high. Critical issues are the determination of a sufficiently high registration threshold to exempt smaller businesses from the obligation to comply with the VAT regime, the limitation of the number of rates (preferably to not more than two), an efficient and quick refund mechanism (including mechanisms to counteract refund fraud), and the introduction of measures to counteract VAT evasion (such as specialised VAT audits and invoice crosschecking systems).

2. Governance
Politics of Taxation: it is increasingly recognised that political factors underpin the feasibility of tax reform. It is therefore critical to engage with the politics of taxation, especially at critical junctures in the political and electoral cycles, such as democratic
transitions or post-conflict peace agreements. Fiscal pacts are often one of the foundations of sustainable peace, political reconciliation and capable states. Reforms must go beyond organisational and procedural elements and also address broader governance aspects. Tax is highly political and its administration is one of the largest government organisations, depending on developing clear and transparent relations with the legislature and civil society. Strengthening transparency and accountability in tax policy and administration, and linking it better to expenditure, provides an important contribution to improving political governance.

Sound and fair domestic taxation systems promote good governance because it is hard to raise tax without bargaining with citizens. Bargaining over taxes necessarily involves a process of negotiation between government and citizens. It gives citizens an opportunity to express their preferences on how their country’s resources are managed and distributed, and it contributes to the building of consensus across a society. This process seems critical also for better growth dynamics.

Historically taxation has been a crucial element of establishing accountability and in state-building. The idea of bargaining and negotiation is central to the concept of a social fiscal contract: a pattern of regular and routine accountability based on the principle of reciprocity and mutual obligations, rather than patronage and coercion. This is essentially about stimulating good governance at the interface between state and society, in response to the demands of citizens. The role of informal institutions is important to bridge the gap between the formal rules and the informal practices governing taxation systems.

Moreover, establishing a sound system of taxation requires co-operation and ongoing linkages between different parts of government, so that overall economic policy, with its tax and expenditure implications, is coherent and well managed. It also requires engaging with actors beyond government so as to encourage greater demand for transparency and accountability in the way public resources are raised and managed. Checks and balances institutions (such as parliaments), oversight agencies (such as audit agencies), civil society and the media have an important role to play. For example, a number of civil society organisations are increasingly scrutinising government revenues and expenditures, especially those resources emanating from extractive industries.

Reform therefore should focus on how taxation therefore potentially promotes transparency, capacity, accountability and responsiveness that together create the legitimacy and effectiveness of the state that may include:

- Strengthening the role of personal income tax. Currently personal income taxes have very limited distributional effects and their potential to supporting the creation of an accountability relationship between taxpayers and the government is not used. The expansion of the tax base of the personal income tax is one of the key challenges of tax reform in all developing countries. Personal income taxes have been introduced in some developing countries, but play only a marginal role due to political and administrative difficulties in broadening the income tax net and a high level of tax evasion. As a consequence, while personal income taxes yield about 7.2% of GDP in developed countries (but are paid by around 45% of
the adult population), the corresponding figure for developing countries is only 1.9% of GDP (but are paid by less than 5% of the population).²

- **Equity and Gender** dimensions: promoting socially progressive and inclusive tax is important in their own right but also for growth and political stability.

- Better and more equitable **sub-national** revenue mobilisation is essential for decentralisation. Land and Property taxes can be a stable source of sub-national revenue generation. This requires improving the valuation and property tax collection systems, and streamlining business licences and fees.

- ‘**Tax Expenditure**’: Tackling tax evasion and elusion, and costing exemptions is also important to broaden the tax base and simplify tax regimes.

- **Stable tax regimes**. Frequent alterations in tax rates and the proliferation of tax exemptions not only affect the credibility of the tax regime but also introduce uncertainty, reducing predictability and so increasing risk. Reducing volatility and strengthening stability in tax regimes help improving the investment climate and citizens’ voluntary compliance.

- Tackling corruption and ‘state capture’ in tax systems

3. **Global Trends**

Trade liberalisation and globalisation have a major impact on the design of the tax system and the composition of tax revenues. As a result of trade liberalisation taxes on cross-border trade, which constituted one of the main pillars of the tax system of developing countries in the 1980s, have been reduced, and trade tax revenues have decreased by about 20% from the early 1980s to the late 1990s. This caused a shift of the tax system focus from taxation of cross-border transactions to domestic revenue mobilisation. Globalisation and competition for foreign direct investment put pressure on corporate taxes, and the statutory tax rate of corporate income tax continues to be reduced.

These developments have changed fundamentally the overall structure of the tax system. In particular, the introduction of a **VAT** has been the most fundamental tax policy reform in the last 20 years, in many cases replacing inefficient and distorting sales taxes. Today more than 120 countries worldwide operate a VAT, which frequently has become the centrepiece of the tax system. A new, modern indirect tax system has developed in combination with the reform of the excise tax system, concentrating on a small number of high potential excises, in particular on alcohol, tobacco, and fuel. An efficient VAT can provide a major contribution to revenue generation without being regressive. Given that the sales taxes, which it replaced, have a much smaller revenue yield, a high potential for evasion, and risk to have negative economic effects (in particular cascading), there is no effective alternative to VAT. However, not uncommonly the operation of the VAT causes frustrations. The efficiency of the VAT in developing countries tends to be considerably lower than in developed countries, while the burden for businesses to comply with the VAT regime is rather high. Critical issues are the determination of a sufficiently high registration threshold to exempt smaller businesses from the obligation to comply with the VAT regime, the limitation of the number of rates (preferably to not more than two), an efficient and quick refund mechanism (including mechanisms to counteract refund

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fraud), and the introduction of measures to counteract VAT evasion (such as specialised VAT audits and invoice crosschecking systems).

4. Tax Administration:
Tax systems improvements cannot succeed without the necessary capacity to implement the tax policy framework. The main elements of supporting tax administration reform generally are:
(i) A reorganisation of tax administration along functional lines with special administrative units responsible for the various operational areas, such as tax audit, arrears management, and taxpayer services. This is often combined with the introduction of taxpayer segmentation and the creation of special tax offices for large, medium and small taxpayers.
(ii) Strengthening operational capacity, through the introduction of a risk based tax audit approach, methods to detect late filing of tax returns and tax payments, improving VAT refund processes, and improving the scope and quality of services and information provided to taxpayers.
(iii) Re-engineering and computerisation of business processes in parallel (not computerising old working practices).

Tax administration capacity building requires the improvement of the strategic planning and results-monitoring process. Strategic planning should be combined with the development of a new set of performance indicators for tax administration, which, instead of exclusively measuring tax collection results, evaluate tax administration performance in the various operational areas, including the improvement of taxpayer services.

Human resource management also requires increased attention. Adjusting the human resource base to fit the requirements of a modern tax administration, introducing a more performance-oriented human resource management and compensation system, and increasing the training capacity and the quality of training, are reform needs which are crucial for the overall success of a tax administration reform.

There are few public agencies in which conditions for institutional corruption are as prevalent as in a tax or customs administration. The Transparency International Corruption Barometer 2005 lists the tax authorities as constituting the gravest cause of concern among traditional government institutions. Beyond specific measures aiming at increasing integrity in revenue administration, such as the establishment of an internal audit function, a comprehensive anti-corruption strategy addressing both motives and opportunities for corruption should be developed to improve good governance.

5. Tax and Aid Effectiveness:
There is considerable and unresolved debate about the relationship between aid flows and tax effort. The composition of aid (loans and grants) and the level of corruption and general quality of governance affect tax systems (Gupta 2004; IMF 2006): grants appear to have more of a substitution effect on domestic revenues than loans and, in corrupt countries, aid is almost fully offset by a reduced revenue effort. (Reisen 2006).
The key point however is that Scaling up offers an important opportunity to improve tax systems to end aid dependency. There is also scope for improving donor harmonisation and alignment on tax, especially in the context of the scaling up of aid. Greater co-ordination between multilateral institutions (IMF, World Bank and regional MDBs) on tax policy and administration seems essential to improve the international aid architecture, and to promote better collaboration among donors.

**DFID’s work on taxation in Africa**

In 2006 DFID undertook a review that assembled for the first time a coherent picture of DFID’s work on tax. Since 2001, DFID has undertaken 181 tax or tax-related projects/programmes [67 in Africa] with an attributable total financial commitment of £159 million [£99m in Africa]3. These interventions are dispersed widely across the world and across the organisation (44 different Country Offices and HQ departments). There are important regional differences in the scale of DFID support, with Africa having significantly more tax projects and spending than any of the other regions. Another notable feature is that tax features in almost all of DFID’s PSA4 country programmes, either as part of a wider programme of reforms supported by PRSCs or as a free standing programme providing direct support to country led development strategies5. Unsurprisingly, the major part of the portfolio in terms of cost and volume is managed by Country Offices, with HQ departments running many smaller projects (usually of a policy and/or research nature).

DFID’s tax interventions are many and varied. 102 (56%) of DFID’s tax projects were wholly or mainly about tax, as opposed to being a small element in a much broader programme. At the highest level of generality, DFID is very active in each of the three key (strongly related) areas - tax administration, tax policy and research on tax issues.

To date, DFID’s major focus and three quarters of the projects have been on the strengthening of tax and customs administrations - with emphasis on governance, human resource development and an array of technical matters. Recent projects have broadened the objectives - to take on other themes – including: tax and the investment climate, trade facilitation/liberalisation, economic and fiscal management, state-building, and decentralisation. However, the spend and engagement on these broader themes, beyond administration reform, is currently still small.

DFID’s tax projects appear to be effective, consistently being categorised as of high/medium risk but of high return. 72% of the scored tax projects on DFID’s project management system (PRISM) are assessed as being of high or medium risk, and 71% were rated 1 or 2. Two notable successes, in post-conflict environments, have been the Rwanda Revenue Authority (RRA) and Mozambique Customs projects. RRA was created in 1997 faced with major challenges: society emerging from a period of civil war and genocide, limited tax base, low level of compliance, poor reputation, and

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3 The tax element of wider projects has been estimated, to derive the total commitment on tax work. Total estimated expenditure on these projects during the 2001 - 2006 review period is £81 million, averaging about £15 million annually. This is less than the total commitment figure since some of the commitment relates to pre-2001 work on ongoing projects and some relates to work to be done after June 2006 (the cut-off date for the Inventory).

4 Public Service Agreement, which DFID has with HM Treasury.

5 In 23 out of the 25 PSA countries. DFID has not been supporting tax work directly in Sudan and DRC during the period.
limited capacity. DFID’s support, which continues to the present and totals £19 million over 5 phases, was designed to “increase GoR capacity to collect revenue efficiently and effectively”. The RRA project has perhaps been the most prominent DFID success: revenue collection to GDP has increased to 14.67% in 2005 from a base of 9% in 1998 and is expected to continue to improve by 0.5% point each year, costs of collection have reduced, and the Authority is operating effective business systems, within a new functional structure, with capable managers and staff. Its public image remains positive across the key stakeholder groups within and outside government.

Some important lessons learnt from this and all the other DFID tax projects have included:

(i) the need to embed revenue reforms in the broader public sector reform effort, both in general (to avoid unsustainable ‘islands of excellence’) and in specific operational detail (such as IT systems);
(ii) better application of change management techniques;
(iii) importance of improving linkages between tax policy and tax administration, including by closer collaboration with the IMF;
(iv) the value-added of technical lessons learnt by one Revenue Authority to assist in helping others; and
(v) the overwhelming importance of high-level political commitment to reform.

The 2006 review of DFID’s efforts discovered no significant gaps in DFID’s tax work. Collectively, DFID appears to be addressing each of the main identified issues in one way or another. However, more could be done in key areas; and there are important new issues emerging; and DFID should help shape the increasing international community concern for partner government capacities and commitment to address them, as well as to help shape and lead the international response.

DFID has supported tax administration reforms which were crucial for restoring public finances in the post-conflict contexts of Mozambique and Rwanda; in tackling the macro-economic crisis in Zambia; in improving governance in Uganda, Tanzania and Lesotho; and in improving tax policy in Ethiopia.

DFID’s recent operational work on a thematic level has included examining (jointly with the World Bank Group) the impact on business of African Revenue Authorities’

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6 Lessons sampled from PCRs on PRISM for Mozambique, Jamaica, Ethiopia, Zambia and Rwanda respectively.
7 ‘Islands of excellence’ may nevertheless be a good enough approach when incremental change is possible only in limited areas
8 However, a sample review by the external consultants of the project documentation revealed an apparent gap between the increasingly acknowledged broader agendas for tax reform and the inclusion of practical measures to address them in some of the detailed project designs.
9 The Mozambique customs reform project is viewed by the Government of Mozambique as the most successful public service reform programme. Customs revenues as a percentage of GDP doubled between 1996 (2.9%) and 2005 (5.8%), goods are clearing customs 40 times faster than pre reforms, and there are more effective anti-smuggling controls. In Rwanda, the domestic revenue/GDP percentage increased from 9% in 1998 to 14.7% in 2005. In Mozambique too, DFID has joined with other donors in successfully supporting reforms to tax (as opposed to customs) administration. Challenges remain in both countries.
administration [‘administration is tax policy’]. The results of this, and the next phase, will be presented separately by DFID’s project partner FIAS of the WBG, but it has confirmed that

- Understanding ‘Tax administration is tax policy’ shows tax systems can be shaped to promote or retard growth
- Tax must be understood as a ‘system’ – of policy, administration, politics and the political economy of each sector, and of the private sector
- the need to know much more about the current and prospective role of SMEs within the mergence of the ‘fiscal social contract’.

**DFID response**

Against that background, the 2006 review recommended:

1. A continued focus on tax administration reform - but widened and prioritised to cover better the private sector development, growth and state-building opportunities.
2. More proactive efforts in tax policy work and linking it more closely to its administration. Priority areas identified for consideration (some of which DFID is already beginning to work on) were:
   - Simplifying personal income tax;
   - International aspects of tax design (including transfer pricing and other leakages/evasion, role of DTTs);
   - Scope and impact of exemptions and preferential regimes;
   - The impact of tax on the informal sector, and ‘un-taxing’ the poor;
   - Tackling corruption and state capture in tax systems;
   - Climate change and environmental taxes;
   - Decentralisation and taxation;
   - Gender dimensions of tax systems;
   - Regional tax harmonisation.

DFID’s in March 2007 established a small core task team on tax in its Policy and Research Division and supported by a wider virtual team of members from across the Department and by specialist external inputs as necessary. It is developing ways to respond to the new areas identified with the aim of improving the connections between tax and aid, governance and growth which are essential to development: (i) aid and taxes, (ii) taxes and governance, (iii) aid and governance; (iv) aid and growth, (v) taxes and growth, (vi) governance and growth all of which are complex and contested yet essential for achieving development. Country offices remain active in this field and are the first point of contact for country-specific interest on tax and custom reform. The aim is to engage more actively on tax reform matters in partnerships with others – e.g. this conference.

DFID is working with IFC, IMF, OECD and country partners on a new programme to find administratively feasible ways for tax systems to promote the business environment and the better governance on which growth will depend – the subject of a separate paper and presentation which builds on the general principles outlined above.

Max Everest-Phillips
Roger Nellist

*Joint Heads of the DFID Tax Task Team, London*
### Table 1 - Commitment and Number of DFID Tax Projects by Region, Jan 2001 to June 2006

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Europe, Middle East, Central Asia &amp; Overseas Territories</th>
<th>Latin America and Caribbean</th>
<th>Non Country Specific</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ Commitment (Tax)$^{10}$</td>
<td>£99m</td>
<td>£29m</td>
<td>£22m</td>
<td>£1m</td>
<td>£8m</td>
<td>£159m</td>
</tr>
<tr>
<td>Total Projects</td>
<td>67</td>
<td>18</td>
<td>44</td>
<td>9</td>
<td>43</td>
<td>181</td>
</tr>
</tbody>
</table>

$^{10}$ The commitment is the amount to be spent which was agreed at the commencement of each of the projects. The figure includes the commitment of those projects which started prior to 2001 and which were operational during the review period. For broader projects with a ‘small’ tax/customs focus, 20% of the total project commitment was attributed to being targeted on tax, unless specific information to the contrary was provided by relevant departments.

### Table 2 - Commitment and Number of Projects by Tax Area Jan 2001 to June 2006

<table>
<thead>
<tr>
<th>Tax Area</th>
<th>Africa</th>
<th>Asia</th>
<th>Europe, Middle East, Central Asia &amp; Overseas Territories</th>
<th>Latin America &amp; Caribbean</th>
<th>Non Country Specific</th>
<th>Total by Tax Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ Commitment</td>
<td>£31m</td>
<td>£0m$^{11}$</td>
<td>£8m</td>
<td>£0m</td>
<td>£1m</td>
<td>£40m</td>
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<tr>
<td>Number</td>
<td>13</td>
<td>1</td>
<td>13</td>
<td>0</td>
<td>12</td>
<td>39</td>
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<tr>
<td>CUSTOMS</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>£ Commitment</td>
<td>£58m</td>
<td>£26m</td>
<td>£11m</td>
<td>£0m</td>
<td>£1m</td>
<td>£96m</td>
</tr>
<tr>
<td>Number</td>
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<td>17</td>
<td>4</td>
<td>8</td>
<td>70</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ Commitment</td>
<td>£7m</td>
<td>£1m</td>
<td>£3m</td>
<td>£0m$^{12}$</td>
<td>£2m</td>
<td>£13m</td>
</tr>
<tr>
<td>Number</td>
<td>13</td>
<td>2</td>
<td>8</td>
<td>1</td>
<td>10</td>
<td>34</td>
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<tr>
<td>TAX POLICY</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ Commitment</td>
<td>£3m</td>
<td>£2m</td>
<td>£0m$^{14}$</td>
<td>£1m</td>
<td>£4m</td>
<td>£10m</td>
</tr>
<tr>
<td>Number</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>OTHER$^{13}$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ Commitment</td>
<td>£99m</td>
<td>£29m</td>
<td>£22m</td>
<td>£1m</td>
<td>£8m</td>
<td>£159m</td>
</tr>
<tr>
<td>Number</td>
<td>67</td>
<td>18</td>
<td>44</td>
<td>9</td>
<td>43</td>
<td>181</td>
</tr>
</tbody>
</table>

$^{11}$ £9,000

$^{12}$ £9,500

$^{13}$ This category covers fiscal reform [23], fiscal management [6], fiscal governance [5], fiscal decentralisation [3], and fiscal administration [1].

$^{14}$ £438,860
Table 3 - Number of Projects by Year of Commencement Jan 2001 to June 2006

<table>
<thead>
<tr>
<th>Commencement Year</th>
<th>Africa</th>
<th>Asia</th>
<th>Europe, Middle East, Central Asia &amp; Overseas Territories</th>
<th>Latin America &amp; Caribbean</th>
<th>Non Country Specific</th>
<th>Total Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commenced Prior to 2001 and still Operational during the review period</td>
<td>9</td>
<td>2</td>
<td>11</td>
<td>0</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>2001</td>
<td>8</td>
<td>1</td>
<td>9</td>
<td>2</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>2002</td>
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<td>3</td>
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<td>5</td>
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<td>2003</td>
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<td>2004</td>
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<td>4</td>
<td>9</td>
<td>4</td>
<td>8</td>
<td>34</td>
</tr>
<tr>
<td>2005</td>
<td>13</td>
<td>5</td>
<td>3</td>
<td>0</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td>2006 (to June)</td>
<td>8</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Scheduled to begin after the review period - Post June 2006 (including 2007)</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Start Date Not Known</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total Projects by Region</td>
<td>67</td>
<td>18</td>
<td>44</td>
<td>9</td>
<td>43</td>
<td>181</td>
</tr>
</tbody>
</table>

15 Excludes all tax projects in the early stage of design for which a formal Project Concept Note had not been registered. The indicated numbers for 2006 therefore underestimate the likely number of DFID tax projects in 2006.
16 Information is not readily identifiable.