Public Expenditure and Financial Accountability (PEFA)

FEASIBILITY STUDY

DEVELOPING A TOOL TO ASSESS TAX ADMINISTRATION PERFORMANCE

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Note

This study was initiated and financed by the Public Expenditure and Financial Accountability (PEFA) Partnership, which comprises the World Bank, the European Commission, the UK Department of International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Norwegian Ministry of Foreign Affairs and the International Monetary Fund.

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ABBREVIATIONS AND ACRONYMS

CFA	Committee on Fiscal Affairs
CIT	Corporate Income Tax
CPI	Compliance/Performance Indicators
DeMPA	Debt Management Performance Assessment
DFID	Department for International Development
DPI	Debt Performance Indicator
EC	European Commission
EU	European Union
GDI	German Development Institute
GDP	Gross Domestic Product
HDI	Human Development Index
ICT	Information and Communication Technologies
IMF	International Monetary Fund
ITC	International Tax Compact
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PD	Paris Declaration
PEFA	Public Expenditure and Financial Accountability
PEFA PMF	PEFA Performance Measurement Framework
PEFA PR	PEFA Performance Report
PIT	Personal Income Tax
PFM	Public Financial Management
ROSC	Report on the Observance of Standards and Codes
TA	Technical Assistance
TPA	Tax Performance Assessment
VAT	Value Added Tax
WB	World Bank
WCO	World Customs Organization

EXECUTIVE SUMMARY

The purpose of this study is to determine the feasibility of developing a diagnostic tool for assessing tax administration performance that could be commonly applied by Public Expenditure and Financial Accountability (PEFA) stakeholders and others. The study assumes the tool is to be similar in its features and characteristics to the high-level diagnostic tool developed for public financial management (PFM) in 2005, which includes some indicators for tax administration performance.

The study identifies and describes 8 existing diagnostic tools or approaches that assess tax administration performance either directly or indirectly. Three of these are publically available databases, and the remaining five can be described as frameworks for making individual country assessments. The study concludes that, while the existing suite of tools exhibits many of the essential characteristics of the PFM tool, no single tool or approach meets all its characteristics of being comprehensive, evidence-based, driven by performance indicators and benchmarks or standards, and able to be commonly applied.

The study goes on to identify the potential characteristics of a diagnostic tool based on the PFM example: it should be comprehensive, but at the same time straightforward; provide a standardized framework for assessment; be quantified wherever possible, and use a scoring system based on benchmarks and standards to permit comparisons. In addition, it should be able to be used by donors to target better their technical assistance to support tax administration reform.

The study concludes that a diagnostic tool for tax administration is technically feasible, and goes on to suggest a possible design for a tax administration tool of this type. However, the development of indicators and benchmarks, critical if the tool is to be similar to the PFM tool, may prove difficult and would require considerable further testing. A limited number of high-level indicators could be explored further in this fashion before deciding whether to proceed.

Furthermore, if and when a diagnostic tool for tax administration is developed, to ensure the sustainability and durability of the tool, it would have to be accepted by international organizations, by donors, and by countries themselves, and the number of applications of the tool would have to achieve a critical mass. Perhaps most importantly, the tool would need to have some organization responsible for it. The tool would have to be supported by some body or institution in order to manage its evolution, provide advice, and ensure consistency.

The study discusses the benefits and risks associated with using a standardized assessment tool. One main benefit would be consistency in preparation of objective assessments of performance. Properly implemented, this feature can allow comparisons over time and between countries, which can assist in formulating an overall diagnosis of gaps in performance. In turn, this can lead to better donor decisions, and improved reform initiatives. In terms of risks, it is noted that tax administration is a large subject for a common measurable tool, and that consistency and objectivity in application will be difficult to achieve. The development of performance indicators and agreed benchmarks and standards will be difficult. In addition, a straight-forward tool might not be able to address all concerns all the time and could become literal and inflexible.

I. INTRODUCTION

A. Background

Public Expenditure and Financial Accountability (PEFA) is a partnership between the World Bank (WB), the European Commission (EC), the United Kingdom's Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs (SECO), the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund (IMF). The partnership aims to support integrated and harmonized approaches to assessment and reforms in the area of public expenditure, procurement, and financial accountability.

To this end, PEFA has developed a performance measurement framework to facilitate the efforts of stakeholders to assess and improve Public Financial Management (PFM) systems. The framework incorporates a PFM Report and a set of high level performance indicators, which draw on internationally accepted standards and codes (e.g. the IMF Fiscal Transparency Code). In some areas of financial management (e.g. procurement and debt management), the PEFA framework is being supported by more detailed performance assessment tools, called drill-down tools.

At this stage, the PEFA framework relies on a few high-level benchmarks to determine tax administration performance. On the other hand, a number of PEFA stakeholders and other organizations possess tools and processes to assess tax administration performance, for example, the European Commission's blueprint analysis to assess alignment with EU standards, and the International Monetary Fund's diagnostic reviews to assess alignment with international good practices. Other technical assistance providers, including the United States Agency for International Development (USAID) utilize some sort of benchmarking tool to assess tax administration performance.

The purpose of this study is to determine the need for and feasibility of developing a tool that could be used commonly by PEFA stakeholders to assess tax administration performance. More specifically, the study's objectives are to:

- identify and describe approaches (diagnostic tools) to assess tax administration performance which are currently in use or are being developed by PEFA stakeholders and others;
- identify and describe similarities and differences in these tools with regard to design, purpose, and functionality;
- determine the extent to which these are duplicative, cover essential knowledge gaps, and are used by governments in their reform efforts and by donors;

- If possible, provide a broad outline of a feasible (drill down) tool for tax administration, which may be utilized by PEFA partners following further design and development in a possible second phase of this project; and

- clarify possible benefits and identify potential risks related to a standardized assessment model.

PEFA has financed this study, while, the IMF's Fiscal Affairs Department has provided overall direction and quality control, and the WB has provided logistical support in the way of contracting the study expert, etc. In addition to this background section, the body of the report includes the following sections:

Section II - *Existing Diagnostic Tools for Assessing Tax administration Performance.* The section summarizes 8 existing tools based on a more detailed Appendix. It then compares characteristics of these tools to identify commonalities and gaps that are apparent with the suite of tools that exists today. The section also discusses the context of the PEFA PFM Framework, drill-down tools, and other related diagnostic tools.

- Section III - Possible *Design Outline for a possible diagnostic tool to assess tax administration.* The section sets out some of the potential characteristics and features of a diagnostic tool, and proposes an initial outline for a tax administration tool that could be developed.

- Section IV - *Benefits and Risks of a Standardized Assessment Model*. The section discusses what are effectively the advantages and disadvantages of standardized assessment.

- Section V provides a *Summary of Main Conclusions*.

B. Important clarifications in terms of reference and methodology

As the study has progressed, a number of important concepts and issues have emerged that have an impact on the observations and conclusions reached in the study. Most important among these are:

- From the PEFA perspective, tax administration is sometimes viewed as a subset of public financial management (PFM). PFM is seen in the broadest possible sense and covers all fiscal matters, including tax administration.

- The high-level PEFA assessment tool covers all of PFM, including tax administration. It also covers a range of other issues more commonly thought of as PFM subsets such as payroll, procurement, accounting systems, and public debt management.

- Drill-down tools (tools that explore performance in more depth than the "parent" tool) have been developed for some of the subsets of PFM such as procurement and public debt management.

The terms of reference for this study contemplated an assessment of the feasibility of developing a drill-down tool for tax administration. The assumption was that this could be a drill-down tool in same sense as, or similar to, those developed for procurement and public debt management. However, this approach may be too narrow. Tax administration is more comparable to PFM generally than to one of these subsets of PFM. In terms of the breadth and scope of tax administration, its own subsets (such as debt management and collection, integrated tax administration systems, compliance strategies, and accounting and payment) could be considered comparable to the referenced subsets of PFM.

Therefore, rather than focus on the feasibility of a "drill-down" tool for tax administration, the study attempts to make a *preliminary* assessment of the feasibility of an overall, or comprehensive, tool that could be commonly applied.

Implicit in this approach is the notion that this overall tool would be similar (not identical) to the overall PEFA PFM tool. Drill-down tools in specific aspects of tax administration would also be possible, whether related to a new overall tool for tax administration or to specific indicators in the PEFA PFM tool.

Finally, it should be noted that the study does not deal with the difficult question of the relationship between tax policy and tax administration. It is clear that tax policy and administration are highly interdependent, and that assessing the effectiveness of administration will have to involve some level of assessment of the policy framework in which the administration is carried out. However, unless that particular degree of assessment of policy adequacy can be kept very straightforward, there will be an increasing risk of over-complicating the whole process.

II. EXISTING DIAGNOSTIC TOOLS FOR ASSESSING TAX ADMINISTRATION PERFORMANCE

There are very few existing tools for assessing tax administration performance, and there are wide variations in the nature of the tools. In fact, some of the tools discussed below are more directed towards assessing tax policy or tax policy outcomes than tax administration. However, for the purposes of completeness, it has been decided to include all tools that touch on tax administration, no matter how indirectly. Broadly speaking, the tools can be divided in to two groups: (i) databases; and (ii) frameworks for making individual country assessments.

Table 1 provides a brief summary description of each of the tools assessed.

Table 1: Summary description of tax administration diagnostic tools

Tool	Brief description
Databases	
OECD Comparative Information Series	Provides tax administration information for 44 countries related to organization, management, tax filing and payment, administrative powers, tax burden, and operational performance
USAID Collecting Taxes Database	Provides global coverage on 31 different indicators covering 200+ countries. It gives a country-level view as well as regional, income group and international benchmarks against which to assess a country's tax system.
GDI Tax Performance Assessment (Under development)	Using 2007-08 as a base year, provides a comparative overview of the tax performance of different countries, based on aggregate historical data and country-specific information. Data from more than 175 countries is being analyzed.
Frameworks for making individual country assessments	
PEFA Tax Administration Indicators	Tax administration in the PEFA framework is covered by four indicators that assess: aggregate revenue outturn compared to forecast; clarity and comprehensiveness of legislation and procedures, taxpayer access to information , and the existence and functioning of an appeals mechanism; tax payer registration, penalties for non-registration and non-filing, and planning and monitoring for audits and investigations; and the collection ratio, the effectiveness of transfers to the treasury, and the frequency of reconciliations. This is done for countries who have used the full PFM Evaluation Framework.
EU Fiscal Blueprints	The fiscal blueprints are designed to be used as a self-assessment tool that provides an overall framework and benchmarks related to the technical and organizational aspects of a tax administration. The blueprints are organized in five groups that comprise 14 separate blueprint chapters. Each blueprint has the same structure: an ***aim*** or broad statement of overall purpose; ***strategic objectives***, i.e. statements that identify crucial issues, expected achievement, and measureable results; a ***scoring*** system, including a weighting of each strategic objective; ***key indicators***, which express the strategic objectives in technical and practical terms; and, ***definitions***.
WB _ Handbook for Tax Administration	The handbook is intended for policy makers as the basis to assess a tax system in its entirety, measure its various parameters and how it is administered and define best practice for tax administration and tax policy. Topics range from policy considerations to templates for implementing policy and measuring the effectiveness of reforms.
WB – Diagnostic Framework for Revenue Administration	The framework outlines a relatively complicated approach of calculating various indicators, using a congruence model of effective organization, and preparing a detailed list of organizational, management and technical tasks. The indicators and tasks are then assessed against the environment of the revenue administration, and its resources, history, strategy, and outputs.
IMF – Diagnostic missions	These missions identify shortcomings in tax administration performance (gaps) compared to international good practice, and develop strategies to close the identified gaps. The assessments and recommendations are documented in formal diagnostic reports that are utilized by governments and donors as roadmaps for reform efforts.

A. Databases

In recent years, several institutions have recognized the importance of assembling raw data related to tax and tax administration to form comprehensive databases. Three tax administration databases have been developed, and each has a slightly different focus, reflecting choices made by the institutions themselves as to what they believe is important. Each of the databases goes further than the simple provision of raw data and information and tends to analyze or at least comment on the nature of the data, define key terms, note limitations and comment on overall importance. What follows is a brief assessment of some of the positive and negative features of each of these databases.

Organization for Economic Cooperation and Development (OECD)

The OECD's ***Comparative Information Series*** for OECD and selected non OECD countries is updated every two years and is a major contribution to general knowledge about tax administration. The database covers all aspects of tax administration and is extensively footnoted and explained. The database is managed by the OECD's center for tax policy and administration and approved by the Committee on Fiscal Affairs (CFA). The information is structured along the following headings:

- institutional and organizational arrangements for tax administration operations.
- a high level description of management practices generally.
- a comparison of the tax filing and payment obligations for the major taxes (i.e. personal income tax (PIT), social contributions, corporate profits/income tax (CIT), and value added tax (VAT)).
- a summary of selected administrative powers given to revenue bodies to carry out their mandate.
- a comparison of country tax burdens (measured in terms of taxes as a proportion of gross domestic product (GDP)) and the relative mix of the major taxes in total revenue collections.
- a summary of selected operational performance information for all countries, along with guidance as to how such information should be interpreted.
- a description of selected administrative practices.

While the database is very comprehensive in its topical coverage of tax administration, it deals only with OECD countries (30) and selected non-OECD countries (14). Very few of these are developing countries.

United States Agency for International Development (USAID)

The USAID's ***Collecting Taxes*** database provides global coverage on 31 different indicators covering 200+ countries. It gives a country-level view as well as regional, income group and international benchmarks against which to assess a country's tax system. The indicators are divided into five different categories:

- *tax revenue performance* – quantitative indicators (5) that provide a sense of how effectively the tax system produces revenues;
- *tax structure* – quantitative indicators (9) related to the substantive structure of tax law;
- *tax administration structure* – quantitative and qualitative indicators (6) of the organization and size of the tax administration;
- *economic structure* – indicators (5) about the economy of each country included in the data base;
- *reference* – indicators (6) related to major tax revenues to allow for international comparisons.

These data can translate into useful information, such as where a country follows the international trend, where it does not, and so on. Moreover, the data lend themselves to cross-country empirical research that can permit investigation into specific aspects of tax administration.

However, while the data set produced can be quite helpful in analyzing certain aspects of performance, it does not permit a comprehensive assessment of tax administration for a particular country. It also has to be noted that some of the data is currently unavailable, not an unexpected situation when all information is collected from third party sources.

German Development Institute (GDI)

The GDI's ***Tax Performance Assessment*** (TPA) is currently being developed as a tool to give a comparative overview of the tax performance of different countries, based on aggregate data and country-specific information. Data from more than 175 countries is being analyzed.[1]

The TPA will not be a tax administration assessment per se. The tool is intended to be used by governments, donors, and international organizations to assist them in making decisions concerning tax reform initiatives and technical assistance. The TPA has the following components:

- using a base year 2007-08, the tax ratio (tax revenue as a percent of GDP) is related to GDP per capita. A trend line is established, and countries are classified into three categories (*average*, *high* or *low* tax performers) based on their "distance" from the trend line.

- the exercise is repeated for two additional observation periods (2002 – five years earlier, and 1997 – 10 years earlier) to identify countries that changed categories over time.

- the TPA then analyses non-tax revenue generally, and official development assistance (ODA) grants in particular, to determine impacts of these aspects on tax performance.

- countries with low tax performance are analyzed to distinguish those who deliberately want a low tax ratio and those where other aspects are at play. To do this, the TPA uses indices such as Polity IV democracy, WGI voice and accountability, and WGI government effectiveness.

The end result will provide a focus on states that fall persistently and significantly below the trend line, and can be an indicator of the need for and direction of further reform, following more specific analysis.

B. Frameworks for Making Individual Country Assessments

A number of tools exist which basically provide a framework for making an individual country assessment of tax administration performance. The tools use indicators, both quantitative and qualitative. Some of the tools provide for a scoring system and others do not. Some cover tax administration broadly, others more narrowly. A brief description including comments on each follows:

PEFA

[1] To assist this study, a draft 'Deutsches Institut fur Entwicklungspolitik' (DIE) discussion paper prepared by Christian von Haldenwang and Maksym Ivanyna was provided.

It is important to distinguish the PEFA framework's sub-set of tax administration indicators from the overall PEFA performance measurement framework for PFM, which is discussed later in this section. Tax administration in the PEFA framework is covered by the indicators PI 3, PI 13, PI 14 and PI 15:

- PI 3 is the aggregate revenue outturn, which currently captures only negative variations. It measures forecasting accuracy, but does not indicate reasons why forecasts might be inaccurate (e.g. economic assumptions could change, tax administration could improve or weaken, tax policy might be altered, forecasts might have been deliberately understated in the first instance (to ensure targets were met or exceeded, to get bonuses, etc));

- PI 13 covers the clarity and comprehensiveness of legislation and procedures, taxpayer access to information , and the existence and functioning of an appeals mechanism;

- PI 14 looks at tax payer registration, penalties for non-registration and non-filing, and planning and monitoring for audits and investigations;

- PI 15 assesses arrears and the collection ratio, the effectiveness of transfers to the treasury, and the frequency of reconciliations.

This particular selection of indicators covers only a portion of the tax administration story, and the areas it does cover are not as complete as they might be (for example, most assessments of tax administration would look at many aspects of registration, including the use of a single taxpayer identification number, filing compliance rates, activities to expose the underground economy, and the like). In addition, probably all of PI 3 and most of PI 15 are related to the classical PFM domain rather than to tax administration *per se*.

Among the important aspects of tax administration that are missing from this particular set of indicators would be: taxpayer services and education; returns, filing and payment; information technology and integrated tax administration systems; compliance strategies including segmentation of taxpayers by size and other characteristics; self assessment, voluntary compliance, and functional organization structures; audit and enforced collection results; autonomy, governance, human resources management and ethics; rights and obligations of taxpayers and the tax authority; strategic and operational planning; and performance reporting.

A recent discussion paper[2] by the International Tax Compact (ITC) sheds further light on these issues. This study analyzed the four tax-related PEFA indicators for 26 PEFA country assessments. It found, for example, that with respect to PI 13 "assessments must be read with

[2] ITC Discussion paper, *Taxation in PEFA Assessments: Findings from 26 Country Reports* (draft), Dr. Ute Eckardt, GTZ, and Carmen Schickinger, KfW, 2010

great caution – there are many indications that the PEFA evaluation teams utilize different scoring values for similar situations”. Concerning PI 15, the study noted it “does not distinguish between former and actual arrears and therefore cannot appraise reform efforts against [specific] historical problems’ and that it “is an aggregated indicator revealing more about treasury cash flow management than about the capacity of tax administrations to collect taxes”.

Furthermore, the ITC paper was unable to find any correlation between higher scores on PI 13, PI 14 and PI 15 and higher tax-to-GDP ratios, a better Human Development Index (HDI), or higher GDP growth rates. Finally, the study notes that PEFA reports on the tax indicators provided information at quite different levels - “Some provide differentiated and broad insights, while others are extremely brief and score the various indicators very literally. This means that the subjectivity of assessments cannot be controlled, in spite of the very detailed indicator technical descriptions.”

While the PEFA tax administration indicators are likely the most widely used (given they are part of the widely-accepted PEFA framework), they clearly present many difficulties in terms of a comprehensive tool for assessing tax administration.

European Commission (EC)

Originally developed as a tool for the candidate countries for accession to the European Union (EU), the ***EC Blueprints*** are now intended as a tool for both EU candidate and “neighborhood” countries. The fiscal blueprints are designed to be used as a self-assessment tool that provides an overall framework and benchmarks related to the technical and organizational aspects of a tax administration.

The blueprints are organized in five groups that comprise 14 separate blueprint chapters. Each blueprint has the same structure: an ***aim*** or broad statement of overall purpose; ***strategic objectives***, i.e. statements that identify crucial issues, expected achievement, and measureable results; a ***scoring*** system, including a weighting of each strategic objective; ***key indicators***, which express the strategic objectives in technical and practical terms; and, ***definitions***.
The 14 chapters cover the following topics:

- framework and structure
    - overall framework
    - structure and organization
    - tax legislation
- human and behavioral issues

  - ethics
  - human resources
- systems and functioning
  - revenue collection/enforcement
  - tax Audit
  - cooperation and mutual assistance
  - fraud and tax avoidance
- taxpayer services
  - taxpayer rights and obligations
  - systems for management of taxpayers
  - voluntary compliance
- support
  - information technology
  - communications

Altogether, there are more than 75 strategic objectives, each of which is given a score out of 100. In some blueprint assessments, each of the 400+ key indicators related to the strategic objectives is also scored out of 100. Many of the key indicators are quite general and lack specifics on which to base scores. Many are qualitative only, and it is difficult to differentiate ratings (insufficient guidance on what constitutes a rating of, say, 50 versus 40). On the whole, the blueprints result in a comprehensive assessment, but it is an unwieldy one which may not be sufficiently evidence-based in all cases.

World Bank

The following two products have been considered in this study:

- ***Handbook for Tax Simplification (WB 2009)***

The handbook is intended for policy makers as the basis to assess a tax system in its entirety, measure its various parameters and how it is administered and define best practice for tax administration and tax policy. Topics range from policy considerations to templates for implementing policy and measuring the effectiveness of reforms. Specific chapters (with more detail on the tax administration chapters) include:

- why simplify taxes
- political economy of tax simplification
- measuring the burden of business taxes
- simplifying tax policy
- tax administration simplification – reorienting the tax authority
    - what a tax administration should do
    - organization
    - political economy considerations
    - taxpayer and business registration
    - filing tax returns
    - payment of taxes
- tax administration simplification – ensuring compliance and accountability
    - sources of compliance information
    - audit procedures
    - information used to assess risk
    - appeals, grievances and tax prosecutions
    - coercive power to tackle potential tax non-compliance
- fiscal incentives and investments
- corruption and tax simplification
- simplifying sub-national taxes
- taxpayer education and assistance
    - rationale and benefits
    - design of a strategy
    - objectives of taxpayer education & assistance

The handbook constitutes a comprehensive reference for tax policy and tax administration of some 250 pages. It contains useful information for practitioners and others; however, it is not a specific tool for assessing tax administration performance for individual countries.

- ***Diagnostic Framework for Revenue Administration (WB 2000)***

This framework, covering both tax and customs administration, was developed more than 10 years ago and does not appear to have been very widely used. The framework outlines a relatively complicated approach of calculating various indicators, using a congruence model of effective organization, and preparing a detailed list of organizational, management and technical tasks. The indicators and tasks are then assessed against the environment[3] of the revenue administration, and its resources, history, strategy, and outputs. The insights derived from these processes are converted into a reform strategy.

As a diagnostic instrument, the framework is comprehensive. However, it is complex and unwieldy, and difficult to follow. It is also extremely process-orientated with its congruence model and detailed lists of management and technical tasks, which may account for its lack of take-up.

International Monetary Fund (IMF)

The Fiscal Affairs Department (FAD) of the IMF delivers technical assistance (TA) in tax administration to countries worldwide. One important means of TA is the ***diagnostic missions*** to member countries to assess tax administration performance. These missions identify shortcomings in tax administration performance (gaps) compared to international good practice, and develop strategies to close the identified gaps. The assessments and recommendations are documented in formal diagnostic reports that are utilized by governments and donors as roadmaps for reform efforts.

Diagnostic missions are systematic and formal, and have the effect of assessing the performance of a tax administration in a comprehensive fashion. However, they are not tools that can be applied by any organization or country, but require that assessors possess comprehensive management and tax administration experience. Furthermore, missions are often tailored to suit the particular circumstances in a given country. For example, a mission in a post-conflict situation will not be the same as one in an area of relative political stability. Similarly, a mission to a country experiencing economic crisis may have a different emphasis and require different expertise than for a mission to an area of greater economic stability.

Generally speaking, a diagnostic mission will assess performance in areas such as registration, taxpayer services and education, returns processing and payment, enforced collection, audit and appeals. In addition, the mission would review organization, management and ethical issues. The revenue administration division (RAD) of FAD provides backstopping support for the diagnostic mission. Backstopping is not just the work of one person – it involves effective

[3] Refers to economic factors, fiscal policy, and the comprehensive legal framework.

project identification, results-focused terms of reference, detailed work plans, selection of qualified experts, continuous technical oversight and monitoring, and advice and direction in subject-matter specialty areas.

Assessments made are released at the discretion of the member country receiving the technical assistance. However, the IMF encourages the widest possible distribution of the diagnostic reports. All efforts are made to ensure the tax administration performance is compared to best practice, including case studies.

Appendix 1 provides a more detailed description of the above mentioned eight assessment tools for tax administration. So that easy comparisons can be made, the appendix uses a taxonomy developed for cataloguing public financial management (PFM) diagnostic tools.[4]

C. Characteristics of the Tax Administration Performance Assessment Tools

Based on the earlier analysis, it is possible to cross reference certain features and characteristics of the existing set of tools. The features and characteristics selected are based more or less on features and characteristics of the PEFA PFM tool, since the study has made the assumption that it is gaps against these features that need to be identified. The main characteristics are as follows:

- *Comprehensiveness* – does the tool cover all or most of the important areas of tax administration?
- *Based on detailed performance indicators* – does the tool use specific tax administration performance indicators for each country?
- *Requires agreed-upon benchmark s*- does the assessment for a particular indicator require that a benchmark or standard be agreed upon in advance?
- *Utilizes a scoring system*- does the tool assign specific scores for the various indicators, and an overall score?
- *Evidence-based assessments*-does the tool require individual assessments to be based on specific verifiable evidence in a particular country?
- *Oversight*- is there formal ownership of the tool by an international body or donor whereby the tool's use is monitored, changes and enhancements are considered, guidance is provided, etc.?

[4] See Stocktaking study of PFM diagnostic instruments, Volume II draft report, Andrew Mackie, June 2010.

Table 1 provides an assessment using the above characteristics. The table simply tries to assess whether or not the characteristic is present, or substantially present. It is fully recognized that this type of comparison has only limited utility given the different nature of the 8 tools as discussed earlier.. However, the results do provide an indication of whether the PEFA-like characteristics are present.

Table 1: Characteristics of Tax Administration Diagnostic Tools

Characteristics	Existing tax administration assessment tools							
	OECD Comparative Series	USAID Collecting Taxes Database	Tax performance assessment (GDI/DIE)	PEFA framework (tax administration indicators)	EU Fiscal Blueprints	Tax simplification handbook (WB)	Diagnostic framework for Revenue Administration (WB)	Diagnostic missions (IMF).
Comprehensive	X	X			X	X	X	X
Based on detailed performance indicators				X	X		X	
Requires agreed-upon benchmarks				X				
Uses a scoring system				X	X			
Evidence-based assessments				X				X
Oversight	X	X		X				X

From the above table, it is possible to make a number of observations about the existing tax administration diagnostic tools:

- most of the tools are comprehensive, the notable exception being the PEFA tax administration indicators;
- oversight is evident for PEFA, IMF diagnostic missions, and the two large databases. The other tools are not as strongly supported.
- only one tool (PEFA) includes mandatory benchmarks or targets; although, targets may also be part of IMF assessments and the EU blueprints.
- only two tools specifically require evidence-based assessments, namely the PEFA tax administration indicators, since they benefit from the discipline associated with the overall PEFA framework, and the IMF diagnostic missions. An argument could be made

for the need for evidence based assessments for the EU blueprints as well, but it does not appear to be as strong.

- none of the existing tools provides all the key characteristics that are inherent in the PEFA PFM tool.

D. Looking Back at the PEFA Framework

It is interesting at this stage to refer to the Allen Report which identified a number of problems with the objectives and scope of PFM diagnostic reviews used in developing countries at that time (Allen *et al* 2004). This Report was prepared in parallel to the development of the PEFA Performance Measurement Framework (PMF). It concluded that a wide variety of assessment instruments had evolved in an uncoordinated way. It raised issues of gaps and duplication in coverage and noted that in most cases diagnostics did not provide users with a simple and objective way of measuring progress in addressing PFM system weaknesses.

The report recommended that donors cooperate, coordinate and collaborate on PFM diagnostics; particularly between the IMF and the WB. It was proposed that assessments should standardize the format of key information to facilitate analysis, dissemination and sharing of information between agencies, governments, and other stakeholders. Finally the donors should seek to develop common definitions and terminology in conducting assessment work.

In many ways, similar comments could apply to tax administration today. While not as many assessment instruments have been developed for tax administration as for PFM, the ones that do exist have been largely uncoordinated, and it is at least questionable that they lead to systematic and objective ways of measuring progress in addressing weaknesses in tax administration. Partly as a result of the Allen recommendations, the PEFA PMF was developed with a standardized structure and set of high level indicators which provide core information and enable monitoring of PFM performance over time. It incorporates a PFM performance report, and a set of high level indicators. PEFA benefits are said to include:

- a strengthening of PFM reform strategy.
- identification of relative weaknesses.
- assistance in reform sequencing and priority setting.
- coordination of external support to reform.
- a shared view of status whereby different stakeholders are brought together.
- monitoring of reform progress towards established targets, through repeat assessments.
- and, evaluation of reform programs.

Similar benefits would also be of great value in the area of tax administration, provided an appropriate tool could be developed and applied. However, these benefits are not currently all available with any one of the existing diagnostic tools.

E. Drill-down Tools

As has been noted earlier in this paper, in some cases drill-down tools have been developed to support the PEFA PFM. A drill-down tool refers to an evidence-based diagnostic tool that "drills-down" or expands on a performance indicator (or indicators) in the PEFA PFM Performance Framework. It is a recognition that the particular subject matter is too complex to be captured very well in a single or a few indicators. The two major examples are procurement and debt management. Neither of these tools has been evaluated by this study and information about them is provided for information only.

Procurement

The procurement drill-down tool establishes common qualitative standards and benchmarks for public procurement systems. It contains a short user's guide along with a performance measurement and monitoring section. The tool looks at procurement systems from the perspectives of: legal and regulatory; institutional and management; operations and market; integrity and transparency.

In summary, it is a companion tool linked to the PEFA assessment and created as a "drill down" for procurement. It assesses elements of PFM and governance from a procurement perspective providing guidance on how they are inter-related, and looks at cross cutting elements of integrity and transparency.

The PEFA PMF includes a single indicator (with 3 dimensions to be scored) for procurement (PI 19). The drill-down tool goes into substantially more depth.

Debt management

A debt management performance assessment (DeMPA) tool has been developed as a methodology for assessing public debt management performance through a set of performance indicators spanning the full range of government debt management functions. It is firmly grounded in PEFA methodology and offers a "drill down" on debt management.

The tool can assess debt management performance and monitor it over time. It supports the design of actionable reform programs and enhances donor harmonization based on common understanding of challenges. There are 15 debt performance indicators (DPIs) with 35 dimensions, each subject to a scoring system. There is an explanatory guide providing background information and a rationale on each indicator along with indicative questions. About 45 public debt management assessments have been made to date.

As was the case with procurement, the PEFA PMF has only a single indicator for debt management which has three dimensions that need to be scored (PI 17).

F. Other Related Diagnostic Tools

Two other diagnostic tools are worthy of note, and both are related to customs.[5] The first is the EU customs blueprints which cover 22 key areas based on best practices in the EU. They are intended to be used to analyze gaps between the existing situation in individual countries and the blueprint standards and thus provide a basis for plans to undertake customs reforms. These blueprints do not use a scoring system (unlike the fiscal blueprints).

The second is the customs capacity building diagnostic framework of the World Customs Organization (WCO). It provides a comprehensive tool kit for undertaking assessment missions and assists customs specialists to focus on all aspects of customs administration. The framework brings together in one document all key elements and foundations necessary to establish an efficient and effective customs administration. It provides a comprehensive and standardized methodology for the diagnosis of needs and the design and development of appropriate capacity building programs. It promotes WCO conventions, instruments and best practice. It includes a readiness assessment tool and a series of ten chapters that cover all the core components of a comprehensive capacity building program. The framework also includes guidelines on how to design, implement and monitor capacity-building initiatives. The WCO provides support for the diagnostic and will carry out assessments for members. The tool can also be used on a self assessment basis.

III. DESIGN OUTLINE FOR A POSSIBLE DIAGNOSTIC TOOL TO ASSESS TAX ADMINISTRATION

The previous section analyzed existing diagnostic tools for assessing tax administration performance, and commented on their respective features. This section identifies some potential characteristics for an evidence-based tool for tax administration, and provides an outline of a possible tool that could be developed to be similar to the PEFA PFM tool. .

[5] Customs is of interest here since in many discussions and in some tools the term ‘revenue administration’ is used to refer to both tax and customs administration.

A. Potential Characteristics for Assessing Tax Administration Performance

For the purposes of this study, the main issue is the assessment of tax administration performance, or the diagnosis of problems or gaps. What to do about the assessments that emerge, and how to plan for improved performance, is not being dealt with in this study.

In order to suggest a possible design for a tool to assess tax administration performance, it is necessary to make assumptions about the characteristics that would be desirable. This was discussed in Section II.c. including Table 1, at least to an extent sufficient to determine that none of the listed tools met the main characteristics of the PEFA tool. This section re-states those characteristics and expands on them based on the author's knowledge and additional research. To incorporate this broader set of characteristics, a tax administration assessment tool would have to:

- ***Be comprehensive*** - clearly the tool would need to cover all of tax administration, or at least all the important elements. One need only look at the EU fiscal blueprints or the OECD comparative series database to get a feel for the breadth of tax administration. It is a discipline every bit as comprehensive as PFM itself (or at least the more classical definition of PFM).

- ***Be straightforward and understandable*** - this requirement can appear contradictory with the comprehensive characteristic described above. However, some of the existing tools are simply too complicated to be effective. The PEFA PMF tool attempts to strike a balance between comprehensiveness and simplicity.

- ***Be based on standardized data*** - much of the work of tax administration can be measured, and the business of taxation is largely the same everywhere. Therefore, it should be possible to work with standardized data sets with common definitions, in order to ensure consistency over time and across countries. Obtaining timely data has often been the Achilles' heel of tax administration diagnostic missions and assessments.

- ***Provide consistency and common structure*** - the tool would need to make sure the same activities were being assessed in the same way each time, and in an objective manner to the extent possible. The framework itself needs to be rigidly structured but at the same time allowing for local conditions and situations to be adequately reflected.

- ***Be predicated on evidence-based assessments*** - all assessments need to be backed up by specific data, documents, or observed activities. The evidence source needs to be recorded, and the quality of the evidence ascertained from time to time.

- ***Utilize a scoring system*** - some diagnostic tools do not use a scoring system, such as the EU customs blueprints. Un-scored assessments have a certain utility, and of course avoid the pitfalls associated with scoring and debate over scores assigned. However, without scores, any notion of actually measuring performance becomes difficult. Donors and others would have to make judgments based on narrative assessments rather than on objective scoring systems completed by specialized and trained teams at the time the assessment is carried out. It also needs to be understood that *scoring implies pre-agreement on benchmarks for performance*.

- ***Be supported by international organizations and by donors*** – in the case of the PEFA PFM tool, many international organizations and donors have recognized and supported the instrument. Without the same kind of commitment up front, the development of a tax administration tool may not be worth the effort.

- ***Be backed-up in a professional and disciplined way*** - one key to PEFA success appears to be the 'ownership' of the tool by a specific organization, in this case the PEFA secretariat. The PEFA Framework is controlled, promoted, adjusted, reviewed, analyzed, etc. in a systematic fashion. Guidance is provided, issues are managed, and advice is given to countries, donors and international organizations. This level of management (or backstopping) ensures consistency and a logical and informed evolution of the diagnostic tool. Any broad tax administration diagnostic tool would require the same type of support from some international organization.

- ***Be one (of many) approaches used*** - for tax administration, there would need to be a clear understanding from the outset that the diagnostic tool would be used, but that it would be used along with other 'softer' tools as well. For example, the IMF uses various expert reports, donor reviews, consultant studies, feedback from training sessions, regional visits, and other means to supplement and support its diagnostic missions. Even with a formal tool, these supports would remain very important. Other organizations and donors are likely to have similar views, as are developing countries themselves.

- ***Need to focus on the few critical aspects of performance*** - to be understandable, performance reporting usually needs to focus more selectively, and more meaningfully, on a smaller number of things while remaining comprehensive at the same time. Reporting needs to centre on core objectives and commitments, those things that government itself considers most important. Greater selectivity poses many difficulties because the effects (or outcomes) of activities and outputs are not always clear and because user interests and needs are so diverse.

- ***Be able to explain other factors critical to performance*** - many factors (other than those discussed above) can affect performance assessment and users' understanding of it. These might relate to or stem from general changes in the economic, social or demographic context for a tax administration. Or they might reflect more specific factors, for example: standards of conduct, ethics and values; public reaction; or unintended impacts (whether positive or negative) of activities.

Moving from a consideration of such potential characteristics to an actual design for a diagnostic tool is difficult. Not only do many assumptions need to be made, as discussed above, but also the design needs to be suggested without the benefit of the live testing that would be necessary to validate the real feasibility of the proposal.

B. Proposed Initial Design for a Tax Administration diagnostic Tool

The purpose of this section is not to propose a complete diagnostic tool for assessing tax administration performance. Such an exercise would be a major undertaking requiring extensive development and consultation with many stakeholders. Instead, since this report is effectively a feasibility study, the idea is to put forward a *preliminary design* for this kind of tool that can serve to illustrate general structure that might be incorporated. It should also be noted that many designs are possible, and that any final product is likely to be significantly different from the preliminary illustration since a broad consultative process will inevitably lead to many changes and improvements.

As has already been noted, one main weakness in tax administration performance assessments to date has been the lack of data. Data may not be available because they do not exist, a fact which may by itself indicate serious deficiency. Data may not be available because the authorities have not prepared the necessary information, or have compiled it incompletely or inaccurately. Much time is wasted in tracking down data deficiencies by assessment teams or missions, and part of this problem could be avoided by developing a data template for tax administration that all countries would need to complete before an assessment takes place. Table 2 provides a rough outline of what such a data template for tax administration might look like.

Table 2 is illustrative only. Depending on what is eventually agreed to be included in the drill-down tool, and depending on what benchmarks are developed to support any scoring system, information and data requirements would either have to be added to or subtracted from this table. While a simple table such as this may look straightforward and relatively easy to complete, experience indicates the opposite to be true, especially for developing countries. Nonetheless, a diagnostic tool cannot be used to measure progress without the data to substantiate and validate the scoring and the overall assessment.

Table 2: Data Compilation Template for Tax Administration

a) For ***each major tax type*** (personal income tax, corporate income tax, VAT)					
Data set ref.	**Area to be measured**	**Current year**	**Previous year**	**-1**	**-2**
a	Total tax collected (actual)				
b	Total tax collected (% GDP)				
c	Registered taxpayers				
d	Total returns filed				
e	Returns filed on time (%)				
f	Total arrears at start of year (stock)				
g	New arrears during year (flow)				
h	Arrears collected or written-off during year (flow)				
i	% arrears from state-owned enterprises (stock)				
j	# audits conducted (by type of audit)				
k	Additional tax assessed by audit				
l	Refunds claimed (# and amount)				
m	Refunds approved (# and amount)				
n	% refund claims audited				
o	Objections (# and value)				
p	% objections granted (value)				

q	Appeals (# and value)				
r	% appeals granted (value)				
b) For the tax administration generally					
Data set ref.	**Area to be measured**	**Current Year**	**Previous year**	**-1**	**-2**
s	# employees - HQ				
t	# employees – operational units				
u	# operational offices				
v	Tax administration budget (operating, wages, capital)				

As far as the diagnostic tool itself is concerned, the format and structure of the PEFA PFM Framework has been taken as a general model. This format has gained fairly wide acceptance. With this in mind, the high-level performance indicator set for tax administration could be structured as suggested in Table 3.

Table 3: Tax Administration High-level Performance Indicator Set

A.	**Tax administration framework and systems**
1	Comprehensiveness of legislative framework for tax procedures
2	Effectiveness of registration process and systems
3	Effectiveness of collection, payment and accounting system
4	Aggregate revenues compared to forecast
5	Availability and effectiveness of an integrated tax administration system
6	Information exchange and access
7	Availability of e-payment, e-filing, and other e-commerce
B.	**Compliance and risk – education, service, enforcement**
8	Adequacy of compliance strategies based on risk and taxpayer segmentation
9	Filing compliance rates by tax type
10	Informal economy and tax gap assessment
11	Effectiveness of taxpayer services and education programs
12	Arrears collection effectiveness
13	Audit effectiveness
14	Effectiveness of objections/appeals systems
15	Tax fraud and avoidance
C.	**Management, organization and accountability**
16	Adequacy of strategic and operational planning
17	Transparency and effectiveness of performance reporting
18	Adequacy of internal audit and quality control
19	Adequate HRM and organizational autonomy
20	Effectiveness of the administration’s ethical framework
21	Rights and obligations of taxpayers and the tax administration
22	Integrated and unified tax administration

23	Function-based organization structure

In the above illustration, 23 indicators are structured into three categories:

- **Tax administration framework and systems** – these indicators relate to the adequacy of the basic machinery of tax administration including procedures, registration, filing and payment. These are the systems that support voluntary compliance.

- C**ompliance and risk – education, service, enforcement** – these indicators are intended to assess the efficiency and effectiveness of the administration's approach to compliance, and to assess the extent to which compliance operations and activities are based on risk.

- **Management, organization and accountability** – these indicators assess the internal underpinnings of the tax administration, including the extent to which the organization is structured to carry out its responsibilities as a public institution.

There are many issues that need to be debated in setting out the high-level indicators. For example, the PEFA PFM tool deliberately does not measure the factors impacting performance, such as the legal framework. This approach is intended to permit a focus on operational performance rather than on the inputs that enable a certain level of performance. The same logic may ultimately apply to tax administration; however, given the relatively weak state of the legislative framework in many developing country tax administrations, the illustrative example being outlined here includes such an indicator.

For each of the high-level indicators, it is suggested there would be up to three dimensions that would be scored, the same as for the PEFA PFM tool. Some of the dimensions can be purely quantitative based on data from an exact measurement. Others would need to be more qualitative, using yes/no style questions and judgments about degree. Specific data sets (from Table 2) would be needed for the quantitative assessments, and additional questions would need to be posed to respond to the qualitative ones. And, of course, minimum requirements for scoring would be required. To illustrate, the details for indicator No. 12 (arrears collection effectiveness) could be structured as set out in Table 4.

Again, for the purposes of this feasibility study, the example in the table is purely illustrative. It is intended to show that a diagnostic tool of this nature is indeed *technically* feasible. However, there is more to the question of feasibility than that. Two major concerns remain with respect to feasibility in general.

First, *could the necessary hard and soft (quantitative and qualitative) indicators be developed, and could the required benchmarks for scoring be agreed upon in advance*? The example shown here (collections enforcement) is perhaps one of the easiest areas in tax administration. Yet there will still be a difficult debate about what is the actual collection ratio that would merit "A" and what would merit "D". There will also be the question of whether the same standard should be set for developing countries as for developed ones. In addition, a similar debate will occur

regarding the more qualitative indicators; for example, the existence and use of modern collection techniques is one matter but scoring their effectiveness is another. Each high-level indicator, and each specific dimension to be rated, will engender a similar debate.
To address this first issue, actual testing in 4 or 5 of the high-level indicators will be required. The indicators selected will have to be developed along the lines of the collection enforcement example used here; the appropriate benchmarks and other indicators would need to be debated by experts, and actual testing in a number of specific countries undertaken.

Second, an overall tax administration diagnostic tool would need to be supported by the community (international organizations and donors) and effectively managed. This is a matter that would need to be decided by PEFA members and others.

Table 4: Dimensions and Requirements for Indicator Number 12

Dimensions	Data sets	Additional questions	Score	Minimum requirements
Ratio of arrears at year-end to total revenues for the year. Annual arrears production.	f,g,h,i		A	Same as C, but less than 6% and greater than 100%, respectively
			B	Same as C, but 6% and 100% respectively
			C Main definition	Total arrears are not more than 8% of annual collections. Accounts receivable collected or written-off during the year at least equal to 95% of new arrears.
			D	Does not meet level C
Extent to which collection enforcement strategy is effective.		Does HQ develop an arrears strategy and plan for the field, with guidance, indicative targets, monitoring, etc. Does a write-off policy exist Are modern collection techniques applied Is age of accounts considered	A	Strategy and plan are rigorously applied, targets are closely monitored and met, modern techniques are used, and all policies including write-off exist and are applied.
			B	Strategy is reasonably strong but not fully mature, most modern techniques are used and policies are generally in place
			C	Arrears plan is developed and monitored, some modern techniques are used, basic policies exist.
			D	Does not meet C.

IV. BENEFITS AND RISKS OF A STANDARDIZED ASSESSMENT MODEL

Any discussion on the potential for a diagnostic tool for tax administration would be incomplete without assessment discussion of the benefits and risks. Many of these areas have been alluded to already in earlier discussions in this report. This section summarizes both benefits and risks and draws some broad conclusions.

A. Benefits

A diagnostic tool could permit a more objective assessment of tax administration performance. As outlined in earlier sections of this report, many of the existing tools suffer from different gaps or imperfections. A standardized assessment model, properly designed, could provide the framework for an objective assessment, whether undertaken by an outside agency or by the administration itself.

A standardized assessment model consistently applied could facilitate comparisons between countries and over time. A tool that collects a common set of data using the same investigative methods could provide a solid basis for comparison- not only between countries but over time for a single country or region. This would serve as a meaningful basis for analysis and could lead to a more concrete basis to assess the most successful approaches to reform. This is especially important in the development of international best practice.

A diagnostic tool could assess the complete spectrum of tax administration. Many of the existing tools focus only on limited aspects of tax administration. This is understandable given that each of the seven organizations has different priorities that drive either the development of a database, a handbook or an approach to assessment. While some interests are shared, it is clear that organizations with mandates as varied as the OECD, the EU, USAID and the World Bank, for example, have different interests in the area of tax administration and that this drives their own individual approaches. A single tool could step away from the limitations that these approaches impose and consider the entire spectrum of tax administration. Different individual organizations will likely continue to use their own approaches and a complete convergence of approaches is neither likely nor in fact desirable. However, a standardized assessment model could lead to increased commonality in diagnostic approaches.

A standard approach could provide an objective basis for donors to make decisions on (a) the type of reform program they might want to fund and (b) how to set priorities. Donors are faced with multiple challenges when it comes to decisions about the delivery of technical assistance. There are often competing priorities across countries for increasingly limited funds and the need exists for reform efforts in tax administration to mesh well with broader development priorities. The absence of comprehensive and consistent data can make the choices that must be made sometimes quite difficult. A diagnostic tool would help donors consider the type of reforms that they could and would support and to determine priorities across multiple competing initiatives.

An assessment based on the results of a diagnostic tool could lead to better structured reform programs that properly address issues of performance. Reform programs are often developed based on the needs of the developing country (as identified by them through a variety of means) and/or the needs of the donor agency supporting the reforms (e.g. the requirement to identify and monitor conditionality or benchmarks geared to the donors own priorities). In many cases, the information available on which to design reform programs is limited or unsubstantiated. The question can be legitimately asked as to whether in the end these reform programs represent the best route possible to reform. The use of a standard tool that assesses the gaps in performance of a tax administration would be of real benefit in the development of the reform response. Given the level of quantifiable data compiled with such a tool, performance measures could be more easily developed for the reform program. This would allow both the country and the donor to accurately assess progress and to make mid-course adjustments as needed. At the end of the day, more accurate assessments of overall reform results could be possible.

Agreement on a diagnostic tool would facilitate collaboration amongst different donors. As development resources have contracted in recent years, greater emphasis has been placed on building better coordination mechanisms across both multilateral and bilateral institutions. Donors are more concerned with well-targeted reforms that provide true value added and that avoid duplication. In this regard, the development of a diagnostic tool would require the involvement of all key players in the donor community (in much the same way as the PFM tool). Further, the tool itself would provide a common data set that should facilitate collaboration in the field on the delivery of reform programs.

A diagnostic tool offers the possibility of enhanced ownership of reform efforts by countries. The tool could provide an objective and quantified basis to develop a reform program. This should allow for not only better ownership of reforms by countries but also allow better local management of the reform efforts. While the standardized assessments will likely reveal a number of areas that require immediate action, the objective nature of the assessment should allow for better prioritization of efforts.

A standardized assessment would be a complement rather than a replacement for existing tools. A tool like this can be used in conjunction with other more traditional means of reviewing performance such as diagnostic missions, ROSC reviews, and related evaluations such as PFM or even customs. It is highly likely that there will be synergies across these tools which will result in an overall improvement in reform design.

B. Risks

Tax administration may be too big and too complex to lend itself to a common, measurable tool. Tax administration in and of itself is a complicated discipline and it subject to a number of extraneous factors that fall outside the remit of the organization itself e.g. the setting of tax policy which can either complicate or ease administration, decisions related to resources to be made available to the organization, and the like. The business of tax administration covers a range of key processes and each is supported by many considerations. It is possible that an attempt to develop a single, comprehensive and measurable assessment tool that met the needs of different agencies and the donors themselves would simply collapse under the weight of all that would need to be included and considered.

The ability to reach agreement on specific quantitative and qualitative benchmarks may prove elusive. It might not be possible to achieve any true international consensus on specific benchmarks, targets and standards. Efforts to date in this area in tax administration have not been particularly successful.

It is uncertain that any tool can ever be truly consistent in its application. Even with agreement on the content and approach across key organizations, the mechanisms that may be needed to ensure consistency could be impossible to develop, deliver and maintain. This is especially critical if it is accepted that these are the key benefits of a standardized approach. With different people undertaking different assessments at different times, the possibility remains that a similar set of facts would be evaluated in very different ways. This obviously has a direct impact on consistency.

Objectivity equally may prove difficult to achieve. As with consistency, it may become manifestly clear that real objectivity is next to impossible to reach. Objectivity requires assessors who can truly distance themselves from their own preconceived notions (and this is equally true of a self- assessment or an assessment conducted by an external agency). Assessors and officials within tax administrations may approach the exercise with perceptions that are difficult to abandon and in fact could use the exercise to shore up these perceptions at the expense of everything else. Taking scoring as an example, a country may receive 3 B grades and 1 D (if this were the scoring model to be used) to support effort on the area that received the D. In actual fact, the areas covering the 3 Bs may be more pressing and critical to the success of the reforms. Manipulating the tool could become the focus of effort in some cases.

The diagnostic tool may never address all concerns of donors or the countries themselves. Despite efforts at comprehensiveness, it may be impossible to address the concerns of all parties. If the major development partners do not buy in to the idea and potential of such a drill-down tool, it would be potentially fatal to its utility and overall benefit.

The tool could become inflexible in its application. The drive to consistency could result in an inordinate focus on review and validation and the result could be a tool that is inflexible. There are enough variations in and external pressures on tax administration delivery that a common tool would need to be a marriage of standardization and consistency where possible and the recognition that some judgments may need to be brought to bear on findings and on priority setting.

There is a concomitant risk that the tool will not achieve critical mass in its application. If this tool once developed does not become the lingua franca for tax administration, it will be of little value and the investment of effort will not have been rewarded. While it is acknowledged that it will never replace individual efforts driven by specific needs, the whole point of the diagnostic tool is to fill an existing void i.e. a comprehensive and fully measurable assessment model.. All parties involved must be convinced of the tool's utility and how it would complement their own reform development efforts. There is a risk that the tool will not be accepted as users are preoccupied with their own multilateral or bilateral driver of reform activity.

The tool may never be a full self-assessment tool. In the end, the tool may be sufficiently complex that there is a risk that it will require professional application and not be suitable for self-assessment. This would in fact be a real weakness and impediment to success as in many cases, self assessment is likely preferable to review by any outside assessors. If the tool cannot be used in this way, its benefits are certainly much more limited than would otherwise be the case.

The tool may require relatively detailed oversight and creation of an oversight body may not be possible. A comprehensive tool that is objective and consistently applied would seem to dictate the need for a significant level of oversight. Control, ownership and evolution of the tool need to be carefully managed and this will obviously come with some level of expense at a time when most organizations are contracting. The real value of a diagnostic tool lies in the objectivity and consistency of its application. If the tool is used in a disjointed way, it will become just another diagnostic assessment (with no guarantee of quality of assessments or comparability across assessments) and, the question of value of such a new tool must be asked. With PFM, the PEFA Secretariat has control over the tool and its use. Whether a similar approach is appropriate or even possible (for resourcing) for tax administration would need to be more fully considered—and depending on the result, could be considered either a benefit or a risk.

V. MAIN CONCLUSIONS

A. Existing Diagnostic Tools for Assessing Tax Administration Performance

- ***None of the existing approaches fully satisfies the requirements of a diagnostic tool that is comprehensive, based on performance indicators and agreed benchmarks, evidence-based, and able to be commonly applied (the characteristics of the PEFA PFM diagnostic tool; however, some of the existing approaches meet many of these characteristics.***

  A total of 8 tools for assessing tax administration performance have been looked at in the study, and each has a particular contribution to make. None of these tools could be described as comprehensive, with performance indicators and agreed benchmarks, and evidence-based, and able to be commonly applied. The three that come closest to meeting this requirement are the EU fiscal blueprint, the PEFA PFM tax administration indicators, and the IMF diagnostic mission approach. However, the EU blueprint is too unwieldy and requires too many individual judgments; the PEFA tax administration indicators are not comprehensive; and the IMF approach does not lend itself to a common application.

B. Feasibility of Developing a Diagnostic Tool for Tax Administration

- ***The general characteristics of the PEFA PFM tool can be identified and applied to tax administration.***

  In order for tax administration to achieve benefits similar to those accruing to PFM as a result of the PEFA tool, there would have to be a diagnostic tool to measure tax administration performance that had similar characteristics. The tool would need to be comprehensive – in other words, it cannot simply look at a few stand-alone indicators as this would not tell the whole story. At the same time, it would have to be straightforward, and concentrate on those few indicators that are important. The tool would have to be standardized (applied the same way each time it is used) to ensure consistency and comparability of results over time and between countries. The tool would require the development of benchmarks and standards to permit comparisons and directions of progress to be made.

- ***A diagnostic tool for tax administration is technically feasible, as demonstrated in the study; however, the development of indicators and benchmarks, critical if the tool is to be similar to the PFM tool, may prove difficult and would require considerable further***

testing. A limited number of high-level indicators could be explored further in this fashion before deciding whether to proceed.

A diagnostic tool for tax administration with features similar to the PFM tool is technically feasible. The study has mapped out the outline of such a tool, and has highlighted what one component might look like at the detailed level. However, even this example (enforced collections) raises important questions about the need for more detailed quantitative and qualitative indicators and agreed benchmarks, and the extent to which data and other information can be used in the assessments. The design put forward in the study would need extensive testing on a selective basis before proceeding further. It may be possible to take a few high-level indicators and develop the specific dimensions for scoring and the related benchmarks and targets with a group of practitioners, and test them with actual country examples.

If and when a tool is developed, it will need to be managed by an international organization. To ensure the sustainability and durability of the tool, it would have to be accepted by international organizations, by donors, and by countries themselves, and the number of applications of the tool would have to achieve a critical mass. Perhaps most importantly, the tool would need to have some organization responsible for it. The tool would have to be supported, i.e. "owned" by some body or institution, to manage its evolution, provide advice, and ensure consistency.

C. Benefits of a Standardized Assessment Model for Tax Administration

- ***Permits objective assessment, consistency, allows comparisons over time and between countries, comprehensive, facilitate donor decisions, improve structuring of reform programs.***

There are many potential benefits of a standardized assessment tool. The main one is consistency in preparation of objective assessments of performance. Properly implemented, this feature can allow comparisons over time and between countries, which can assist in formulating an overall diagnosis of gaps in performance. In turn, this can lead to better donor decisions, and improved reform initiatives.

D. Risks in Using a Standardized Model

- ***A standardized performance assessment tool also carries risk – objectivity and simplicity can be difficult, the development of agreed benchmarks and standards may not be possible, inflexibilities are a danger, and proper oversight may not be maintained.***

Tax administration may be too large a subject for a common measurable tool, consistency and objectivity in application will be difficult, and a straight-forward tool will not be able to address all concerns all the time. The development of benchmarks and standards may prove elusive. In addition, the tool could become literal and inflexible, critical mass in the use of the tool may not be achieved, and the tool could be too complex for self assessment. Perhaps one of the most significant risks is that a proper oversight and management function for the tool may not be established.

APPENDIX 1: TAX ADMINISTRATION DIAGNOSTIC INSTRUMENTS

This Appendix provides a more detailed breakdown of tax administration diagnostic tools, based on the same eighteen dimensions that have been used in the 2010 Mackie study[6]:

- Objectives
- Uses by (a) Government and (b) Donors
- Content
- Support Tools and Services
- Transparency
- Consistency with best Practices
- Topic Coverage
- Institutional Coverage
- History and Stage of Development
- Management of the Assessment
- Capacity Building
- Donor Harmonisation and Alignment
- Methodology
- Quality Assurance
- Tracking of Changes
- Applications to Date
- Frequency
- Cost

Because not all the tools covered here are full diagnostic tools in the broadest sense, not all dimensions will apply in every case. Furthermore, some of the dimensions are slightly modified compared to those used in the Mackie study due to the different subject matter being examined. For example, Mackie refers to consistency with PFM practice and this study refers to consistency with best practice. Mackie refers to PFM capacity building, and this study refers simply to capacity building

[6] See Stocktaking study of PFM diagnostic instruments, Volume II draft report, Andrew Mackie, June 2010.

TOPIC FOR COMPARISON	PEFA Public Financial Management Performance Measurement (Tax Administration indicators) PI-3, PI-13, PI-14, PI-15)	EU Fiscal Blueprint (Tax administration)	Collecting Taxes database (USAID)	IMF Fiscal Affairs Dept. (FAD) Revenue Administration Diagnostic missions
OBJECTIVE	PEFA provides a pool of standardized information on current PFM performance. The PEFA performance measurement framework includes four indicators that have either a direct or indirect relationship to tax administration -- PI3, 13, 14, and 15).	Originally developed as a tool for the candidate countries for accession to the EU, the blueprints are now intended as a tool for both candidate and "neighbourhood" countries. The fiscal blueprints are designed to be used as a self-assessment tool that provides an overall framework and necessary benchmarks related to the technical and organizational aspects of a tax administration.	This database provides tax administration practitioners, academics and other interested parties with a broad array of indicators, both quantitative and qualitative, to facilitate international comparisons of tax systems.	The IMF conducts missions to member countries to assess tax administration performance, to identify gaps compared to international best practice, and to develop strategies to close identified gaps. The IMF only delivers technical assistance in its core mandate areas – one of which is tax administration.
USES	The PEFA Framework is generally used as: input to donor dialogue and assessments and a basis for evaluating past reforms. The specific tax administration related indicators are obviously a portion of the overall PEFA assessment but have recently been assessed on their own as an indication of tax administration performance,	Used by governments and by prospective technical assistance providers (including donors) to conduct a diagnostic phase based on the actual situation on the ground, and the fiscal blueprints benchmark (reflecting an "ideal situation"). Subsequent stages include a needs assessment, action plan, and possible technical assistance projects.	The database can be used by governments, technical assistance providers, researchers, etc., as a resource for analysis and comparison.	Diagnostic missions lead to the development of reform strategies which are used by governments and by donors. Diagnostic missions are systematic and formal, but do not lend themselves to common application.

CONTENT	The four tax administration related indicators are part of the twenty eight overall indicators used in the PEFA performance measurement framework.	For tax administration, the blueprints are organized in five groups that comprise 14 separate blueprints. Each blueprint has the same structure: an ***aim***, or broad statement of overall purpose; ***strategic objectives***, i.e. statements that identify crucial issues, expected achievement, and measureable results; a ***scoring*** system, including a weighting of each strategic objective; ***key indicators***, which express the strategic objectives in technical and practical terms; and, ***definitions***.	The database provides, for some 200+ countries, a total of 31 indicators divided into five different categories. • ***Tax revenue performance*** – quantitative indicators (5) that provide a sense of how effectively the tax system produces revenues; • ***Tax structure*** – quantitative indicators (9) related to the substantive structure of tax law; • ***Tax administration structure*** – quantitative and qualitative indicators (6) of the organization and size of the tax administration; • ***Economic structure*** – indicators (5) about the economy of each country included in the data base; • ***Reference*** – indicators (6) related to major tax revenues to allow for international comparisons.	Diagnostic missions may cover the entire spectrum of tax administration functions and activities, or may be more targeted on specific features of tax administration. Typical functions assessed would include registration, taxpayer services and education, returns processing and payment, enforced collection, audit and appeals. Organization, management and ethical issues would also be assessed.
SUPPORT TOOLS AND SERVICES	PEFA Secretariat generally issues guidance on gathering evidence, good practices note, reviews of performance reports, and interpretation of indicator scoring requirements. Some of this information relates to the	All formal support for the blueprint comes from the explanatory guidelines in the fiscal blueprint document itself.	USAID maintains a website (Fiscal reform and Economic Governance) which provides additional information related to the database, such as definitions of the indicators and country notes.	The revenue administration division (RAD) of FAD provides backstopping support for the diagnostic mission. Backstopping is not just the work of one person – it involves effective project

	four indicators in question.			identification, results-focused terms of reference, detailed work plans, selection of qualified experts, continuous technical oversight and monitoring, and advice and direction in subject-matter specialty areas.
TRANSPARENCY	All standard documents above available on PEFA website. Final reports also available if released by the respective governments (preferred and covering about two thirds of finalized reports).	Blueprints are the property of whoever chooses to use them. There is no central repository of completed blueprints.	'Collecting Taxes' is a completely transparent database – all information is available on the website.	Assessments made are released at the discretion of the member country receiving the technical assistance. However, the IMF encourages the widest possible distribution of the diagnostic reports.
CONSISTENCY WITH BEST PRACTICES	Assessments against the four indicators are based on best practice.	The key indicators are a reflection of best practice approaches.	The data indicators selected reflect common analytical fields for assessing tax administration performance and making international comparisons. In this sense the data fields follow best practice.	All efforts are made to ensure the tax administration performance is compared to best practice, including case studies.

TOPIC COVERAGE	PI-3 – covers aggregate revenue outturn compared to original approved budget PI-13 – covers transparency of taxpayer obligations and liabilities, specifically clarity and comprehensiveness of legislation, taxpayer access to information, and the tax appeals mechanism. PI-14 – covers taxpayer registration and tax assessment, specifically controls in the taxpayer registration system, effectiveness of penalties and planning and monitoring of audit and investigations PI-15 – covers collection of tax payments, specifically the collection ratio for tax arrears, transferring of tax collections to the Treasury and frequency of reconciliation with the Treasury.	The blueprints cover the following topics: • Framework and structure - Overall framework - Structure and organization - Tax legislation • Human and behavioural issues - Ethics - Human resources • Systems and functioning - Revenue collection/enforcement - Tax Audit - Admin. Cooperation and mutual assistance - Fraud and Tax avoidance • Taxpayer services - Taxpayer rights and obligations - Systems for management of taxpayers - Voluntary compliance • Support - Information technology - Communications	See ‘content’ discussion above.	See ‘content’ discussion above.
INSTITUTIONAL COVERAGE	Applies to central government.	Usually central government, but tool could be used to assess a tax administration at sub-national level in certain cases.	The database covers central government in all cases.	Applies to central government.
DEVELOPMENT	The PEFA Program was developed through a consultative process among donors with	The fiscal blueprints were developed by a working group of member states of the EU, under the	The database was developed as part of USAID’s Fiscal Reform and Economic	Diagnostic missions have evolved over the years. While all aspects of tax

	inputs from senior government PFM practitioners and is managed by a multi-donor Steering Committee, Public Expenditure Working Group and Secretariat; housed in the World Bank in Washington DC.	auspices of the Directorate-General for Taxation and Customs Union. The blueprints were initially developed in 1999, and revised in 2004/05.	Governance Project (implemented by DAI),	administration have always been assessed, emphasis has changed from time to time. At various times, the focus has been on operations, on organization and management, and on strategic advice. Current emphasis is on assessing a country's compliance approach and strategy.
MANAGEMENT OF ASSESSMENT	Can be initiated at country level by any stakeholder (often a donor or group of donors providing TA in PFM and/or budget support, with government approval). Assessments may be stand-alone, or integrated into broader products. Model of application may be self-assessment, joint assessment or external assessment, as agreed by the stakeholders. Donors normally require external validation of a self-assessment. Good Practices Note recommends that an Oversight Team of stakeholders is set up to manage the process.	Decisions to use blueprints are made by countries themselves and by donors.	Completely managed by USAID.	Requests for diagnostic missions are made by IMF member countries.
CAPACITY BUILDING	Good Practices Note emphasizes the importance of an introductory workshop for stakeholders (particularly for government staff), and a closing (or presentation) workshop, and	Originally workshops were conducted for countries and donors to ensure consistency in the application of the blueprint process.	N/A	Diagnostic missions often include capacity building seminars and workshops. FAD staff are trained in conducting missions.

	this has become the general practice. These four indicators would be covered in these processes.			
DONOR HARMONISATION AND ALIGNMENT	PEFA aims to reduce transaction cost by reducing the number of donor assessments through multi-donor agreement with the government at country level	N.A.	N/A	Donors are encouraged to use the IMF assessments in developing their technical assistance proposals.
METHODOLOGY	Assessments are made by scoring each dimension on a 4-point scale representing stages in development, with an A score if an international good practice is fully achieved.	The scoring system assigns a weighting, indicating the relative importance of each strategic objective for a given blueprint (a total of 100% for each fiscal blueprint). Each strategic objective is scored based on the achievement of the key indicators for the strategic objective. Repeating the scoring exercise over time will enable the administration to monitor progress made.	Data is assembled and updated by the Project based on research and internet reviews. All information comes from public sources. A questionnaire format is not used.	Missions are typically three persons (e.g. a mission head and one expert from RAD, and one expert from the FAD roster). The team spends two weeks in the field, and completes its report in situ. Prior to the mission's arrival, a questionnaire is normally sent to the authorities to prepare the data that will be used in the assessment.
QUALITY ASSURANCE	PEFA draft reports are usually reviewed by PFM and country experts outside the assessment team. Where requested, PEFA Secretariat provides comments on the draft TOR and on compliance of draft reports with the Framework.	Quality assurance comes from the explanatory notes. There is no centralized post facto quality assurance.	Quality is a reflection of the data sources.	Full quality assurance is provided through the backstopping process. There is also a management and peer review process before reports are finalized.
TRACKING OF CHANGES	Scoring is according to defined criteria for each indicator and level. While some are broadly defined in the Framework itself,	N.A.	Annual updates to the data set allow for tracking changes and monitoring trends	Follow-up missions can assess changes in performance, often against bench marks or targets. Some tax administration goals

	the criteria have been progressively clarified with experience, to ensure that assessments are objective..			may be part of IMF program conditionality.
APPLICATIONS TO DATE	Since June 2005, when the present Framework was issued, 150 PEFA assessments have been undertaken, including 101 countries (out of a global total about 200) at CG level. Reports for 57 assessments are available from the PEFA website. 24 assessments have been made at SNG level.		Data have been used in numerous tax system assessments, and in the design and monitoring of tax reform and modernization programs in countries including Guatemala, El Salvador, Jordan, and Kosovo. Data have been used by external researchers. Furthermore, USAID has received several expressions of interest from regional and international organizations (CIAT, OECD, IMF, etc.) in collaborating on deepening the assessment of tax systems using tools such as this database.	About 20-40 diagnostic missions are carried out annually.
FREQUENCY	As agreed by country stakeholders. Good Practices Note recommends not more often than every 3 years. In practice, as noted the Secretariat notes nearly all repeat assessments were completed in less than the time period recommended in the Framework.		Annually updated.	May be updated at agreed time intervals.
COST	Cost of a stand-alone assessment is very dependent on its scope (eg. to include SNG?), and workshops. Typically within the		$75,000 per year, including management and oversight. Maintenance costs are modest, limited to approx. $2-5K per	Costs could be from $ 50,000 to $200,000 depending on the size and location of the mission. Missions may be

	range $50,000-200,000, funded by donors, plus the time used by government officials. It is not possible to disaggregate the costs related to the tax administration indicators.		year in database administration.	funded by the IMF or by topical trust funds managed by the IMF.
Topic for Comparison	**OECD comparative series database**	**World Bank – A Handbook for Tax administration**	**Tax performance assessment (TPA)For developing countries (Draft – Deutsches Institut fur Entwicklungspolitik)**	**A Diagnostic Framework for Revenue Administration (World Bank)**
OBJECTIVE	To provide data that will facilitate dialogue among tax officials on tax administration issues and identify opportunities for tax administrations to improve the design and administration of their respective tax systems. The comparative information series provides a unique insight into the tax administration environment and describes the context in which revenue administrations operate.	This handbook is intended for policy makers as the basis to assess a tax system in its entirety, measure its various parameters and how it is administered and define best practice for tax administration and tax policy that will yield a tax system that is simple and predictable and does not create an undue burden on private enterprise.	The TPA is being developed as a tool to give a comparative overview of the tax performance of developing countries, based on aggregate data and country-specific information. Data from more than 175 countries is being analyzed.The TPA will not be a tax administration assessment per se.	To provide a comprehensive diagnostic framework for revenue administration that takes into account, in an integrated manner, traditional areas of focus plus areas often under-emphasized.
USES	Used by policy makers and administrators to identify key trends and innovations in tax administration. Also of interest to observers of tax administration (e.g. academics).	The handbook is designed as a quick source of information on tax simplification and is intended for policy makers and tax practitioners. The goal is to examine the impact of income tax, VAT and other local taxes that are imposed on business.	The tool is intended to be used by governments, donors, and international organizations to assist them in making decisions concerning tax reform initiatives and technical assistance.	The framework is intended for use by governments, donors and international organizations.
CONTENT	Provides a significant amount of data and analysis from 43 countries. Includes international comparative data on tax systems and their administration in OECD and non-OECD countries. Non-OECD countries meet one of the following criteria: (1) official	Topics range from principal policy considerations to practical and user friendly templates for implementing policy and measuring the effectiveness of reforms The handbook includes chapters on	The TPA has the following components: • Using a base year 2007-08, the tax ratio (tax revenue as a percent of GDP) is related to GDP per capita. A trend line is established, and countries	The framework presents a series of indicators (both qualitative and quantitative) dealing with operations, effectiveness and efficiency of tax and customs (revenue) administration. A complex model for congruence in an

	observers to the Committee on Fiscal Affairs; (2) non-OECD countries that are members of the EU; (3) countries that have worked closely with the CFA's committee on tax administration in recent years.	: • Why simplify taxes • Political economy of tax simplification • Measuring the burden of business taxes • Simplifying tax policy • Tax administration simplification – reorienting the tax authority • Tax administration simplification – ensuring compliance and accountability • Fiscal Incentives and Investments • Corruption and tax simplification • Simplifying sub-national taxes • Taxpayer education and assistance	are classified as average, high or low tax performers based on their "distance" from the trend line. • The exercise is repeated for two additional observation periods (2001 – five years earlier, and 1997 – 15 years earlier) to identify countries that changed categories over time. • The TPA then analyses non-tax revenue generally, and ODA grants in particular, to determine that impact on tax performance. • Countries with low tax performance are analysed to distinguish those who deliberately want a low tax ratio and those where other aspects are at play. To do this, the TPA uses indices such as Polity IV democracy, WGI voice and accountability, and WGI government effectiveness. The end result will provide a focus on states that fall persistently and significantly below the trend line, and will	organization is presented and linked to the diagnosis based on indicators. Detailed questions are posed for each environmental aspect of revenue administration. The frame work is then used to develop a reform strategy based on the earlier diagnosis.

			be an indicator of a need for further analysis.	
SUPPORT TOOLS AND SERVICES	The series is provided for information only as countries develop their own innovations and reform plans.	The handbook notes that it is intended to be a quick reference tool but provides more detailed references for those interested in specific topics.	Planning additional studies based on the TPA (case studies, comparative studies including additional indicators).	This tool is now more than 10 years old, and has not been supported in any official way by the WB.
TRANSPARENCY	The series is available on the OECD's website.	The handbook is not readily available on the World Bank website.	It would be up to the country or organization using the tool to decide what might or might not be made public.	The framework is available through the WB web site.
CONSISTENCY WITH BEST PFM PRACTICES	The information included in the series reflects include common analytical field for assessing tax administration performance. To this extent, the series follows best practice. It should be noted though that national revenue bodies face varied environments and this series reflects a variety of ways in which tax administrations are organized, managed and operate. Different political and legislative environments as well as administrative practice and culture can influence tax administration. As such, the series is not as much a reflection of best practice as a compendium of current practice in 43 countries.	The handbook reflects accepted best practice across the range of key tax administration functions.	Very few if any tools of this nature exist. However, the principles behind the TPA are fully consistent with best practice.	Many of the indicators are reflective of best practice. However, the application of the congruence organizational model as a means of enhancing the diagnosis is not practiced.
TOPIC COVERAGE	The series includes the following chapters: 1. Institutional arrangements for tax administration	Three chapters focus specifically on tax administration and cover the following topics: 1. Reorienting the tax authority - What a tax administration	As noted, the TPA is not addressing tax administration per se. However, the results of its analysis can be of interest in many tax administration	Main topics covered include: 1. Nature and scale of operations taxes administered,

	2. The organization of revenue bodies 3. Selected aspects of strategic management 4. Resources of national revenue bodies 5. Operational performance 6. Legal and administrative frameworks 7. Return filing, collection and assessment	should do - Organization - Political economy considerations - Taxpayer and business registration - Filing tax returns - Payment of taxes 2. Ensuring Compliance & Accountability - Sources of compliance information - Audit procedures - Information used to assess risk - Appeals, grievances and tax prosecutions - Coercive power to tackle potential tax non-compliance 3. Taxpayer education and assistance - Rationale and benefits - Design of a strategy - Objectives of taxpayer education & assistance	topics, as well as the direction and intensity of reform initiatives and technical assistance.	registration, large taxpayers, tax returns, details on annual collection, arrears, refunds, HR, organization structure, and office network 2. Effectiveness indicators Collection to target ratio, tax to GDP, tax gap, declarations per registered taxpayer, voluntary collections, additional tax assessed through audit, objections and appeals made vs. Upheld, tax arrears, court cases and investigations 3. Efficiency indicators Time frames for identifying stop-filers and non-filers, taxpayer/staff ratios, cost of collection ratios, taxpayer compliance costs, timing for appeals and refunds, etc.
INSTITUTIONAL COVERAGE	This database covers national and federal government in all cases.	The handbook is focused on the impact on business and is directed at tax administration at a national level (but could be used to assess local tax administration as well). It does not cover trade and labor taxes and Customs duty.	Applies to central government, but covers general government wherever possible.	Central government tax and customs administrations.
DEVELOPMENT	Based on a survey of OECD and	The handbook was developed as a	The TPA is being developed	Developed as a World Bank

	non-OECD revenue bodies in 2008, annual reports, third party information sources (e.g. International Bureau of Fiscal Documentation), selected OECD tax publications and other sources. Every effort is made to validate the information displayed and to note the relevant sources.	result of a partnership between FIAS and DFID, with FIAS taking the lead and a number of authors contributing various components.	by the DIE.	technical paper in 2000.
MANAGEMENT OF ASSESSMENT	The series is a compilation of information about tax administration.	This is a handbook available for use by any country.	Decisions to use the TPA would be made by countries themselves and by donors.	Technical papers are for the use of the development community. Repre3sents the view of the author only.
PFM CAPACITY BUILDING	N/A	The handbook contributes to capacity building in that it is made available to tax administrations to use as they develop their own reform and modernization programs.	Findings will be presented at various international fora.	Currently not supported in any official way.
DONOR HARMONISATION AND ALIGNMENT	N/A	The handbook is a standalone tool available for use by policy makers and reflects generally accepted best practice but there is no specific mechanism to harmonize or align its use with other donor activity.	N.A.	N.A.
METHODOLOGY	A survey is used and supplemented by independent sources of information (see Development)	Does not discuss methodology used.	The analysis is presented in detail in the paper. Assessments are provided, along with general advice and cautions about how to use the analysis and conclusions.	The framework includes a methodology for its application.
QUALITY ASSURANCE	Quality is a reflection of the data provided and the supporting information available to the OECD.	Unknown.	Internal peer review process at DIE, broad circulation of the draft among professionals and development agencies.	N.A.
TRACKING OF CHANGES	The series is not updated between	The handbook is a recent	N.A.	N.A.

	editions.	publication (2009) and reflects common practice. Therefore, changes or updates should not be required on a regular basis.		
APPLICATIONS TO DATE	Has been used by many practitioners in tax administration for reference and comparison, including IMF, EU and others.	This is a publication of the World Bank. May be used by anyone.	TPA is just being developed.	The WB has not tracked any applications or uses of this framework.
FREQUENCY	This is the third edition of the series (2004, 2006 and 2008) and the series to date has been updated every two years.	This is presumably a one-time publication by the World Bank.	No plans as yet.	One-time publication of the WB.
COST	Not known.	Not known.	N.A.	N.A.

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