Funding for Education and the Addis Tax Initiative

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- Almost all of the funding (especially the pro-poor part) will come from the government *
- Almost all of the government funding will come from Domestic Resource Mobilization (DRM), not from the donors *
- Among tax resources, local property taxes can be an important resource for a few middle-income countries
- Lion’s share of funding for education will come from core taxes (VAT, CIT, PIT) raised at the national level

* Government Spending Watch Report 2015
Education Spending in 59 Countries

Figure 2.14. Spending as percentage of GDP on education

2014 planned spending
Virtues of Property Tax for Education

• Best local tax to mobilize substantial revenue (in OECD)
• Local service delivery improves education outcomes (since local prop tax usually improves political accountability)

Limitations of Property Tax

• Local capacity to develop/sustain cadastre, to collect taxes, and to hold schools accountable
• Unequal tax base across localities (‘horizontal equity problem’)
• Narrow base if agriculture and home-owners are exempt
• Collections will be low unless law allows seizure and auction of property for delinquent taxpayers
What is the Addis Tax Initiative?

- A partnership to improve Domestic Revenue Mobilization
- 17 donors agreeing collectively to double funding of DRM by 2020
- 12+ partner countries committing
  - to raise domestic public revenues and
  - to use the funds effectively to pursue their SDGs
Countries
Australia
Belgium
Cameroon
Canada
Denmark
Ethiopia
European Commission
Finland
France
Ghana
Indonesia
Italy
Kenya
Korea
Liberia
Luxembourg
Malawi
Norway
Philippines
Rwanda
Senegal
Sierra Leone
Slovenia
Sweden
Switzerland
Tanzania

Supporting Organizations
ATAF
Bill & Melinda Gates Foundation
CATA
Global Forum on Transparency and Exchange of Information for Tax Purposes
CIAT
IIMF
OECD
World Bank
• Develop shared, high-level vision on mobilization of revenue and the scaling up of delivery of services in key sectors
  • Are goals of the government aligned with those of USG?

• Assess obstacles to goals in sectors subject to Mission X’s Budget Controls or Directives:
  • Is adequacy of public funding a key constraint?

• Set realistic, medium-term targets for progress

• Find flexibility in the use of Directives of Mission X toward funding of DRM activities
• Medium-term revenue goal

• Commitment toward budgetary funding of jointly-agreed sectoral goals

• Taking steps toward good financial governance and accountability for delivery of public services

• Measurement and monitoring of progress
  • Toward revenue goals, per ATI
  • Toward sectoral goals agreed between USAID and partner country
Help Government and Tax Administration to:

• Policy analysis to **estimate tax expenditures** and take legislative action to eliminate low-priority exemptions and waivers for CIT, PIT, VAT, and Customs

• Strengthen systems to **improve voluntary compliance** (often by simplifying forms, taxpayer e-filing)

• Empower tax agencies with **statutory authority and appropriate, risk-based audit and enforcement practices**

• Develop **integrated information data-base and IT system** – to widen taxpayer registration and to quickly identify and act against non-compliant taxpayers
Public Financing for SDGs


Property Tax


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