STATE OF DRM

What is driving DRM? And in which direction?

INTRODUCTION

Let's start by deciphering "DRM," which has become an amorphous acronym thrown into nearly every development discussion. In the broader context, such as the Sustainable Development Goals (SDGs), DRM means Domestic Resource Mobilization, and generally refers to the public and private resources in a country that can be used to finance development. It has many faces, which can include "unlocking" public revenues (by reducing subsidies, for example); establishing stronger public procurement processes; enhancing domestic savings; or even tailoring bank capital rules to better fit domestic banking needs in developing countries. However, the most common and significant means of domestic resource mobilization is the collection of tax and non-tax revenues. When citizens are empowered to hold governments accountable for how revenues are collected and allocated, **Domestic "Revenue" Mobilization (DRM)** is the optimal source of development finance. Thus, as the focus of this analysis, DRM refers to domestic revenue mobilization.

Of course, mobilizing domestic revenues is not a groundbreaking idea—ancient Egypt collected taxes on cooking oil, and the Roman Empire administered an inheritance tax to build retirement funds for military members.[1] Revenue mobilization has always been, and will continue to be, an evolving relationship between the state and its citizens.

However, there has been increasing attention to revenue mobilization in the global development context, which has intensified in the past few years. Twenty of the world's largest donors signed on to the Addis Tax Initiative (ATI), committing to double their annual aid for DRM, from $223.7 million in 2015 to $447.5 million by 2020.[2] International financial institutions (IFIs) are also intensifying their focus on domestic revenue. In 2016 alone, the World Bank contributed $352 million[3] to DRM-related projects, and the IMF plans to spend at least $105 million on DRM-related capacity development in 2018.[4] And with new donors, such as China, supporting large DRM projects (*e.g.,* $30 million grant to Uganda[5]), the full picture of "support for DRM" must also account for expanding South-South cooperation.

So what is driving the increased DRM fervor? Is DRM only about increasing government revenues? And what is the strategy behind these growing investments in DRM? This brief background note reviews publically available data and information to find answers to these questions.

FACTORS DRIVING THE SURGE IN SUPPORT FOR DRM

1. **Transition and independence from foreign aid**: This is a longstanding shared interest among both donors and partner countries. Although their motives may differ, this shared goal underpins international development cooperation (*e.g.,* Global Partnership on Effective Development Cooperation (GPEDC)), as well as regional and aid effectiveness commitments (*e.g.,* Africa 2063). In fact, the GPDEC has explicitly acknowledged the vital role of DRM to this end.[6] In the US, the new USAID administrator, Mark Green, has also signaled that DRM is a priority to help donors "pass the baton" to partner countries.[7] DRM is largely viewed as a path to countries' financing their own development.

2. **Aid budgets under pressure (and attack)**: Aid budgets face two particular challenges: First, political nationalism in the US and EU is leading to very real threats to aid budgets; and second, the enormous global needs stemming from refugee crises (and other humanitarian and environmental disasters) have added further pressure on donor budgets. It should be noted that tight donor budgets are exacerbated by large-scale tax avoidance and evasion, a reminder that advanced economies have their own DRM challenges.[8] The recent Paradise Papers make this abundantly clear. In fact, 14 countries that received aid from the US to strengthen DRM actually collect taxes more effectively, according to Oxfam's Commitment to Inequality (CRI) Index, which ranks the productivity of direct and indirect tax systems as part of its assessment of tax policy in 152 countries.[9]

3. **Fiscal justice movements**: It would be disingenuous to deny the role of civil society and others in illuminating the technical and political shortcomings in global and national tax rules. From global campaigns (*e.g.,* calls for public country-by-country reporting) to national campaigns (*e.g.,* achieving accountability for mineral sector revenues in Burkina Faso[10]), civil society has significantly shrunk the enormous information and awareness gaps on tax avoidance, illicit financial flows, abuse of tax havens, etc. This has provoked—and will continue to provoke—policymakers to respond around the world.

4. **Financing the ambitious SDGs**: According to the UN, financing the SDGs will require an additional $2 to $3 trillion per year. Aid will continue to play a vital role, especially for the poorest countries, but it has limitations and accounts for a comparatively small percentage of the

funds needed, making up just over $105 billion worldwide in 2015. As a result, donors are looking to the private sector and DRM to fill this financing gap. Although private sector financing can play an instrumental role in certain countries and sectors, it will likely fail to address the most pressing challenges related to poverty, gender inequities, and inequality.[11] DRM is key to preventing an overreliance on private sector and debt finance to achieve development goals, and though DRM has its own limitations, there is a growing consensus on the need to exploit its potential.

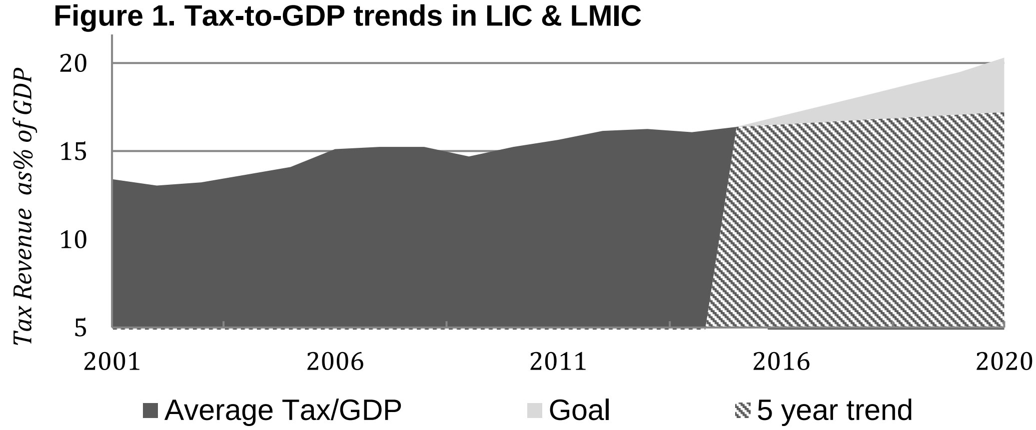
WHAT IS THE POTENTIAL OF DRM?

Developing countries raised around $7.7 trillion in domestic revenues in 2012, an astounding 350 percent increase from $1.7 trillion in 2001.[12] This statistic is commonly cited to highlight the significance and potential of DRM, but it masks two important issues: why revenues increased (as well as how); and who raised these revenues. To understand the potential of DRM, as well as improve development cooperation and strategies relating to DRM, it is essential to unpack such aggregate statistics.

Why did DRM increase by $6 trillion?

The answer is not necessarily more effective tax systems, although stronger institutions in some countries did help. Rather, the growth in DRM relied almost entirely on a surge in commodity prices and GDP growth. From 2001 to 2012, the growth of DRM (350 percent) barely outpaced growth in GDP (330 percent), which indicates that most governments failed to capture tax and other revenues more effectively. For lower income countries, tax-to-GDP ratios have improved only marginally, and trends over the past four years suggest that the gains in effective revenue mobilization may be stagnating (see Figure 1).

Figure 1. Tax-to-GDP trends in LIC & LMIC



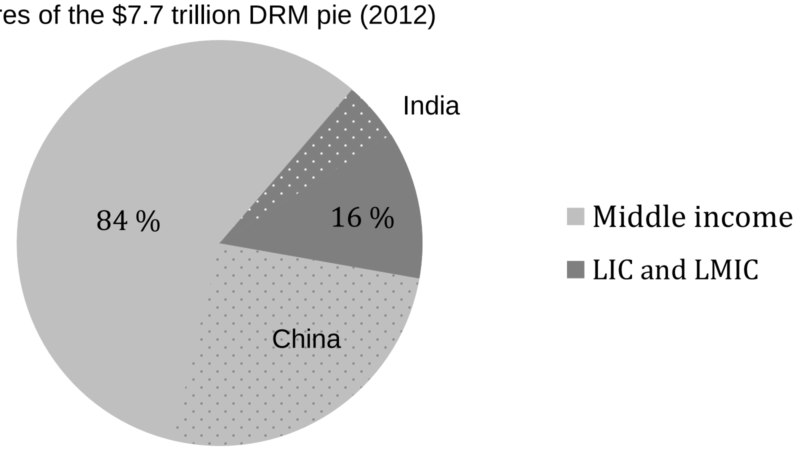
Source: based on IMF WoRLD database

For example, Tanzania is projected to barely increase its tax-to-GDP ratio, from 13.2 percent in 2016 to 13.9 percent in 2020.[13] As a result of these revenue-collection constraints (and the need to replace revenues lost to tariff reductions in free trade agreements[14]), many developing countries have introduced consumption-based tax schemes (*e.g.,* value-added tax (VAT)) over the past couple decades. Thus, it is important to note that part of this large increase in DRM from 2001 to 2012 derived from regressive taxation, which disproportionately affects the poorest.

Who benefited from this surge in DRM?

Based on data from the Government Revenue Dataset (GRD),[15] 84 percent of this $7.7 trillion was raised by middle-income countries, with around $2 trillion raised by China alone (see figure 2). On the other hand, only 16 percent ($1.26 trillion[16]) was captured by 84 low- and low-middle income countries, where DRM remains extremely weak and insufficient. In poorer countries, the potential for increasing revenues is mixed, depending on myriad factors (such as per capita income, size of informal economy, fiscal regimes, dependence on extractive sector, civic space, etc.). Nevertheless, the IMF and World Bank have suggested that many of these countries can raise tax ratios by 2 to 4 percent of GDP, "without compromising fairness or growth."[17] Such an increase could potentially raise an additional $260 billion annually in lower-income countries,[18] which is more than twice the global aid disbursed by OECD countries in 2015.[19] Seeking to realize this potential, donors have largely focused their DRM interventions (77 percent) in these poorer countries.[20] However, the disappointing progress in strengthening tax collection in lower-income countries suggests raising domestic revenues in these countries is not a simple task and that a different approach to DRM might be necessary.

Figure 2. Who is Raising DRM?
Shares of the $7.7 trillion DRM pie (2012)



Source: Based on ICTD/UNU-WIDER, "Government Revenue Dataset," June 2016

LIMITS TO A "TECHNOCRATIC" APPROACH

If donors and governments are serious about increasing DRM, and want to change the trajectory of effective revenue collection and achieve greater aid independence, both need to rethink the approach. A central problem is the overreliance on capacity building, administrative reforms, and other strictly technocratic approaches. Strengthening tax administration is vital, but there are limits to what can be achieved with technocratic solutions when the problems are equally political. For example, a Publish What You Pay (PWYP) report reviews the poor track record of tax authorities' search for payments in court (*e.g.,* United States versus Transocean), and suggests "scaling back expectations on the revenue impact of tax administration capacity building."[21] An evaluation of World Bank DRM projects from 2000 to 2015 adds further insight into the limitations of technocratic approaches, finding that:

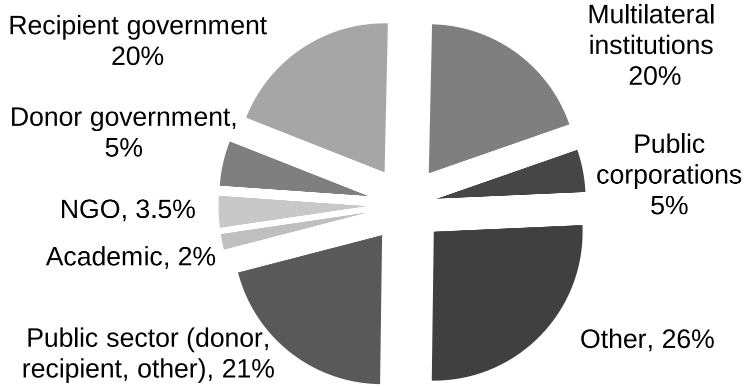
> *while relying mostly on tax administration reforms was often realistic and increased the chance of success [of implementing a project], it rarely addressed the major structural weaknesses of the country tax system in terms of its capacity to raise adequate tax revenue, while also raising its efficiency and equity.*[22]

Although the high demand for technical cooperation in many countries will continue, the critical DRM challenges related to policy, governance, and citizen engagement—which are essential factors for driving political will and policy change—need greater attention. Strengthening a tax administration may prove negligible if tax exemptions are granted by ministerial decree and outside the purview of parliamentary oversight. For example, exemptions in Mali (some granted by ministers to individuals) cost the government CFA 203.45 billion ($364 million) in 2015, preventing the Mali revenue authority from reaching its revenue targets.[23]

There is evidence that some donors and governments are investing in different approaches, by leveraging academics and civil society in their DRM strategies (see Figure 3). However, these types of support remain the exception (3.5 percent and 2 percent, respectively), with technocratic approaches continuing to dominate. A push for a new approach does not mean abandoning technocratic support but rather redesigning technical cooperation to ensure it is pro-poor, gender-sensitive, and responsive, and country-owned by both the government and citizens. This might mean supporting DRM reforms that are politically sensitive—such as strengthening property taxation or developing high-wealth-individual compliance programs.

Either way, donors should think about how to rebalance their approach to supporting DRM.

Figure 3. How is "Aid for DRM" delivered?



Source: Based on OECD CRS data (reported under DRM code 15114)

Overall, it is difficult to track exactly what type of support countries are receiving, as publically available information about assistance is often vague or not disclosed (*e.g.,* IMF technical assistance). In 2016, donors took a step in the right direction and agreed to report aid for DRM to the OECD. However, this first round of reporting provides only a glimpse into how donors are approaching DRM (see the "By the Numbers" Tables 1 through 3, below).

STATE OF DRM AID: BY THE NUMBERS

Table 1. Top 10 "Aid for DRM" donors (2015)

	Donor	Amount (USD million)
1	United Kingdom	40.83
2	United States	36.79
3	Germany	29.79
4	Norway	13.73
5	Sweden	8.85
6	Canada	7.32
7	Denmark	7.12
8	Switzerland	5.75
9	France	5.69
10	Finland	4.54

Table 2. Top 10 "Aid for DRM" recipients (2015)

Recipient	Amount (USD)	Number of donors
Afghanistan	16.034	*2*
Pakistan	13.893	*3*
Tanzania	10.832	*7*
Mozambique	9.508	*5*
Philippines	9.276	*2*
Zambia	6.723	4
Ghana	5.568	7
Kenya	4.303	3
Tunisia	3.862	2
Mali	3.722	3

Table 3. A glimpse of aid for DRM		
Overview Total aid for DRM: $174.5 million Less than 0.2% of total ODA 375 DRM projects in 86 countries	**Top donors** 61% of aid for DRM comes from the UK, US, and Germany Tied aid 17% of aid for DRM is tied	**Where is DRM aid going?** 40% to sub-Saharan Africa 21% to South Central Asia 34% of aid for DRM goes to five countries; 77% of aid to LDCs and LMICs
Type of countries 30% of aid for DRM to countries who signed Addis Tax Initiative (ATI) 50% of aid to countries with tax-GDP levels below 15 percent 25% aid to Fragile States	**Gender** 26% of projects include a "gender component, but Only 1% contain any description of gender related work. 73% of projects with subnational focus also include gender component	**DRM projects** 50% of aid concentrated in 30 (of 375) projects Average of $465,000; after the top 20 projects, average size is only $290,000 4% of projects have subnational focus
Implementation and ownership 20% of aid for DRM channeled through Multilaterals (same as through governments). Only 3.5% via NGOs. Nearly half (46%) of Aid for DRM is channeled through unspecified channels	**Civil society and equity** 3% of aid for DRM channeled through NGOs (less than half of that goes to work at national level) 2% of DRM projects identify "equity" objectives	**Coherence** Aid for DRM increased $150 million, but aid to sectors that support DRM (public financial management, customs, anti-corruption, and decentralization) decreased by $217 million—net decrease of $66.6 million in aid.

Source: All three tables based on 2015 OECD DAC "disbursed aid" data

Due to limited reporting that applies the International Aid Transparency Initiative (IATI) data standard, there is very little information available on DRM projects from 2016 and 2017. Therefore, the analysis of aid for DRM above relies on the latest data from the OECD Creditor Reporting System (CRS) in 2015.

As of 2015, there were 375 "aid for DRM" projects in 86 countries. The information available about each project varies, but in most cases, it is incomplete. For example, $6.7 million from four different donors went to eight DRM projects in Zambia, but there is no useful information on half of these projects—with project descriptions as detailed as "Revenue and Policy Administration." Other projects provided a better idea of the intervention, such as this one from a US Treasury project in Zambia:

Assistance to implement Zambia's TaxOnline, increasing effectiveness of ZRA's Integrity Committee, improving Customs operation, improving case selection/audit of financial services sector, and increasing capacity of the Corporate Investigative Division.

Although this description provides more information and identifies some admirable goals, it remains wholly inadequate to understanding the project's priorities. This is the case for most DRM projects. For example, donors reported 98 DRM projects with a "gender component," but only five of these described any gender-related work—and their descriptions included very limited language, such as: "especially women," "particularly for youth and women," "such as gender-sensitive budgeting," and "for both women and men entrepreneurs."[24] Better information on DRM projects would not only strengthen donor coordination and learning but also enable public accountability for how aid dollars are spent and scrutiny for its effectiveness.[25]

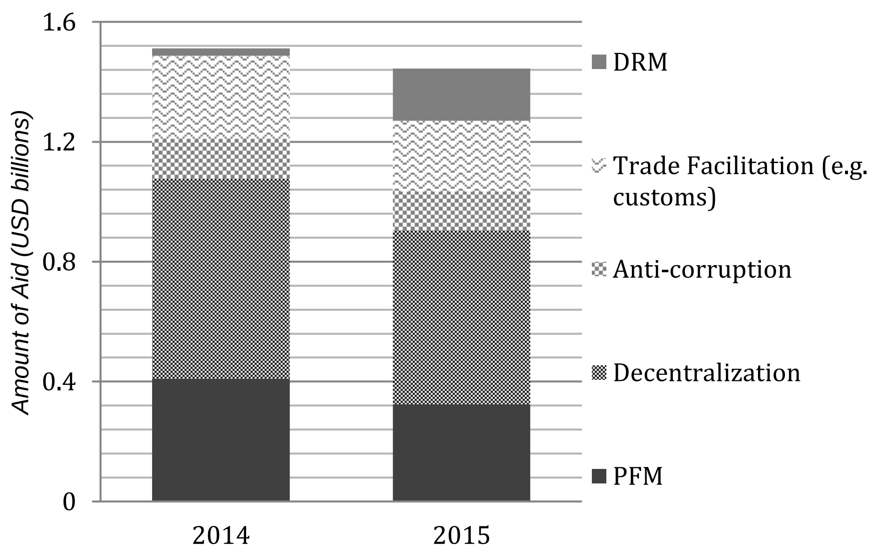
OECD DATA DOES NOT TELL THE WHOLE STORY

The Addis Tax Initiative has coordinated some additional reporting among ATI members (see the ATI Monitoring Dataset[26]), with an additional $49 million in aid and 101 projects not captured by the OECD database. This discrepancy is confusing and unnecessary and should be reconciled. Furthermore, both of these reporting processes fail to fully capture support from the non-OECD providers and multilateral institutions. In addition, donors may fail to report DRM activities for different reasons. For example, the US did not report the DRM component of an MCC project in Guatemala where "nearly $2 million [of a broader $28 million project] has been dedicated to improving the efficiency of Guatemala's tax and customs administration," which means the US's sixth largest DRM project is missing from DRM data.[27] Also, donors may report DRM-related activity under a different purpose code, such as public financial management (PFM). These growing pains in reporting, which are part of a bigger challenge to achieve IATI goals, complicate development cooperation and blur the transparency of information for external stakeholders.

CAN YOU HAVE "DRM" WITHOUT "PFM"?

Another concern relates to overall donor support for strengthening transparency and accountability in public finances. Although there has been a large increase in aid for DRM from 2014 to 2015 ($150 million), donor support for public financial management, decentralization, anti-corruption, and customs administration decreased by much more ($217 million). This is troubling for two reasons: first, the overall investment in transparent and accountable public finances has decreased, including in the poorest countries. For example, aid for PFM to Least Developed Countries (LDCs) decreased by 35 percent.[28] Second, less attention to “supporting sectors” may undermine the ultimate effectiveness of aid for DRM. Strong public financial management, including transparent expenditure and procurement systems, are essential to building and sustaining trust between the state and its taxpayers. In the end, if accountability for how public revenues are managed and spent is weak, simply mobilizing more revenues will not reduce poverty or gender inequality—in fact, it could make inequality even worse. Thus, donors, especially those committeed to the ATI, should ensure aid for these “supporting sectors,” like PFM, also improves—and not just the aid reported as DRM.

Figure 3. Aid to DRM and “supporting sectors”



Source: Based on OECD CRS data reported by DAC member countries

Donor strategies for DRM—which have still not been reported to ATI, as promised (see “DRM approach” tab on ATI DRM Database[29]), should clearly state how donors identify a partner country’s DRM needs; explain their plans for development cooperation; the targets and indicators of success; and how DRM projects will mainstream gender, and address inequality and poverty. This will be key to understanding how donors plan to rebalance overly technocratic approaches to DRM. Developing-country governments will continue to need technical assistance and capacity building, but DRM strategies must move beyond only increasing efficiency of tax administrations, and beyond the simple target of increasing revenue for its own sake. Equally important is how these revenues are used and *how* revenues are mobilized. Donors should be asking how aid for DRM affects who bears the burden for paying taxes and who does not.

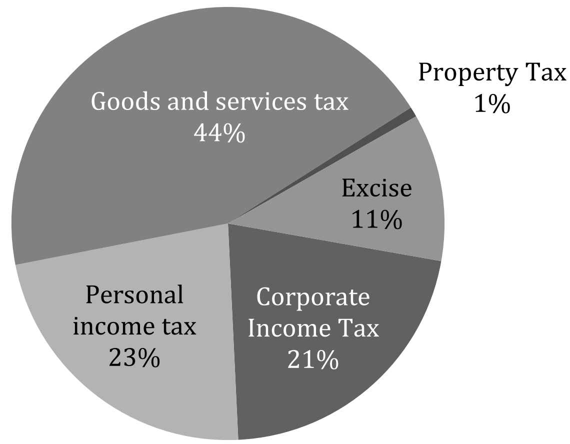
IT'S *NOT* ALL ABOUT THE MONEY

Perhaps contrary to popular belief, DRM can be successful even if it does not raise more revenue. Deepening the citizen-state compact is equally important to DRM. Of course, a primary objective should be to increase the resources available to finance more effective health-services, education, and poverty-reducing expenditures, but the equity of tax systems and its impacts on different groups matter greatly. In countries where social spending and service delivery remain weak or ineffective, *how* revenue is collected matters even more.

Over the past 15 years, developing countries have increased domestic revenues by 14 percent annually.[30] However, much of this recent increase in tax collection has come from the introduction of VAT systems in many countries, which has placed a disproportionate and unjust responsibility on the poorest citizens. In Mali, the IMF admitted that the increase in tax revenue was "almost entirely due to indirect taxes, especially VAT."[31] Although the revenues from consumption-based taxes can be used to fund programs that reduce poverty or invest in human capital, the increasing reliance on indirect taxation is cause for concern. Incidence analysis conducted by the Commitment to Equity (CEQ) project has found "unfortunate results that show up consistently in CEQ analyses: indirect taxes increase poverty significantly."[32]

Fortunately, there is great potential to capture more revenue in other ways: by eliminating wasteful tax incentives, reducing the informal sector, and improving effectiveness of direct taxation, such as property, wealth, or corporate taxation. In fact, many developing countries collect twice as much from consumption taxes as they do from corporate tax (and that is excluding excise tax), and property taxes are nearly non-existent. These challenges with direct taxation are evident among the biggest recipients of aid for DRM (see Figure 4). Closing the gap between direct and indirect taxation should be a key indicator for the success of aid for DRM—not just increasing tax-to-GDP ratios. Of course, tapping these revenue sources requires greater political commitment from both developing-country governments and from donors.

Figure 4. Composition of revenue
In the top 10 "Aid for DRM" recipients



Source: Based on IMF WoRLD Database and OECD CRS data

Some donors, like Finland and Canada, are beginning to adopt DRM strategies with equity goals, but this remains the exception rather than the norm: Only two percent of projects in 2015 identified "fairness" objectives (*e.g.,* Canadian project PAMORI II in Mali has included "tax fairness" as a core objective[33]). However, increasing the share of direct taxation often requires policy decisions that challenge powerful political and economic actors. This requires strong non-state stakeholders to raise awareness, generate political will, and hold policymakers accountable. Public and social accountability is fundamental to building citizen-state trust, the essential ingredient for an effective and fair tax system. Transparency and fairness cannot be achieved unless donors also invest in the capacity of civil society, women's rights organizations, independent media outlets, and other accountability actors—and defend the space in which they operate.

COLLECT BETTER TO COLLECT MORE

A fundamental challenge underlying support for DRM is the assumption that greater revenue will lead to greater spending on programs that reduce poverty, empower women and girls, or build sustainable infrastructure. Although there is some evidence that more revenue can lead to an increase in poverty-reducing expenditures,[34] this is not a given. Mobilizing adequate revenues is vital, but DRM should not neglect the quality and equity of revenue collection. Donor support for DRM must focus on both sides of fiscal policy—and on the revenue side, the objective should not be simply to collect more, but to collect better. In fact, collecting better may often precipitate collecting more.

SUPPORTING A BETTER APPROACH: PRO-POOR DRM

Balance the technocratic approach

Evidence and experience suggest that tax policy and politics need more attention—not only to mainstream gender and address poverty and inequality but also to achieve revenue-raising goals. The World Bank's most recent report on DRM finds that the "[e]xperience of many countries shows that, even after the formal tax structure and tax administration reformed, levels of tax collection remain unchanged—unless there is sustained political will and local ownership."[35] Cultivating a strong citizen-state compact is essential to pro-poor DRM and collecting better. This will be key to achieving stronger parliamentary oversight and political will to reform policy or legislation, where getting legal language right can have big benefits. For example, the African Tax Administrators Forum (ATAF) reports that such revisions in laws of nine African countries have already led to $110 million in additional revenues.[36] To achieve this, donors (and governments) need to invest in both internal and external stakeholders that ensure accountability: from public institutions, like supreme audit institutions and anti-corruption commissions, to women's rights organizations, budget accountability groups, and independent media outlets.

Tax systems matter for women's rights and gender justice

Gender discrimination exists explicitly and implicitly within tax systems, practices, and even in specific legislation. Pro-poor DRM strategies should focus on reducing gender inequalities. Governments should strive for a better balance of women and men at all levels within finance-ministry tax-policy units and tax administrations, including at the "point of payment," where women may be more vulnerable to unfair tax treatment.[37] This is an area where technocratic solutions can be designed better: Electronic tax payment systems should not only improve compliance but also aim to reduce gender inequalities and discrimination. Overall, donors and governments should ensure space for women and gender-rights organizations to influence and monitor DRM strategies and tax policy.

Fortify the citizen-state compact

Building citizen trust in government institutions is a complex and context-specific challenge but will almost always require more than just transparency. Taxpayers—like shareholders in a company—need to see a return on investment. Accountable delivery of quality public services at the national and local level is an essential element, but this can be tricky when governments face resource and capacity constraints. Donors can (and should) support better service delivery, but they can also play a more catalytic role by supporting initiatives that strengthen the relationship between citizens and government institutions. This can have positive DRM ripple effects on tax administration efficiency, voluntary compliance, and even the formalization of the informal sector.

Don’t overlook the local level

As of 2015, only four percent of donor funded DRM projects had a subnational focus. Subnational governments collect very little of their own revenue and rely mostly on transfers from national capitals. At the same time, decentralization is putting greater pressure on local governments to raise their own revenues, often generated through user fees—which can be regressive and discriminate against women and girls.[38] Better sources of local revenue are needed. Donors are beginning to support the development of stronger property and land tax systems,[39] and civil society campaigns have led to revenue-sharing mechanisms for extractive sector revenues. Both of these positive developments will lead to more revenues for local governments, but they will need to absorb, manage, and allocate these resources effectively. Investing more in the capacity of governments and public-accountability stakeholders at the local level, where there is greater citizen-government interaction, could yield big dividends. This could include more gender responsive fiscal systems (it is worth noting that gender was a component in 73 percent of donor funded subnational DRM projects, three times more than national level projects). Realizing these benefits depends greatly on the distribution of political power and space for citizen engagement.

Better development cooperation and coherence

As of 2015, there were 19 countries where at least four different donors were providing aid for DRM. In countries like these, there is the potential for duplication and incoherence. To avoid such issues, donors must coordinate with one another using mechanisms and processes established and led by recipient governments, which support country-owned (by citizens and government) DRM strategies. The Platform for Collaboration on Tax has proposed that countries develop medium-term revenue strategies (MTRS) that set revenue goals and strategies to raise revenue over a four-to-six-year period. Such strategies will be successful only if there is broad consensus, through citizen engagement, that revenue targets adequately fund key social sectors; and if the revenue mobilization strategy accounts for its impact on both men and women, inequality, and poverty. Some countries may step up to lead an MTRS process soon (*e.g.,* the commissioner of the Uganda Revenue Authority recently published a background paper on the MTRS), which could prove to be a good coordinating mechanism for donors supporting DRM—not only for ATI signatories but also for Southern aid providers, multilateral institutions, and others. It will be essential that all support is transparent, where donors and citizens have access to the same information.

In addition to better cooperation, ATI signatories have made a specific commitment to "enhance policy coherence" (ATI Commitment 3). ATI has declared that "due to the lack of conceptual clarity," there are currently no concrete actions to monitor on policy coherence.[40] However, there are several actions donors can take to strengthen coherence on DRM—two of which were proposed during the ATI conference in June 2017. First, the elimination of tax and customs exemptions for imports related to donor-financed projects (with the exception of emergency humanitarian assistance); and second, donors should conduct "spillover analysis" that identifies donor policies (*e.g.,* double taxation treaties) that undermine the effectiveness of DRM in developing countries.

Better data and indicators

A 2014 Development Initiatives paper found that a "lack of systems for reporting or monitoring means that even basic questions around how much is spent, where and how effective are difficult to answer."[41] Unfortunately, this has not changed much. The ATI database has the potential to improve information on support for DRM. However, it should not create a parallel reporting initiative that does not apply the IATI standard; rather, this database provides an excellent opportunity to demonstrate how IATI data can be used.

At another level, data and transparency on government revenues (the source of revenue, composition, etc.) remain far too limited. We need better information and data on DRM, as with any sector, to help build the foundation for better indicators—in particular, indicators that link DRM and sustainable development outcomes. ATI donors have committed to increasing DRM as a means to "attaining the SDGs" (Commitment 2), but reporting on this commitment currently relies on progress in tax-to-GDP ratios; tax-administration efficiency assessments (*e.g.,* IMF Tax Administration Diagnostic Assessment Tool); and tax competiveness rankings (*e.g.,* the World Bank *Doing Business* report). These indicators are largely inadequate for understanding how DRM helps achieve the SDGs, such as reducing inequality. As discussed above, increasing revenue does not automatically translate into effective, pro-poor spending. For this reason and others, there is increasing consensus on the need to move beyond indicators such as tax-to-GDP ratio. Given all the momentum and fervor around DRM, it is unacceptable to continue relying on "tax targeting" indicators, which have so many shortfalls.[42]

As a lead forum in the DRM space, the ATI could start tracking how support for DRM affects the quality of revenue collection—such as revenue composition. The ATI's first monitoring report already includes analysis of direct and indirect revenues, so adding this as a Commitment 2 indicator could be a natural first step.[43] Other indicators could include measures of citizen-state trust. Household-level surveys of citizen perceptions and interactions with tax payment, for example, can provide critical insights into progress on DRM goals such as voluntary tax compliance and reductions in the size of the informal sector.[44] Identifying pro-poor DRM indicators will be challenging, but donors, governments, academics, and civil society should be working together to find better measures.

In the end, what matters most are the ultimate outcomes of "support for DRM," which should be fair and effective tax systems that help reduce poverty, gender inequities, and extreme economic inequality. Better, pro-poor approaches to supporting DRM, better donor cooperation, and better data and indicators will be essential ingredients.

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[3] In 2016, the World Bank reported $352 million in projects related to DRM to IATI. Accessed on October 18, 2017: http://d-portal.org/ctrack.html?search&sector_code=15114#view=donor_transactions&year=2016&funder=IDA

[4] Fiscal policy technical assistance makes up about a third of the IMF's capacity-building programs (which has been the IMF's largest single output since 2012). The 2018 budget estimate is $311 million. See IMF Medium-Term Budget, 13. Accessed at: https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/05/12/pp032917fy2018fy2020-mediumterm-budget

[5] On November 6, 2017, the Government of the People's Republic of China agreed to support Uganda's customs-modernization project with a grant worth $30 million. AllAfrica. Accessed on November 20, 2017: http://allafrica.com/stories/201711070105.html

[6] As part of its commitments on reducing aid dependency, the recent report states: "We commit to strengthen policies, mechanisms/instruments and institutions to deepen and promote DRM." Accessed at: http://effectivecooperation.org/wp-content/uploads/2016/09/OFID_background-package_16-09-27_dist1.pdf

[7] Statement by Mark Andrew Green, nominee for USAID administrator, at Senate Foreign Relations Committee. June 15, 2017. Accessed at: https://www.foreign.senate.gov/imo/media/doc/061517_Green_Testimony.pdf

[8] Tax avoidance costs the US approximately $135 billion every year, and the same practices cost poor countries an estimated $100 billion annually. See Oxfam report *Rigged Reform*: https://www.oxfamamerica.org/static/media/files/Rigged_Reform_FINAL.pdf

[9] The CRI index measures a country's commitment to fighting inequality, according to three indicators: spending, labor, and tax policy. The tax indicator includes a "tax collection" component, where the US ranks 58 of 152. Of the countries with a better ranking, 14 are recipients of US aid for DRM: Myanmar, Liberia, Rwanda, Malawi, Colombia, Jordan, Burkina Faso, Paraguay, Moldova, Vietnam, Lesotho, Mozambique, Mongolia, Georgia. The CRI index report is available here: https://www.oxfam.org/en/research/commitment-reducing-inequality-index

[10] Oxfam America. *People, Power and Mining: Burkina Faso's "1 Percent" Campaign Victory*. July 17, 2015. Accessed at: https://politicsofpoverty.oxfamamerica.org/2015/07/people-power-and-mining-burkina-fasos-1-percent-campaign-victory/

[11] See Oxfam 2017 report *Private-Finance Blending for Development*: https://www.oxfam.org/sites/www.oxfam.org/files/bp-private-finance-blending-for-development-130217-en.pdf

[12] IMF and World Bank Development Committee. *From Billions to Trillions.* April 2, 2015. Accessed at: http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf

[13] "The One Billion Dollar Question Revisited: How Much is Tanzania Now Losing in Potential Tax Revenues?" May 2017. Accessed on October 30, 2017: http://www.policyforum-tz.org/files/ONEBILLIONDOLLARQUESTION.pdf

[14] During the past three decades, many developing countries have pursued greater trade liberalization, which has led to the loss of significant trade tax revenues. In sub-Saharan Africa, for example, trade taxes accounted for a quarter of tax revenue as recently as 2011. "Revenue Mobilization in Developing Countries." International Monetary Fund (2011). Accessed at: https://www.imf.org/external/np/pp/eng/2011/030811.pdf

[15] ICTD/UNU-WIDER, "Government Revenue Dataset," June 2016. Accessed at: https://www.wider.unu.edu/project/government-revenue-dataset'

[16] Note: Of this $1.26 trillion in revenue, 40% is attributed to India and Indonesia. Calculations based on revenue data (excluding grants and social contributions) from the ICTD/UNU-WIDER, "Government Revenue Dataset and GDP data from World Bank.

[17] "World Bank and the IMF Launch Joint Initiative to Support Developing Countries in Strengthening Tax Systems." IMF. July 10, 2015. Accessed at: https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15330

[18] Here "lower income countries" refers to both low-income and low-middle-income countries.

[19] This calculation is based on adding 4 percentage points to the 2014 average tax-to-GDP ratio for low- and low-middle-income countries of 16 percent (which decreased from 16.25 in 2013). Tax-to-GDP ratio data is from the IMF World Revenue Longitudinal Data (WoRLD).

[20] In 2015, OECD donors disbursed 135.36 million in aid for DRM to LDCs and LMICs, equivalent to 77 percent of total aid for DRM.

[21] Publish What You Pay. “Many Ways To Lose a Billion”. 2017. Accessed at: http://www.res4dev.com/wp-content/uploads/2017/07/R4D-Report-ManyWaysToLoseABillion.pdf

[22] Independent Evaluation Group. “Tax Revenue Mobilization—Lessons from World Bank Support for Tax Reform.” 2015. Accessed at: http://ieg.worldbankgroup.org/evaluations/tax-revenue-mobilization

[23]Oxfam France. “Mobilising domestic resources to help Mali’s poorest populations: The role of French Official Development Assistance.” November 2017. Accessed at:: http://oxfamfrance.org/rapports/aide-publique-au-developpement/mobiliser-ressources-domestiques-au-service-des-plus-pauvres

[24] One of these five projects is an Oxfam project that supports tax justice work in Vietnam and Kenya funded by Finland’s Ministry of Foreign Affairs. More information about the project in Kenya can be found here: https://kenya.oxfam.org/sites/kenya.oxfam.org/files/file_attachments/TaxJusticeProgramme_Factsheet.pdf; and more information about the project in Vietnam can be found here: https://vietnam.oxfam.org/tax-justice

[25] Grabowski, Aria. Oxfam America. “Transparency Is More Than Dollar and Cents.” September 2017. Accessed at: https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/rr-transparency-more-than-dollars-cents-110917-en.pdf

[26] ATI DRM Dataset. Available at: http://www.drm.taxcompact.net/downloads/ATI-Monitoring-Rep-2015_DRM-CRS-activities_v2017-05-31.xlsx

[27] Millennium Challenge Corporation (MCC). See section “Public Funds for Education in Guatemala” on MCC’s Domestic Resource Mobilization page. Available at: https://www.mcc.gov/initiatives/initiative/domestic-resource-mobilization

[28] From 2014 to 2015, aid for PFM to the least developed countries decreased from $196 million in 2014 to $126.5 million in 2015, a total reduction of $69.5 million, or 35% decrease.

[29] The ATI “DRM database” has the potential to be a useful tool, but it needs to pull together information on DRM interventions from all donors—OECD, BRICs, Multilateral and others. The optimal solution would be for all providers to publish DRM projects under the IATI (International Aid Transparency Initiative) standard, where the ATI DRM Database would serve as an API platform – supplemented by other information, such as donor strategies on DRM.

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[31] IMF, “Sixth Review of Extended Credit Facility for Mali.” Accessed at: https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Mali-Sixth-Review-Under-the-Extended-Credit-Facility-Arrangement-and-Request-for-44445

[32] Stephen D. Younger, Eric Osei-Assibey, and Felix Oppong. “Fiscal Incidence in Ghana.” December 2015. Accessed at: http://www.commitmentoequity.org/publications_files/Ghana/CEQ%20WP35%20Fiscal%20Incidence%20in%20Ghana%20Nov%202016.pdf

[33] Global Affairs Canada —Project Profile: Support for the Mobilization of Internal Resources (PAMORI II). Accessed at: http://w05.international.gc.ca/projectbrowser-banqueprojets/project-projet/details/a034448001

[34] USAID. Analysis of the linkage between domestic resource mobilization and social sector spending. July 2016. Accessed at: http://pdf.usaid.gov/pdf_docs/pbaae640.pdf

[35] World Bank. "Strengthening Domestic Revenue Mobilization: Moving from Theory to Practice in Low and Middle-Income Countries." 2017. Accessed at: https://www.google.com/search?biw=1440&bih=791&q=World+Bank+Strengthening+Domestic+Resource+Mobilization%3A+Moving+from+Theory&oq=World+Bank+Strengthening+Domestic+Resource+Mobilization%3A+Moving+from+Theory&gs_l=psy-ab.3...44706.44706.0.44935.1.1.0.0.0.0.93.93.1.1.0....0...1.1.64.psy-ab..0.0.0....0.oIcFisRHV0s

[36] Logan Wort (September 6, 2017). "African countries must collaborate to fix tax challenges." Accessed on October 9: https://www.dailymaverick.co.za/article/2017-09-06-op-ed-african-countries-must-collaborate-to-fix-tax-challenges/?utm_content=buffer7feca&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer#.WbALScYVhQI

[37] Joshi, Anuradha. *Tax and Gender in Developing Countries: What are the issues?* International Centre for Tax and Development. http://www.ictd.ac/publication/7-policy-briefing/161-ictd-sumbrief6

[38] Ibid.

[39] Global Communities. "Ghana: Fueling the Future of an Oil City." Accessed at: https://www.globalcommunities.org/publications/2013-ghana-fueling-the-future-of-an-oil-city.pdf

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[43] Addis Tax Initiative. *ATI Monitoring Report 2015* (page 50). https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Monitoring-Report_2015_EN.pdf

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