Report

Aiding domestic revenue mobilisation

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Executive summary

Domestic revenue mobilisation is vital to the success of the SDGs

Domestic revenue mobilisation – the funds that governments raise through tax and other finance streams[1] – is vital to the success of the Sustainable Development Goals (SDGs). Countries cannot lead implementation of this global agenda without the resources to make the necessary investments. Therefore ensuring sufficient revenue mobilisation through sustainable, progressive models is a key priority at the start of the SDG era.

Countries face many challenges in mobilising revenues, from the structure of formal and informal economies to the policies that governments have in place and the capacity of enforcement and collection agencies. There may be trade-offs between policies that increase revenues in the short run but have regressive impacts, and investments that set the foundation for sustained, more progressive increases in revenue.

The international community must therefore ask how it can best support countries in mobilising revenue. Two broad ways are: by addressing global governance and issues of policy coherence across areas such as illicit finance and use of tax jurisdictions; and by providing direct assistance to countries to overcome domestic constraints to revenue mobilisation. This report focuses on the latter.

A turning point in aid for domestic revenue mobilisation

Aid for domestic revenue mobilisation is a potentially important part of the international community's response. The focus on domestic revenues has increased and, given the need to leverage multiple sources of finance alongside plateauing aid levels, donors and international actors have made prominent commitments on aid for domestic revenue mobilisation. At the Third International Conference on Financing for Development in July 2015 a group of many of the world's largest donors and countries announced the Addis Tax Initiative. This includes commitments to support capacity improvements to strengthen and enhance domestic revenue mobilisation, including a headline commitment to double technical cooperation in the area.

Aid for domestic revenue mobilisation is at a turning point. It looks set to grow as a mode of international–national cooperation and could make an important contribution to the SDGs, if it can be used effectively to help countries overcome some of the fiscal constraints they face.

As donors prepare to scale up this type of aid, we clearly need to know more about the overall picture of aid for domestic revenue mobilisation at the global as well as the country level. The current lack of systems for reporting or monitoring it means that even basic questions around how much is spent, where and how are difficult to answer. And without this information, it will be difficult to monitor and evaluate results and ensure it is as effective as it could be.

What we know about the landscape of aid for domestic revenue mobilisation

This report provides estimates of some of the key dimensions of aid for domestic revenue mobilisation and, in light of efforts to establish systems for improving how it is monitored, makes recommendations about how to structure those systems.

To overcome challenges of tracking aid for domestic revenue mobilisation in existing ODA reporting systems, the report uses a keyword-based methodology for identifying relevant aid projects in the data that donors report to the Organisation for Economic Co-operation and Development (OECD) about their overall official development assistance (ODA) spending. It builds on previous research by Development Initiatives.[2] Such methodologies are well-established in monitoring such areas of ODA spending[3] that are difficult to track in the OECD databases, though estimates should be taken as indicative rather than precise. Nevertheless this presents a step forward in understanding the full picture of aid for domestic revenue mobilisation at a point when donors are planning to scale up their financing.

In 2013 there were around 600 aid for domestic revenue mobilisation projects. These included aid totalling US$92.6 million for 232 projects where the primary objective was supporting countries' domestic revenue mobilisation ('**core** aid for domestic revenue mobilisation') and US$600.5 million for over 370 projects where increasing revenue mobilisation was an identifiable objective in a wider project ('**wider** aid for domestic revenue mobilisation').

Tanzania, Afghanistan and Mozambique stand out as the largest recipients of core aid for domestic revenue mobilisation. However, almost three-quarters of developing countries[4] received some. Beyond the three largest recipients, core aid for domestic revenue mobilisation is relatively evenly spread across countries with a wide range of pre-existing levels of revenue mobilisation, though the type of cooperation delivered varies widely. Assistance in many of the poorest countries is often broad ranging, covering many aspects of the revenue mobilisation process and a wide array of functions in partner institutions. In contrast, cooperation in countries with higher existing levels of domestic revenues is often more focused on improving specific aspects of revenue mobilisation. This reflects the flexibility of aid for domestic revenue mobilisation. As a small component of total ODA with potentially significant catalytic impacts, it can help countries in a variety of contexts if delivered effectively.

The UK, Norway and the EU are the largest providers of core aid for domestic revenue mobilisation, while the US is the largest provider of wide aid. Core aid grew in 2013 from 2012 levels, having grown slowly since 2007, albeit with fluctuations typically due to single large disbursements. However, the number of active donors and projects has risen more rapidly than has total spending, highlighting possible risks of fragmented cooperation.

The commitment from donor signatories to the Addis Tax Initiative to double technical cooperation for domestic revenue mobilisation by 2020 could drive more rapid growth in this type of aid. Based on previous trends the commitment is achievable, though needs revived effort to increase the rate of growth: technical cooperation for domestic revenue mobilisation from this group of donors grew by 52% between 2006 and 2013 (and total core aid for domestic revenue mobilisation by 36%). It should be scaled up effectively in light of the development effectiveness principles such as country ownership, and issues such as fragmented assistance.

Now is the time to establish strong systems for monitoring aid for domestic revenue mobilisation

As aid for domestic revenue mobilisation is scaled up, its success or failure should be measured by its impact, and the systems developed for reporting and monitoring it will have a critical bearing on its overall effectiveness. Without understanding the basics of who is spending what, where and how, it is hard to understand what impact it is having, or to effectively share knowledge and lessons on what has and has not worked and why. Efforts to improve the systems for monitoring aid for domestic revenue mobilisation are underway and these discussions should consider:

- Adding a purpose code to OECD and International Aid Transparency Initiative ODA reporting systems that allows projects to be identified clearly and enables donors to draw out relevant components of wider aid for domestic revenue mobilisation

- Encouraging donors to retrospectively report details of the types of tax they have helped to mobilise, to link aid for domestic revenue mobilisation to the wider principles of progressive domestic revenue mobilisation articulated in the Addis Ababa Action Agenda[5]

- Reporting the results that aid for domestic revenue mobilisation contributes toward, so that incentives for project design are not skewed by an over-emphasis on reporting expenditure.

Introduction

Domestic revenue mobilisation will be a key driving force behind efforts to achieve the vision of the 2030 Agenda for Sustainable Development agreed at the United Nations Sustainable Development Summit in 2015.[6] Yet many of the countries that face the greatest challenges in realising this vision are those that have the least domestic revenues to invest in it.[7] Increasing domestic revenue mobilisation is therefore an important priority for such countries, and the supporting role that international actors can play is a much discussed topic in international forums.

Increasing the revenues that countries are able to mobilise will require change on many fronts, and aid used to support domestic revenue mobilisation can help countries overcome some of these challenges. Many factors affect the scale and type of revenue that governments are able to raise, from the structure and outlook of formal and informal economies to political stability and the policies and capacity that governments have in place to collect revenue. And international factors can impact revenue mobilisation in many ways – the investments and business models of foreign business, the rules and usage of low tax jurisdictions, the sharing of information about tax payers between revenue authorities among others.

Aid for domestic revenue mobilisation is one mechanism for providing assistance at the country level, alongside others related to global governance such as policy coherence in illicit finance – by which the international community can support countries to overcome some of the challenges to increasing domestic revenues.[8] Aid for domestic revenue mobilisation has become an increasingly significant topic as the financing for development agenda for the Sustainable Development Goals (SDG) era has been developed. This has been driven by recognition of the need for significantly larger volumes of finance, from multiple sources, to meet the scale of the 2030 Agenda, by an increased emphasis on using official finance to leverage other sources of finance, and by calls from countries themselves about the need for greater revenues. The Addis Ababa Action Agenda[9] notes the importance of aid for domestic revenue mobilisation and includes a commitment to strengthen international efforts to build capacity in the area.[10] At the Third Conference on Financing for Development in July 2015, a group including many of the world's largest donors and countries announced the Addis Tax Initiative,[11] which includes commitments to support capacity improvements to strengthen and enhance domestic revenue mobilisation, including a headline commitment to double technical cooperation in the area.

As we move into implementing the SDGs, aid for domestic revenue mobilisation is at an important turning point. Following prominent international commitments, it is likely to become a more important component of aid and cooperation between global and national actors as a whole.

Yet despite the growing importance of aid for domestic revenue mobilisation, there is little comprehensive or comparable information available about the cooperation already happening, the types of partnerships that countries already have or the success and results of different models.

In light of efforts to scale-up assistance in this area, it is vital that we know more about the overall picture of international assistance at the global and country level. If aid is going to effectively support country efforts to increase domestic revenues, processes for coordinating, monitoring progress and sharing information on the successes and learnings of assistance in this area must be strengthened.

This report builds on previous research by Development Initiatives[12] to estimate some of the key dimensions of the cooperation that is already happening in this area and to analyse the commitments made under the Addis Tax Initiative. The report also makes recommendations about how reporting systems can be strengthened to help increase the effectiveness of aid for domestic revenue mobilisation in the SDG era.

What do we know about the scale of aid for domestic revenue mobilisation?

Aid for domestic revenue mobilisation projects can be grouped into two broad types of projects – those for which increasing domestic revenue mobilisation is the primary objective, and those with a wider remit, where increased revenue mobilisation is one identifiable objective among many. We term these types of project 'core' and 'wider' aid for domestic revenue mobilisation respectively. These groupings are used not because the domestic revenue mobilisation components of wider projects have a greater or lesser impact – increasing revenues often requires a variety of complementary actions that may be encapsulated in wider aid – but to distinguish, in the absence of protocols in formal aid reporting systems, between the types of project.

The estimates in this paper are based on a keyword-search methodology for identifying relevant projects among those reported by donors to the Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System (CRS) (see Annex 1. Methodology for full details of the approach taken). This keyword-based approach is used as current reporting practices do not allow a systematic approach for identifying relevant aid for domestic revenue mobilisation projects. While this is an established practice for identifying spending in areas not well captured in the structure of official development assistance (ODA) reporting,[13] it relies on detailed project descriptions being included in donor reporting and, given variations in reporting practices among donors (see Chapter 3), the estimates it produces should be taken as indicative rather than precise (see Annex 2 for a comparison between our estimates and a review by the UK Department for International Development (DFID) of their own spending). As aid for domestic revenue mobilisation is set to be scaled up, the aim of this paper is to support actors in this area with the best available estimates of what is happening already, alongside recommendations for how to improve the quality of reporting.

Core and wider aid for domestic revenue mobilisation

In 2013 disbursements of core aid for domestic revenue mobilisation totalled US$92.6 million across 232 projects (Figure 1) and disbursements of wider aid for domestic revenue mobilisation totalled US$600.5 million across 371 projects (though it is not possible to estimate what proportion of these projects is directly related to revenue mobilisation).

Core projects averaged just under US$400,000 per project in annual disbursements, with only eight projects disbursing more than US$2 million. Wider projects are typically larger in both scope and volume, disbursing an average US$1.6 million per project in 2013. It is not currently possible to quantify how much of these projects specifically targets domestic revenue mobilisation issues.

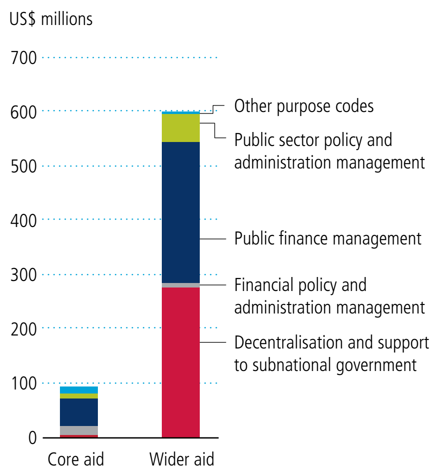
Most core aid for domestic revenue mobilisation projects are classified as 'public finance management' in donor reporting, with other projects classified as 'financial policy and administration management' and 'public sector policy and administration management'.[14]

In contrast, almost half of the disbursements to wider aid for domestic revenue mobilisation projects are related to 'decentralisation and support to subnational government'. The domestic revenue mobilisation-related components of these projects aim to support improved revenue generation and tax collection capabilities of local and regional or provincial government. Building such capacity is increasingly identified[15] as a means of providing additional development finance and a funding reserve to compensate for the unpredictability of other resource flows.[16]

FIGURE 1

Core aid totals an estimated US$92.6 million in 2013; wider aid is US$600.5 million

Core and wider aid for domestic revenue mobilisation by purpose code US$ millions, 2013



Source: Development Initiatives' calculations based on OECD DAC

Trends in core aid for domestic revenue mobilisation

Core aid for domestic revenue mobilisation has fluctuated considerably since 2006, the earliest year for which data is of sufficient quality to analyse. Levels rose in 2013 over 2012 volumes, but remain below peak volumes in 2008, 2011 and 2006 – though these peaks are often driven by large disbursements to individual projects. Record levels in 2008 were driven by a single US$38 million project from the European Development Fund to reform Morocco's tax system, and a US$20 million project from the International Development Association (IDA) in Tanzania makes up a significant proportion of the 2006 total. Given that aid for domestic revenue mobilisation projects are typically small in US$ value (with a mean of just under US$1 million per project), large one-off disbursements in individual projects can have an impact on overall totals. Excluding these large individual disbursements, aid for domestic revenue mobilisation has been slowly increasing since 2007, though the number of active donors and number of projects have been growing more rapidly than the overall total (see Chapter 3), highlighting the risk of fragmentation.

Countries face complex issues in mobilising greater revenues that often demand longer-term approaches that allow time to build and strengthen effective systems, processes and capacity. Evidence shows that aid for domestic revenue mobilisation is most effective when sustained over a number of years[17] and some identified projects can be tracked through previous years (though data issues make it difficult to track all projects).[18] Eight projects can be tracked back as far as 2008 or beyond. This includes long-term support from New Zealand to the Solomon Islands Inland Revenue Division totalling US$10.4 million between 2006 and 2013, and US$25.6 million disbursed from DFID to the Sierra Leone National Revenue Authority between 2007 and 2013.[19]

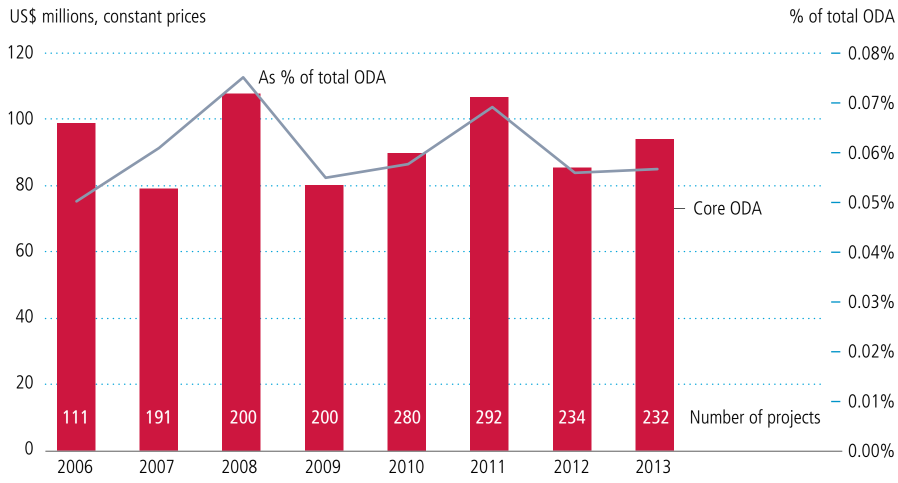
Core aid for domestic revenue mobilisation accounted for an estimated 0.06% of total ODA in 2012 and 2013, down slightly from 0.07% in 2011. There has been much debate[20] about this ratio which, given the emphasis on this as a key area of international support for countries, can be seen as a small proportion of total aid.

Yet it is important to retain a focus on monitoring the ultimate goal – stronger country systems for sustainably and progressively mobilising domestic resources – and recognise aid for domestic revenue mobilisation as an area where well-designed interventions can be both transformative and small in terms of spending (see Boxes 2 and 3 for case studies of successful and less successful projects in Mozambique and Pakistan). Technical cooperation – the largest modality for aid for domestic revenue mobilisation – is typically small in terms of cost, but can nevertheless achieve significant results if delivered effectively.
It is important therefore not to overemphasise the focus on inputs at the expense of monitoring and understanding outcomes; to do so could incentivise projects that contribute more toward meeting a commitment than improving results. Ultimately, the success or failure of aid for domestic revenue mobilisation should be judged by the results it helps countries to achieve. As stronger systems are established it is important that this is kept in mind (see Chapter 7).

FIGURE 2

Core aid has fluctuated, though it remains small as a proportion of total ODA

Trends in core aid for domestic revenue mobilisation projects, US$ millions and proportion of total ODA, 2006–2013



Source: Development Initiatives' calculations based on OECD DAC

What type of support is provided and how is it delivered?

Aid for domestic revenue mobilisation comes in a range of different types of projects, though the primary mechanism is technical cooperation (Figure 3).

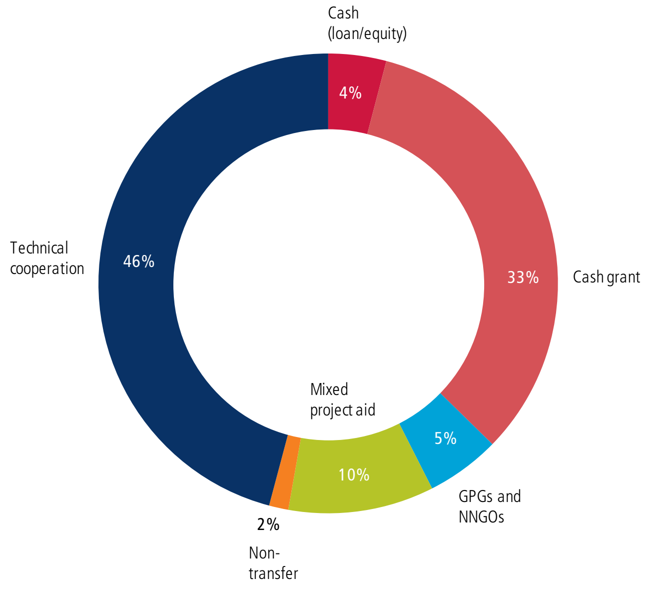
Technical cooperation accounts for 130 of the 232 core aid for domestic revenue mobilisation projects identified, though these themselves range considerably in scope and size. Most are small, relating to technical assistance in specific areas such as introducing a particular new form of taxation or improving an IT system. For example, a European Union technical assistance project in Azerbaijan focused solely on implementing an Electronic Audit System, while a US Treasury Department project in Zambia introduced a new generation integrated tax administration system. However, some technical cooperation projects are broader and more comprehensive in their aims. Cooperation between the Swedish Tax Agency and the Botswana Unified Revenue Service covers a wide range of areas including administration, forecasting, auditing, IT systems and more. There are also a number of 'twinning' arrangements between tax authorities, such as between the European Union and Lebanon, Azerbaijan and Armenia, and between Norway and Mozambique on petroleum taxation and tax auditing.

Cash grants accounted for disbursements of US$30.6 million across 38 projects. Most grants went directly to governments, typically ministries of finance or revenue authorities. The largest in 2013 was a US$7.8 million disbursement from DFID to a specific 'Tax Modernisation Project Basket' in Tanzania. A basket fund (also known as a 'common fund') is an arrangement where multiple donors pool their funding into an account used for a designated purpose. Similar basket funds have been established in other countries such as Mozambique (see Box 2). Alongside those to government agencies, disbursements were also made to international and multilateral initiatives (see Chapter 4), such as the International Monetary Fund (IMF)'s Tax Policy and Administration Topical Trust Fund.

FIGURE 3

Technical cooperation accounts for almost half of core aid

Core aid for domestic revenue mobilisation by bundle
%, 2013



Source: Development Initiatives' calculations based on OECD DAC

Note: GPGs: global public goods; NNGOs: national non-governmental organisations.

3

Who are the largest donors?

At least 27 different donors provided core aid for domestic revenue mobilisation in 2013 (16 donors provided wider aid for domestic revenue mobilisation projects), though the extent of activity between these donors varied substantially (Figure 4). Nine donors had more than 10 core aid projects in our data, while only 11 donors disbursed over US$2 million to their core aid projects. The number of donors has grown significantly from 2006, when there were only 17 active donors and just 5 that provided more than US$2 million for core aid projects.

Providing nearly a third of all identified core aid for domestic revenue mobilisation funding, the UK was the largest provider in 2013, running projects in 11 developing countries (see Annex 3 for further details of aid for domestic revenue mobilisation projects from the UK and the other largest providers of core aid for domestic revenue mobilisation). Disbursements to these projects was equal to 0.25% of total UK reported ODA. Our data shows 22 projects from DFID, with another 7 smaller projects from the UK Foreign and Commonwealth Office. DFID's largest disbursement was to a large bilateral technical assistance project in Afghanistan, worth US$11.3 million. The next largest recipients of UK core aid for domestic revenue mobilisation were Tanzania (US$7.8m – channelled through the Tax Modernisation Project Basket) and Bangladesh (US$2.2m).[21]

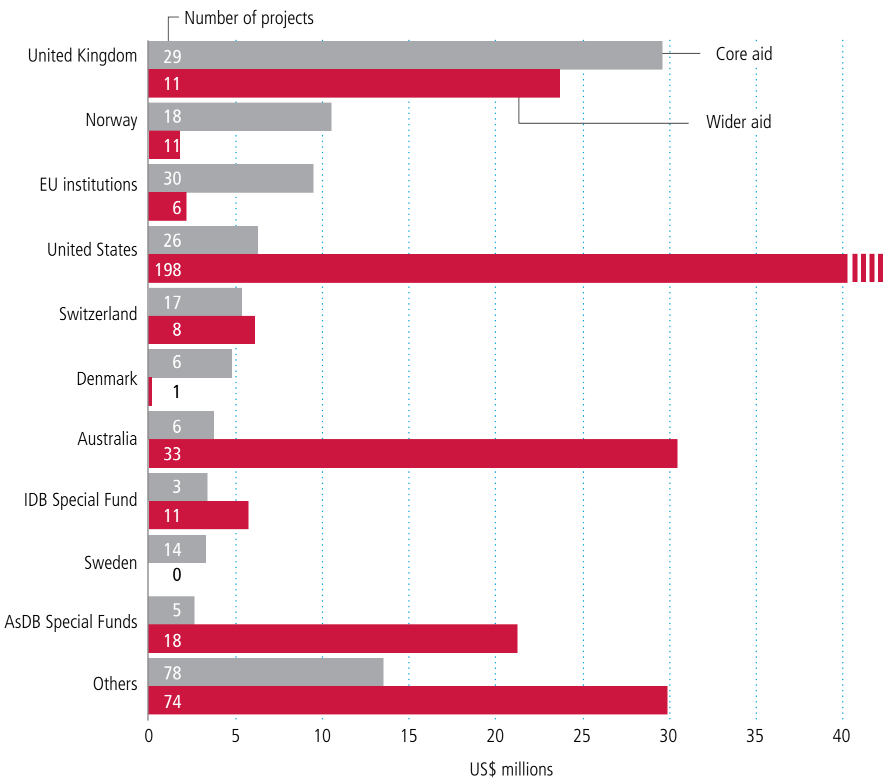
The second largest provider of core aid for domestic revenue mobilisation in our data was Norway, disbursing US$10.5 million to 18 projects in 8 developing countries. This represents a large increase in Norway's domestic revenue mobilisation-related assistance from the beginning of the time period analysed (see Box 1), and accounts for 0.24% of reported Norwegian ODA. Large disbursements were made by the Norwegian Ministry of Foreign Affairs to projects in Tanzania (worth US$3.0m), Mozambique (US$2.3m) and Zambia (US$1.3m). Projects from NORAD (the Norwegian Agency for Development Cooperation) were more focused on international initiatives, including funding research on tax and capital flight in developing countries, and providing funding for the African Tax Administration Forum.

The third largest donor in our data was the European Union (EU),

FIGURE 4

The UK is the largest provider of core aid followed by Norway and the EU

Core and wider aid for domestic revenue mobilisation from the 10 largest providers of core aid for domestic revenue mobilisation, US$ millions, 2013



Source: Development Initiatives' calculations based on OECD DAC

Notes: AsDB: Asian Development Bank; IDB: Inter-American Development Bank.

which disbursed US$9.5 million to core domestic revenue mobilisation projects. It had the highest number of projects (30), and had projects in more developing countries (17) than any other donor. There was a strong regional focus to these projects, with over half of core aid for domestic revenue mobilisation disbursements going to European countries. Some of these projects, such as in Bosnia and Herzegovina and Serbia, focused on 'harmonisation' with EU practices in customs and taxation. The largest project outside of Europe was a 'twinning' arrangement to support tax administration in Lebanon, similar to its other projects in Armenia and Azerbaijan.

A large number of core aid for domestic revenue mobilisation projects (26) came from the United States (US), though the average disbursement to these projects was smaller than to projects from the other most active donors. The US Department of the Treasury ran 21 of these projects, providing revenue-related technical assistance in 20 developing countries. The average disbursement to these projects was around US$153,000. Larger projects were also provided by USAID (in support of the Tax Administration of Kosovo) and the Millennium Challenge Corporation (targeting revenue administration reform in the Philippines).

However, the US was by far the largest provider of wider aid for domestic revenue mobilisation projects captured in our data, disbursing US$479.3 million to 198 projects. A large portion of this was a single project worth US$190 million from USAID, aimed at supporting 'sustainable and efficient' fiscal policies in Egypt.[22] Over half of the wider aid for domestic revenue mobilisation from the US was recorded under the 'Decentralisation and support to subnational government' purpose code, mainly coming from USAID and with 'local revenue raising' as a stated objective. The next largest providers of wider aid for domestic revenue mobilisation were Australia (US$30.4m), the UK (US$23.6m) and Canada (US$15.7m). As noted above, from the available information in the CRS database, it is impossible to calculate the portion of this spending that specifically targets domestic revenue mobilisation.

The UK has been the largest donor of core aid for domestic revenue mobilisation in all but one of the years analysed in this study (2006 to 2013), consistently disbursing between

BOX 1

Norwegian support for ODA for domestic revenue mobilisation

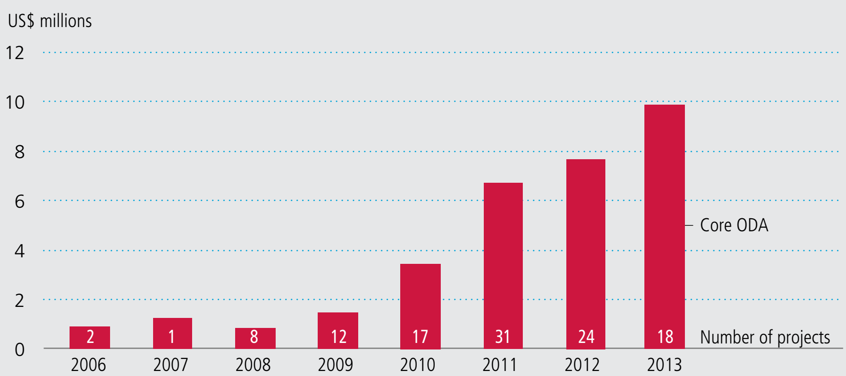
In 2011, Norway launched its Tax for Development programme, stemming from a 'political wish to give higher priority' to tax-related issues in developing countries.[23] The programme has four priority areas: support to tax authorities in partner countries; multilateral cooperation; research; and support to civil society. Since this programme was launched, Norwegian aid for domestic revenue mobilisation has increased significantly, to US$9.9 million in 2013 (Figure 5), making Norway the second largest provider of core aid for domestic revenue mobilisation.

We identify projects related to all four priority areas mentioned above. Norway's Ministry of Foreign Affairs provided support for tax administration in Mozambique, Zambia and Tanzania. NORAD has financed research on tax and capital flight in developing countries and supported international initiatives such as the African Tax Administration Forum. As a country that has successfully managed its own natural resource revenues, much Norwegian aid for domestic revenue mobilisation focuses on helping partner countries manage tax regimes and revenues from their extractives industries. There is an identifiable natural resource or extractives component in 8 of the 18 identified core aid for domestic revenue mobilisation projects in 2013.

FIGURE 5

Norwegian ODA for domestic revenue has grown rapidly since the creation of the Tax for Development Programme

Norwegian core ODA for domestic revenue mobilisation, 2006–2013



Source: Development Initiatives' calculations based on OECD DAC

US$20 million and US$30 million in each year. The scale of aid for domestic revenue mobilisation from other donors has increased, as has the number of projects. Some donors have disbursed significantly more core aid for domestic revenue mobilisation in recent years. Norway (the second largest donor in 2013) disbursed less than US$1 million to core aid projects in 2006 (see Box 1). Almost no core aid was identified from Switzerland or Denmark in 2006, but in 2013 these donors disbursed US$5.4 million and US$4.8 million respectively. The rise in the number of active donors and projects highlights the potential for increasing fragmentation in the provision of aid for domestic revenue mobilisation, and the importance of strong systems to monitor and coordinate cooperation. On the other hand, core aid for domestic revenue mobilisation from the EU peaked at US$54 million in 2008, and fell in subsequent years. As mentioned previously, this was because of a single large domestic revenue mobilisation-related project in Morocco. Core aid for domestic revenue mobilisation from the International Development Association of the World Bank has fallen from US$13.8 million in 2010 to US$1.7 million in 2013, largely because of a significant project in Pakistan coming to an end in 2012 (see Box 3).

It is important to note that the results presented here also reflect the differences in the focus and reporting of projects from different donors. For instance, some aid for domestic revenue mobilisation is not captured by our methodology because of a lack of information in the project titles and descriptions as reported to the CRS. Furthermore, some donors such as the UK have many independent tax reform programmes that are easily identifiable in the data, while others such as France report generic, uniform descriptions of all public financial management projects. The International Tax Compact (ITC; 2012) notes that France is active in this area and that the agency Adetef internally recorded aid for domestic revenue mobilisation of up to €1.5 million in 2009. But because of the way projects are currently reported to the CRS it is not possible to identify this activity in the data: this further highlights the need to strengthen reporting systems for aid for domestic revenue mobilisation (see Chapter 6).

Who receives this type of support?

Core aid for domestic revenue mobilisation projects in 2013 were identified in 75 countries, ranging from those that mobilise less than PPP$100 per person[24] in tax revenue to countries that mobilise almost 100 times as much (aid for domestic revenue mobilisation can play important and differentiated roles in varying contexts; see page 15). The scale and nature of projects vary widely across countries, though the mean amount disbursed in each was just under US$1.0 million.[25] The number of countries receiving core aid for domestic revenue mobilisation is up from 72 countries in 2012, and 77 countries in 2011.

Wider aid for domestic revenue mobilisation projects in 2013 were identified in 86 developing countries; 33 of these are in countries with no core aid for domestic revenue mobilisation projects. This means that a total of 108 countries – almost three-quarters of all developing countries[26] – receive some sort of aid for domestic revenue mobilisation support.

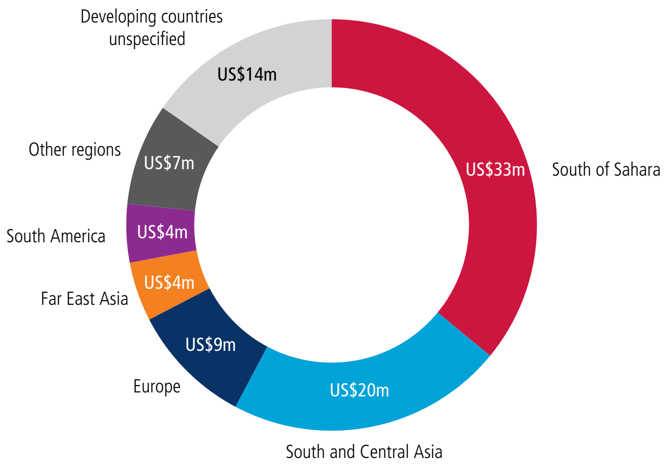
The main regional focus for core aid for domestic revenue mobilisation is sub-Saharan Africa (Figure 6), which received more than a third of all aid for domestic revenue mobilisation (US$33.29m) in 2013. The next largest recipient region is South and Central Asia, which received US$20.17 million, 22% of the total.

At country level, three countries account for the largest volumes of core aid for domestic revenue mobilisation (Figure 7). Tanzania, Afghanistan and Mozambique together accounted for more than a third of all core aid for domestic revenue mobilisation, each receiving between US$9 million and US$12 million in 2013. These three have been among the main recipients of aid for domestic revenue mobilisation in previous years, reflecting the continued, long-term focus of donors on improving domestic revenue mobilisation in these countries. A fourth country, Pakistan, which was the focus of large aid for domestic revenue mobilisation cooperation in previous years, had a significant long-term project that came to an end in 2012 (see Box 3).

FIGURE 6

More than a third of core aid went to sub-Saharan Africa in 2013

Core aid for domestic revenue mobilisation by region
US$ millions, 2013



Source: Development Initiatives' calculations based on OECD DAC

The number of donors providing aid for domestic revenue mobilisation support varies substantially between countries. While only DFID provides bilateral support for core aid for domestic revenue mobilisation in Afghanistan in 2013, Mozambique receives support from six different donors (see Box 2). Five donors run core aid for domestic revenue mobilisation projects in Albania, while four do so in Tanzania. Among the top 20 recipients, the average number of donors is 2.6. The multiplicity of donors can lead to 'fragmentation, inconsistency and elevated transaction costs', an issue that has been raised in evaluations of this type of support.[27] The potential for this problem depends crucially on the systems for ensuring coordination – parallel bilateral projects run a greater risk of poor coordination than aid for domestic revenue mobilisation delivered through a 'basket' fund.

Funding domestic revenue mobilisation-related international initiatives and research

Not all core aid for domestic revenue mobilisation projects identified in our data target a specific developing country. Some projects contribute to programmes run by multilateral institutions. Others aim to increase cooperation between tax collectors for knowledge sharing or linking this type of assistance to wider policy coherence on international tax issues such as automatic exchange of tax information or Base Erosion and Profit Shifting.[28]

The amount of aid directed towards domestic revenue mobilisation-related international initiatives and research has increased significantly in recent years, peaking at US$15.8 million in 2013, and accounting for 17% of core aid for domestic revenue mobilisation. This includes funding for initiatives such as the IMF Tax Policy and Administration Topical Trust Fund, which provides support for over 20 countries, and the African Tax Administration Forum, which aims to share best practices among African tax administrations.

What factors determine how aid for domestic revenue mobilisation is targeted across countries?

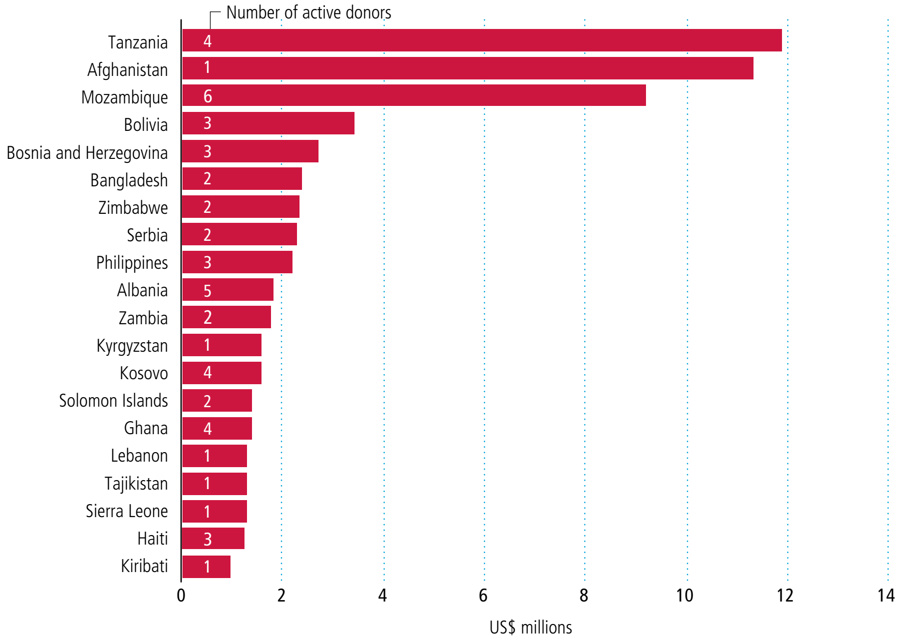
Many of the countries that face the greatest challenge in meeting the SDGs are also those where domestic revenues are lowest. Aid for domestic revenue mobilisation is one mechanism that international actors may use to support these countries to increase revenue. Yet the criteria for targeting aid for domestic revenue mobilisation extend beyond just prioritising the countries where revenues are lowest, and encompass an array of assistance that can address differing needs and contexts. Donors may wish to prioritise the countries with the greatest potential to grow revenues, where the demand for assistance and political will to implement changes are greatest. Aid for domestic revenue mobilisation may also play an important role in cooperation with countries that are transitioning away from concessional forms of financing. Finally, some of the largest projects reflect the regional priorities of donors, particularly in the case of countries such as Bosnia

FIGURE 7

Tanzania, Afghanistan and Mozambique account for more than a third of core aid

The 20 largest recipient countries of core aid for domestic revenue mobilisation

US$ millions, 2013

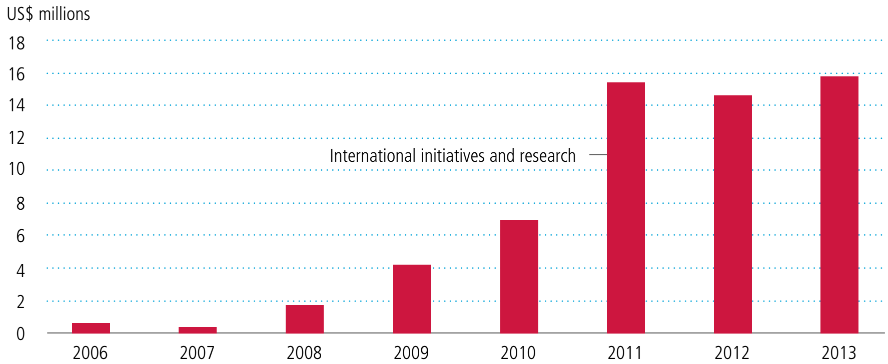


Source: Development Initiatives' calculations based on OECD DAC

FIGURE 8

Funding for international initiatives and research has grown rapidly since the mid-2000s

ODA to international initiatives and research related to domestic revenue mobilisation, 2006–2013



Source: Development Initiatives' calculations based on OECD DAC

and Herzegovina, and Serbia, which are covered by the EU Neighbourhood Policy and receive significant volumes from the EU.

In terms of volume of funding, the largest proportion of core aid for domestic revenue mobilisation does go to countries where domestic revenues are lowest (Figure 9a). 44% of core aid for domestic revenue mobilisation goes to countries that raise less than PPP$500 in government revenue (excluding grants) per person. Nearly half goes to countries that are classified as least developed countries. However, much of this is accounted for by the three largest recipients – Tanzania, Afghanistan and Mozambique.

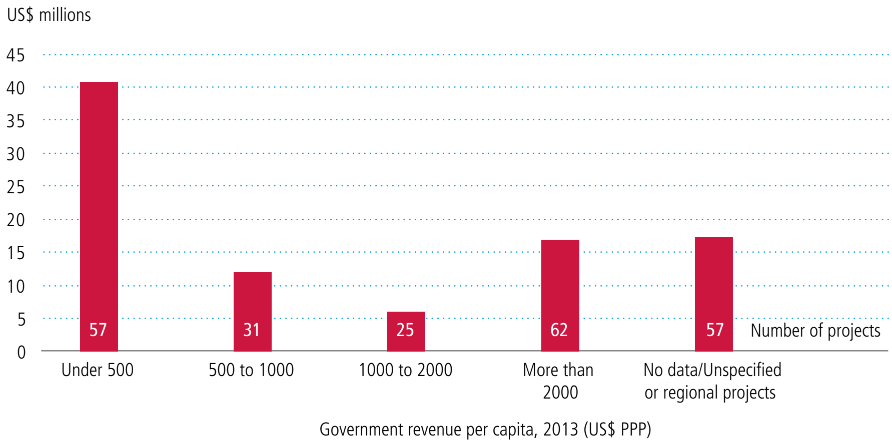
Excluding these three countries, aid for domestic revenue mobilisation is relatively evenly spread across groups of countries with different levels of domestic revenues (Figure 9b). Four of the largest 10 recipients mobilise less than PPP$500 per person in revenue; another four mobilise more than PPP$2,000 per person.

While countries with widely varying domestic revenue contexts receive support, the type of cooperation varies between countries. There are more (typically smaller) projects in countries with higher pre-existing levels of domestic revenues. This is indicative of the differing scope of projects in different countries – assistance in many of the poorest countries is often broader ranging, covering many aspects of the revenue mobilisation process and a wide array of functions in partner institutions. Cooperation in countries with higher existing levels of domestic revenues is often more focused on improving specific aspects of revenue mobilisation such as installing new IT or data collection systems, or improving policy or enforcement around a particular type of taxation.[29]

FIGURE 9A

Over 40% of core aid goes to countries with the lowest levels of domestic government revenue

Core aid for domestic revenue mobilisation by level of government revenue in recipient country, US$ millions, 2013

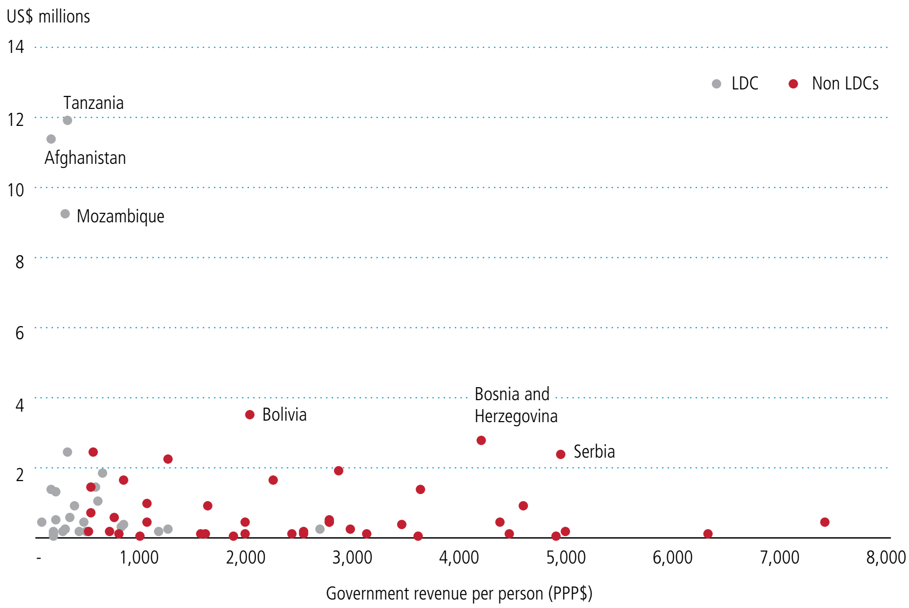


Source: Development Initiatives' calculations based on OECD DAC

FIGURE 9B

More than a third of ODA for domestic revenue mobilisation goes to three countries; the rest is spread across countries at different levels of government revenue

Core aid for domestic revenue mobilisation by level of government revenue in recipient country



Source: Development Initiatives' calculations based on OECD DAC

Note: Countries that receive no core aid for domestic revenue mobilisation or for which data on government revenue per person is not available are excluded. Regional and bilateral unspecified core aid for domestic revenue mobilisation is also excluded. LDC: least developed countries.

The data also show differences in the type of funding: grants make up 44% of core aid for domestic revenue mobilisation to the countries with the lowest levels of revenues compared with 14% of core aid for domestic revenue mobilisation to the countries with the highest levels of revenue.

What's the impact?

The ultimate goal of aid for domestic revenue mobilisation is helping countries overcome the constraints to growing revenue mobilisation in order to increase their fiscal space.

As systems for monitoring aid for domestic revenue mobilisation are developed, it is important to focus on these results to enable knowledge and lesson sharing about what has worked where and to drive effectiveness of aid for domestic revenue mobilisation as a whole. While there are no mechanisms that comprehensively capture the results of aid for domestic revenue mobilisation currently, evidence from country examples shows a wide array of outcomes, highlighted by the examples of Pakistan and Mozambique.

BOX 2

International support for domestic revenue mobilisation in Mozambique

Mozambique has undertaken a number of domestic revenue mobilisation-related reforms in the last decade, aided by substantial international assistance, and is regarded as having one of the most successful aid for domestic revenue mobilisation programmes.[30] Reforms including establishing the Mozambique Revenue Authority in 2006 have helped to significantly increase and diversify Mozambique's revenue mobilisation, modernise the tax administration, widen the tax base, improve taxpayer services and provide better public information on the tax system (OECD 2013).[31]

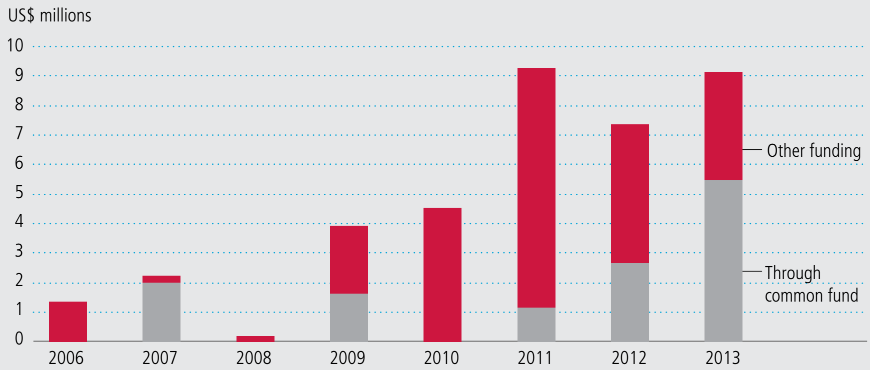
Mozambique has been one of the largest recipients of core aid for domestic revenue mobilisation since 2009, receiving over US$9 million in 2013 (Figure 10), equivalent to 0.4% of total ODA to the country. Between 2006 and 2013, seven donors provided core aid for domestic revenue mobilisation, while another two donors cooperated on wider aid for domestic revenue mobilisation projects.

From 2007 onwards, some of this donor support was channelled through a tax 'basket' fund, a model for strengthening coordination across donors in supporting tax systems (OECD 2013). A basket fund (also known as a 'common fund') is an arrangement where donors pool

FIGURE 10

Mozambique is one of the largest recipients of core aid, receiving over US$9 million in 2013

Core aid for domestic revenue mobilisation to Mozambique, 2006–2013



Source: Development Initiatives' calculations based on OECD DAC

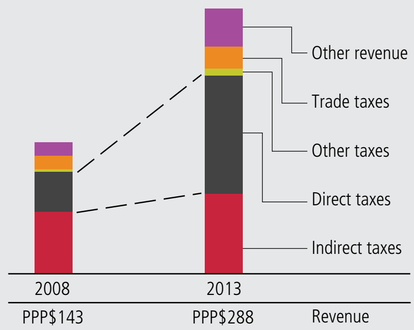
their funding into an account used for a designated purpose. In this case, the basket fund is a partnership with the Mozambique Revenue Authority, and has a 'single process for dialogue, monitoring and quality control' that aligns with host-country systems and priorities, and aims to overcome the problems of coordination and duplication that can be associated with multiple donors running aid for domestic revenue mobilisation projects in parallel (OECD 2013). In 2013, at least US$5.4 million was disbursed through the basket fund.[32]

The reforms undertaken by the Mozambique government, with strategic use of aid for domestic revenue mobilisation,[33] helped the country more than double domestic revenue mobilisation in five years (Figure 11), from 52.1 billion Metical in 2008 to 138.5 billion Metical in 2013 (or from PPP$143 per person in 2008 to PPP$288 per person in 2013 in constant

FIGURE 11

Mozambican tax revenue more than doubled between 2008 and 2013 in per person terms

Mozambican tax revenue, 2008 and 2013



Source: Development Initiatives calculations based on data from IMF Article IV publications

2015 $ values). Revenue streams were diversified, with revenue from direct taxes (which are typically more progressive) almost tripling, rising from 31% of total non-grant revenues to 44%. Indirect tax revenue (which can be less progressive) also grew, but fell as a proportion of total non-grant revenues, from 47% to 30%.

BOX 3

International support for domestic revenue mobilisation in Pakistan

For a number of years Pakistan was among the largest recipients of aid for domestic revenue mobilisation. A World Bank-led Tax Administration Reform Project with broad and ambitious objectives ran from 2004 to 2012. It aimed to "improve the organisational efficiency effectiveness of revenue administration, promote compliance through strengthened audit and enforcement capacity, improve trade facilitation through modern and internationally acceptable customs procedures, and improve the integrity and fairness of the revenue system".[34]

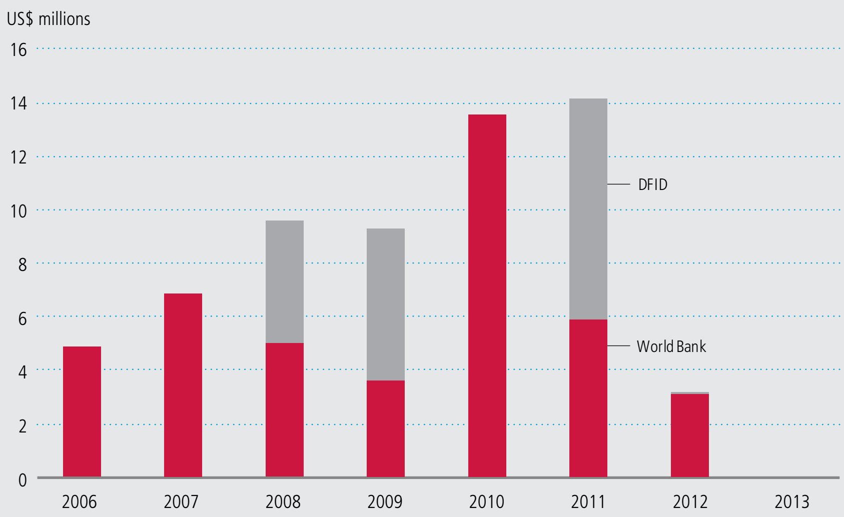
IDA disbursed US$42.9 million to the project from 2006 to 2012, while DFID disbursed US$18.5 million. Project documentation suggests that additional non-ODA funding for the project came from the International Bank for Reconstruction and Development[35] (this is not captured in our data as it does not report to the CRS).[36]

Despite the significant disbursements of core aid for domestic revenue mobilisation, the project has been criticised for not achieving its stated objectives. During the implementation period, Pakistan's tax-to-GDP ratio fell from 11.5% to 8.6%. The World Bank classified the performance and outcomes of the project as 'moderately unsatisfactory', and the performance of the borrower as 'unsatisfactory'. Problems including a lack of auditing and under-use of new systems[37] underscore the importance of strong domestic political support for reforms, without which projects are unlikely to be successful.[38]

FIGURE 12

Pakistan received significant volumes of core aid until 2012

Core aid for domestic revenue mobilisation to Pakistan from DFID and the World Bank, 2006–2013



Source: Development Initiatives' calculations based on OECD DAC

5

Addis Tax Initiative

The Addis Tax Initiative (ATI), a partnership in capacity building around domestic revenue mobilisation and taxation, is the key global initiative in the aid for domestic revenue mobilisation area and its creation is indicative of the growing prominence of this type of cooperation. It has the potential to drive both increases in cooperation and strengthening of the systems for monitoring and ensuring effective cooperation. The Initiative was launched at the Third International Financing for Development Conference in Addis Ababa in 2015. It was signed by a group encompassing many of the largest donors in this area as well as multilateral organisations and governments of developing countries.[39]

The ATI includes three commitments:

1. Stepping up technical cooperation in tax/domestic revenue mobilisation
2. Enhancing domestic revenue mobilisation so as to spur development
3. Ensuring policy coherence.

Double technical cooperation in tax and domestic revenue mobilisation by 2020

The first commitment made under the Addis Tax Initiative is for aid providers to collectively double their technical cooperation in the area of taxation and domestic revenue mobilisation by 2020. The initiative will support broad-based capacity building as well as capacity building in particular areas such as the international tax agenda, enhancing tax accounting and auditing, and building better data systems. The declaration further emphasises that realising the goal also depends on the number of requests for support.

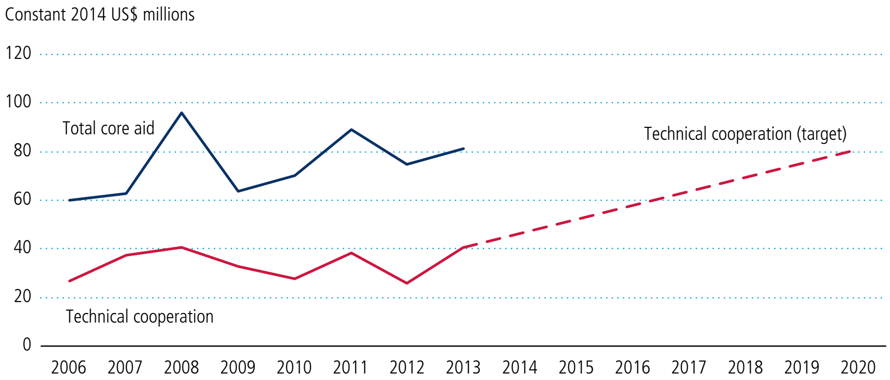
A total of 17 donors have initially supported the initiative.[40] These ranged from the largest existing providers of aid for domestic revenue mobilisation (the UK, Norway and the EU), to others with limited current programmes in this area (such as Belgium, Finland, Italy, Luxembourg and the Netherlands). Together, these 17 donors collectively disbursed US$81.2 million to 205 core aid for domestic revenue mobilisation projects in 2013, in 69 developing countries. This includes at least[41] US$40 million in technical cooperation support, the focus of the initiative.

This group of signatories has been expanding aid for domestic revenue mobilisation in recent years (Figure 13), but meeting the commitment by 2020 will require an increase in the pace of growth. Over the seven years 2006 to 2013 technical cooperation for domestic revenue mobilisation grew 52%, and total aid for domestic revenue mobilisation grew 36% (although the number of projects more than doubled from 84 to 205).

FIGURE 13

Meeting the Addis Tax Initiative commitment will require increasing the rate of growth of technical cooperation for domestic revenue mobilisation

Core aid for domestic revenue mobilisation and technical cooperation provided by Addis Tax Initiative signatories, 2006–2013 and target for 2020



Source: Development Initiatives' calculations based on OECD DAC

Notes: Signatories to the Addis Tax Initiative have committed to collectively double technical cooperation for domestic revenue mobilisation by 2020. Note that these figures represent Development Initiatives' estimates of a baseline for the Addis Tax Initiative commitment, not an official baseline. Total core aid for domestic revenue mobilisation is shown as context.

6

How should aid for domestic revenue mobilisation be reported in future?

Aid for domestic revenue mobilisation is an increasingly important area of cooperation, yet the lack of a system for reporting or monitoring it[42] means that there is little comprehensive information on the scale or nature of cooperation, or the impact that different models are having. As aid for domestic revenue mobilisation is scaled up this could hamper efforts to ensure its effectiveness – without understanding the basics about who is spending what, where and how it is difficult to understand the impact it is having or share knowledge about different models.

Efforts to improve the systems for monitoring aid for domestic revenue mobilisation are underway, largely driven by the ATI and momentum it has created in the area.

The most straightforward mechanism for effectively monitoring cooperation would be to create a purpose code in the systems for reporting ODA expenditure through the OECD and International Aid Transparency (IATI) standard.[43] Donors already report detailed information through these systems (the estimates in this paper are built on a detailed analysis of OECD data) and adding a purpose code would create a simple framework for them to identify relevant projects. It would give donors a mechanism to separate the domestic revenue mobilisation/tax components of wider aid for domestic revenue mobilisation projects, improving the picture of aid for domestic revenue mobilisation as a whole. It would also provide a clear basis for benchmarking and monitoring the commitments made by the Addis Tax Initiative.

A purpose code would form the foundation of monitoring of inputs in this area; in addition this report proposes two further steps for linking spending of aid for domestic revenue mobilisation to wider principles of effective revenue mobilisation and development effectiveness.

Donors should be encouraged to retrospectively detail the types of tax systems they have helped partner countries create and the specific taxes they have helped to establish or improve when they report project information to the OECD and IATI standard. Information on, for example, when projects focus on direct or indirect taxation could help link aid for domestic revenue mobilisation to wider principles of progressive, sustainable tax systems and to the Addis Ababa Action Agenda commitment to ‘enhance revenue administration through modernised, progressive tax systems’.

Further, it is important that the monitoring systems established do not overemphasise inputs at the expense of tracking and learning lessons about the results achieved. The ultimate goal is to support countries to progressively increase the revenues they mobilise. While commitments to scale up the provision of support have the potential to generate significant results, the risk of monitoring a dollar-denominated target for inputs is that it could create incentives to focus more on the value of projects than the results they achieve. There is a need for balance, and for strong articulation of the results that aid for domestic revenue mobilisation projects help countries to realise.[44]

7

Conclusions

Aid for domestic revenue mobilisation is at a turning point. With wide recognition of the need to significantly scale up financing globally to meet the vision of the 2030 Agenda, and a growing emphasis on the catalytic role of international official support, aid for domestic revenue mobilisation looks set to grow in prominence as a mode of international–national cooperation. Establishing the Addis Tax Initiative, including the commitment to double technical cooperation for domestic revenue mobilisation by 2020, will drive further increases and, if the commitment is met, expedite the rate of growth.

Aid for domestic revenue mobilisation has the potential to make an important contribution to the SDGs – if it can be used effectively to help countries overcome some of the fiscal constraints they face. Ultimately its success or failure should be judged by the results it helps countries to achieve. Evidence from individual case studies shows that when it works well it can help countries unlock significant increases in revenue – though projects are not always successful. Delivering aid for domestic revenue mobilisation in line with the principle of country ownership and under strong political commitment to reform in government appears to be crucial.

Establishing strong systems to monitor aid for domestic revenue mobilisation and develop an evidence base for sharing lessons on the results achieved in different contexts will be critical to ensuring its effectiveness. The current lack of systems for clearly reporting aid for domestic revenue mobilisation means that even the picture of what cooperation is currently going on is unclear – the estimates in this paper are based on a laborious keyword search of detailed project descriptions.

With aid for domestic revenue mobilisation set for a period of growth, now is the time to improve the systems in which it works. Establishing systems that give greater clarity on the ongoing cooperation will help shift the focus to the impact that this is having and help ensure that it fulfils its potential in helping countries to mobilise revenue.

Annex 1. Methodology

To estimate the amount of aid for domestic revenue mobilisation, we used the OECD DAC CRS project level database. In doing so, our approach had to take into account that there is no relevant purpose code for tax and revenue-related assistance, and that this often comes as part of projects with broader objectives. We developed a methodology using keyword searches for the titles, short descriptions and long descriptions of projects in the database. This captured two types of projects: projects with domestic revenue mobilisation as a primary objective (referred to as core aid for domestic revenue mobilisation projects) and projects with an identifiable component that addresses domestic revenue mobilisation (referred to as wider aid for domestic revenue mobilisation projects).

Purpose codes

The 240,000 project entries for 2013 in the CRS database were filtered down to projects in four key purpose codes. These were chosen to best capture aid for domestic revenue mobilisation on the basis of their descriptions (see Table A1). These projects would be the focus for our keyword search methodology. However, projects from all other purpose codes were also examined in a separate process to identify any relevant projects.

TABLE A1

Code	Purpose code	Description
15110	Public sector policy and administrative management	Institution-building assistance to strengthen core public sector management systems and capacities. This includes macro-economic and other policy management, coordination, planning and reform; human resource management; organisational development; civil service reform; egovernment; development planning, monitoring and evaluation; support to ministries involved in aid coordination; other ministries and government departments when sector cannot be specified. (Use specific sector codes for development of systems and capacities in sector ministries.)
15111	Public finance management	Fiscal policy and planning; support to ministries of finance; strengthening financial and managerial accountability; public expenditure management; improving financial management systems; tax policy and administration; budget drafting; intergovernmental fiscal relations, public audit, public debt. (Use code 33120 for customs.)
15112	Decentralisation and support to subnational government	Decentralisation processes (including political, administrative and fiscal dimensions); intergovernmental relations and federalism; strengthening departments of regional and local government, regional and local authorities and their national associations. (Use specific sector codes for decentralisation of sector management and services.)
24010	Financial policy and administrative management	Finance sector policy, planning and programmes; institution capacity building and advice; financial markets and systems.

Keyword searches

We followed these steps to identify relevant projects using a keyword search methodology:

1 Project titles and short descriptions were searched for the broad terms "tax" and "revenue" to identify projects with taxation or revenue issues as principal objectives. These terms were decided on after the observation that most of the core aid for domestic revenue mobilisation projects that we sought to capture had these words in the 150 characters allowed in the project titles and short descriptions. These projects were marked "2" in a column, mimicking the marker codes used in the CRS.

2 Long descriptions (which allow more characters to be entered for each project) were then searched for the same broad terms. Projects captured in the search of long descriptions but not in the search titles or short descriptions were marked "1", on the assumption that domestic revenue mobilisation was one objective of a wider programme.

3 A secondary search using narrower terms was carried out on the project titles, the short descriptions and the long descriptions of all projects that were not already marked as "2". These terms, such as "domestic revenue mobilisation" and "increase revenue" (and variations of these, such as mobilisation/mobilization) captured a pool of projects that were then examined manually to determine whether domestic revenue mobilisation was a core objective, or part of a wider programme. 50 projects were examined in this way.

4 In a similar way, narrow search terms such as "macroeconomic", "fiscal policy", "budgeting" and "monetary policy" that would suggest wider financial management programmes were used to identify projects that may have appeared as core aid for domestic revenue mobilisation in step 1. These projects were examined manually to determine whether they represent wider programmes of which domestic revenue mobilisation was a part.

We also examined projects outside our key purpose codes. Their project titles and short descriptions were searched for the broad terms "tax" and "revenue". Projects containing these terms were then examined and marked manually according to whether domestic revenue mobilisation was a core objective, or part of a wider programme. In the 2013 data, 50 projects were either marked with a 1 or 2 in this way. We also accounted for the fact that CRS reporting can be in either of the official OECD languages (English or French). We searched the project titles, short descriptions and long descriptions for a selection of relevant French words: "impôt", "fiscalité" (and "impot", "fiscalite" to account for missing punctuation), and "recettes". The projects that these searches returned were manually marked "1" or "2" as appropriate.

The same methodology was applied to the CRS data for 2012. Data for 2006 to 2011 were taken from our previous briefing,[45] though updated with an adjustment to the methodology, specifically relating to searching outside the key purpose codes.

The projects identified by our methodology were then categorised according to different modalities. For more detail on the approach used to calculate the aid bundle, see our *Investments to End Poverty* report.[46]

Annex 2. Comparison of DFID's own data with estimates from this report

This annex presents a comparison of data submitted by DFID to the House of Commons International Development Committee[47] with the data presented in our report. As far as we know, this the only example available of a donor specifically reporting all of its activities in the area of taxation and domestic revenue mobilisation. As such, it offers an opportunity to broadly assess the accuracy or inaccuracy of our methodology in capturing aid for domestic revenue mobilisation.

Table A2 presents the reported amounts DFID spent on wholly tax-related projects in financial years from 2006/07 to 2010/11. DFID deemed this spending to be 100% targeted at domestic revenue mobilisation. As such, this data can be compared with our estimates of core aid for domestic revenue mobilisation from DFID. The data are presented in different currencies (£ instead of US$) and for financial years instead of calendar years, making any direct comparisons difficult. However, the similar trends suggest that our methodology does capture the majority of core domestic revenue mobilisation funding from DFID. It also highlights the degree of error in our data and the limitations of our methodology – our data is therefore no substitute for donors accurately self-reporting their activities in this area.

The data presented by DFID to the Committee is also notable for its attempt to provide estimates of the tax-related spending of projects not solely focused on tax issues, or what is termed as 'wider' aid for domestic revenue mobilisation in our report. Further discussion on future donor reporting in this area is provided by Chapter 6 of this report.

TABLE A2

£ million

Financial year	2006–07	2007–08	2008–09	2009–10	2010–11
DFID own data on spending on wholly tax-related projects	£14.64	£11.33	£15.86	£17.57	£17.98

Calendar year	2006	2007	2008	2009	2010
Core aid for domestic revenue mobilisation from DFID according to our methodology (converted from US$ to £)	£15.42	£10.64	£13.04	£16.32	£15.58

Annex 3. Largest providers of core aid for domestic revenue mobilisation in 2013

Donor	Agencies	Number of projects	Amount disbursed	Number of countries	Largest recipients	Notable projects	'Wider' aid for domestic revenue mobilisation projects
UK	DFID	22	US$29.3m	11	• Afghanistan US$11.3m • Tanzania US$7.8m • Bangladesh US$2.2m[48]	DFID disbursed US$11.3m to a large bilateral technical assistance project in Afghanistan. It provided US$7.8m to the Tax Modernisation Project Basket of Tanzania, along with Denmark, Norway and the IDA. DFID also contributed US$3.4m to global initiatives around tax transparency. The Foreign and Commonwealth Office funded some small scale tax-related projects, mostly being research.	US$23.6m
	Foreign and Commonwealth Office	7	US$0.3m				
Norway	Ministry of Foreign Affairs	11	US$7.0m	8	• Tanzania US$3.0m • Mozambique US$2.3m • Zambia US$1.3m	The Ministry of Foreign Affairs had 3 core domestic revenue mobilisation projects in Tanzania in 2013, the largest of which focused on managing revenue from mining and petroleum. It disbursed US$2.3m for capacity building in the Mozambique Revenue Authority, through a common fund with 4 other donors. It funded institutional cooperation between the Zambian Revenue Authority and the Norwegian Tax Authority. Tax-related projects from NORAD included funding research on tax and capital flight in developing countries, as well as funding for the African Tax Administration Forum.	US$1.8m
	NORAD	7	US$3.5m				
EU institutions	CEC European Managers	23	US$8.8m	17	• Bosnia and Herzegovina US$2.5m • Serbia US$2.1m • Lebanon US$1.3m	The largest tax-related project concentrated on improving indirect taxation in Bosnia and Herzegovina. The second largest was a 'twinning' arrangement to support tax administration in Lebanon, similar to projects in Armenia and Azerbaijan. CEC technical assistance projects in Serbia supported an IT support system and a human resources management system for the Serbian Tax Administration. Some projects, such as in Bosnia and Herzegovina, and Serbia, focused on 'harmonisation' with EU practices in customs and taxation.	US$2.2m
	European Development Fund	7	US$0.7m				
US	Department of Treasury	21	US$3.2m	21	• Philippines US$1.6m • Kosovo US$1.0m • Zambia US$0.5m	The Department of Treasury ran 21 revenue-related technical assistance projects in developing countries in 2013, with the average disbursement to these projects around US$153,000. The largest disbursement was made by US AID in support to the Tax Administration of Kosovo. The Millennium Challenge Corporation also disbursed funding to a long-running revenue administration reform project in the Philippines.	US$479.3m
	Millennium Challenge Corporation	2	US$1.6m				
	USAID	3	US$1.4m				

Notes

1 This report focuses on domestic revenue mobilisation, which is related to but shouldn't be confused with domestic resource mobilisation, used for example in the Addis Ababa Action Agenda. Technically resource mobilisation is broader as it can capture issues such as savings or debt that are beyond the scope of domestic revenues, though in practice the terms can be used interchangeably. This report uses the term domestic revenue mobilisation to avoid confusion.

2 Aid for domestic resource mobilisation: how much is there? Available here: http://devinit.org/#!/post/aid-domestic-resource-mobilisation-much

3 See for example the Paris 21 Partner Report on Support to Statistics, available here: www.paris21.org/sites/default/files/PRESS2015_0.pdf

4 This report uses the OECD's list of ODA-eligible countries as the definition for developing countries.

5 Paragraph 22 includes the following commitment: "We commit to enhancing revenue administration through modernized, progressive tax systems, improved tax policy and more efficient tax collection. We will work to improve the fairness, transparency, efficiency and effectiveness of our tax systems, including by broadening the tax base and continuing efforts to integrate the informal sector into the formal economy in line with country circumstances", Addis Ababa Action Agenda, available here: http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

6 https://sustainabledevelopment.un.org/post2015/transformingourworld

7 Development Initiatives (2015). Investments to End Poverty. Development Initiatives: Bristol, UK

8 See for example Domestic Resource Mobilization across Africa: Trends, Challenges and Policy Options, African Development Bank, 2010. Available here: www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/C-10%20Note%202%20English%20%28final%29_for%20posting%202.pdf

9 UN (2015) Addis Ababa Action Agenda of the Third International Conference on Financing for Development www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

10 The full paragraph reads (relevant section highlighted in bold): We recognize that significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing sustainable development and achieving the sustainable development goals. We commit to enhancing revenue administration through modernized, progressive tax systems, improved tax policy and more efficient tax collection. We will work to improve the fairness, transparency, efficiency and effectiveness of our tax systems, including by broadening the tax base and continuing efforts to integrate the informal sector into the formal economy in line with country circumstances. In this regard, **we will strengthen international cooperation to support efforts to build capacity in developing countries, including through enhanced official development assistance (ODA)**. We welcome efforts by countries to set nationally defined domestic targets and timelines for enhancing domestic revenue as part of their national sustainable development strategies, and will support developing countries in need in reaching these targets.

11 https://www.addistaxinitiative.net/

12 Development Initiatives. 2014. Aid for domestic resource mobilisation: how much is there? Development Initiatives: Bristol, UK

13 See for example the Paris 21 Partner Report on Support to Statistics, available here: www.paris21.org/sites/default/files/PRESS2015_0.pdf

14 These are the titles of the purpose codes in the OECD database under which individual projects are classified.

15 For example the Addis Ababa Action Agenda dedicates a paragraph to the topic of devolution to subnational levels of administration. See paragraph 34, available here: www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

16 Development Initiatives, 2015. Investments to End Poverty. pp.32. Development Initiatives: Bristol, UK

17 ITC-OECD, 2015. Examples of Successful DRM Reforms and the Role of International Cooperation. Discussion paper. July 2015.

18 The project number codes in the CRS allow us to track projects over time. Just over a third of core domestic revenue mobilisation projects identified in 2013 were also identified in the 2012 data, while under a quarter (56 projects) were also identified in the 2011 data.

19 The analysis in this report only looks at data to 2013 so both of these projects may still be ongoing.

20 See for example the 2014 Fragile States report, page 66. Fragile States 2014: Domestic Resource Mobilisation in Fragile States, OECD. Available here: www.oecd.org/dac/governance-peace/conflictandfragility/docs/FSR-2014.pdf

21 Note correspondence with colleagues from DFID highlighted that our methodology has captured some, but not all, of their largest programmes. This highlights the weakness in the methodology and further accentuates the need for stronger reporting systems. See also Annex 2 of this report for a comparison of our estimates and the results of a previous DFID exercise to estimate their own spending on aid for domestic revenue mobilisation and note 48 below.

22 The long description reported for this project is as follows: Cash Transfer - Encourage and help countries to apply sustainable and efficient fiscal policies, which consist of establishing revenue and expenditure structures and develop management techniques that allow a government to manage the economy through the expansion and contraction of government spending. All support for fiscal policy should be decentralised to the appropriate level of government, and seek to eliminate the potential for corruption.

23 Norad (2012), Tax for Development. NORAD: Oslo

24 Purchasing power parity (PPP) prices are the rate at which a country's currency would have to be converted into that of another country to buy the same amount of goods and services in each country. PPPs are constructed by comparing the cost of a common basket of goods in different countries.

25 This is country-allocable aid for domestic revenue mobilisation.

26 Defined here as the 148 countries eligible to receive official development assistance.

27 OECD (2013a), Tax and Development: Aid Modalities for Strengthening Tax Systems, OECD Publishing: Paris, http://dx.doi.org/10.1787/9789264177581-en

28 An OECD initiative to address tax planning strategies that exploit the differences in tax rules between different jurisdictions.

29 For example, among the 10 largest projects in countries where domestic revenues exceed PPP$2,000 per person, most had objectives that were linked to one or two specific areas of revenue mobilisation. Among the 10 largest projects in countries where domestic revenues are less than PPP$1,000 per person, most had objectives that were much broader in scope, aiming to increase tax revenues as a whole, increase the efficiency of a tax authority as a whole, or had objectives covering a larger number of areas.

30 See UN DESA ECOSOC (2011), Foreign aid as a catalyst to improving domestic revenue mobilisation, www.un.org/en/ecosoc/newfunct/pdf/domestic_revenue_mobilisation_june_11(july3).pdf

31 OECD (2013a), Tax and Development: Aid Modalities for Strengthening Tax Systems, OECD Publishing: Paris, http://dx.doi.org/ 10.1787/9789264177581-en

32 Through analysis of project descriptions in the CRA, we are able to identify some of the core domestic revenue mobilisation ODA that went through the basket fund (US$5.6m in 2013), though analysis of the annual reports of the Mozambique Revenue Authority suggests that we have failed to identify all of the funding it receives from international donors, highlighting the weaknesses of a methodology that relies on clear donor reporting. As noted elsewhere (USAID 2009), our data also highlights substantial support for domestic revenue mobilisation in Mozambique that does not go through the common fund.

33 OECD (2013a), Tax and Development: Aid Modalities for Strengthening Tax Systems, OECD Publishing: Paris, http://dx.doi.org/ 10.1787/9789264177581-en

34 www.publications.parliament.uk/pa/cm201213/cmselect/cmintdev/725/725.pdf

35 www.worldbank.org/projects/P077306/pakistan-tax-administration-reforms-project?lang=en

36 Funding from the International Bank for Reconstruction and Development would be captured under other official flows (OOFs) rather than ODA, as it is less concessional than the criteria for defining ODA require. This example indicates that substantial international assistance may also be provided outside the flows reported as ODA.

37 For details see for example the World Bank's final report on the project, available here: www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/07/11/000356161_20120711004432/Rendered/PDF/ICR21470P077300LIC0dislosed07090120.pdf, or testimony provided to the UK Parliament International Development Committee, available here: www.publications.parliament.uk/pa/cm201213/cmselect/cmintdev/c751-ii/c75101.htm.

38 This point is reiterated in other case studies. See for example OECD (2013a), Tax and Development: Aid Modalities for Strengthening Tax Systems, OECD Publishing: Paris, http://dx.doi.org/10.1787/9789264177581-en

39 At the time of publishing in April 2016 there were 32 signatories: Australia, Belgium, Cameroon, Canada, Denmark, Ethiopia, European Commission, Finland, France, Georgia, Germany, Ghana, Indonesia, Italy, Kenya, Korea, Liberia, Luxembourg, Malawi, Netherlands, Norway, Philippines, Rwanda, Senegal, Sierra Leone, Slovakia, Slovenia, Sweden, Switzerland, Tanzania, United Kingdom and United States of America. In addition a number of regional and international organisations, forums and private sector foundations had expressed support for the Addis Tax Initiative: African Tax Administration Forum, Bill & Melinda Gates Foundation, Center of Excellence in Finance, Commonwealth Association of Tax Administrators, Global Forum on Transparency and Exchange of Information for Tax Purposes, Inter-American Centre of Tax Administrations, International Monetary Fund, Organisation for Economic Co-operation and Development and the World Bank. See https://www.addistaxinitiative.net/#slider-4.

40 These were: Australia, Belgium, Canada, Denmark, EU institutions, Finland, France, Italy, Germany, Korea, Luxembourg, Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States.

41 In addition, some of the non-technical cooperation support provided by donors, for example cash grants via a common fund to a revenue authority, might also pay for technical assistance.

42 The OECD DAC systems to which countries report official development assistance commitments and disbursements do not include a mechanism for identifying aid for domestic revenue mobilisation projects. The purpose codes, which break down spending by sector and sub-sector do not currently include a line for aid for domestic revenue mobilisation; neither is there a relevant marker (a tag used to identify projects that relate to cross-cutting issues such as gender relevant projects).

43 See also Development Initiatives' blog on this issue, Make it count: why and how to track aid for domestic revenue mobilisation, available here: http://devinit.org/#!/post/make-it-count-why-and-how-to-track-aid-for-domestic-revenue-mobilisation

44 The Addis Tax Initiative Declaration, principle 9.

45 Development Initiatives. 2014. Aid for domestic resource mobilisation: how much is there?: Development Initiatives: Bristol, UK

46 Development Initiatives. 2013. Investments to End Poverty: Development Initiatives: Bristol, UK. Available here: http://devinit.org/#!/post/investments-to-end-poverty

47 Available here: www.publications.parliament.uk/pa/cm201213/cmselect/cmintdev/130/130we11.htm

48 Note that correspondence with DFID highlighted that by their own estimates Sierra Leone is their third largest recipient country (see also note 21 above and Annex 2).

Development Initiatives seeks to ensure that decisions about the allocation of finance and resources result in the end of poverty and increase the resilience and security of the world's most vulnerable people.

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