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Belgian Policy Research Group on Financing for Development.

Capacity Support for Domestic Revenue Mobilization

The case of Belgian development cooperation and partner countries

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List of acronyms

Abbreviation	Explanation
BeFinD	Belgian Policy Research Group on Financing for Development
DGD	Directorate-general Development Cooperation and Humanitarian Aid
DRM	Domestic Resource Mobilization

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Extended Abstract

Developing countries face various challenges in raising adequate tax revenue to ensure sustainable and credible financing of their development needs. Some of the problems lie in the design of tax policies. In contrast, others emanate from weaknesses in implementation, including the low administrative capacity of tax agencies and political obstacles to tax reforms. Furthermore, resource-rich countries and those in post-conflict scenarios face extra challenges in tax collection. Yet, the low tax revenue in developing countries is not only explained by domestic problems. In particular, challenges to taxing cross-border economic activities also play a significant role in contributing to explaining the low tax collection in developing countries. For these reasons, bilateral and multilateral donors are actively engaging in assisting developing countries to address the challenges.

This paper has two main objectives. The first is to assess recent developments in donor capacity support for domestic resource mobilization (DRM) in developing countries. In connection with this, it documents how well Belgium's support for DRM compares to other donors. Moreover, it elaborates on the main advances in development finance, the policy debates among multilateral and bilateral development agencies, as well as positions of developing country governments. Furthermore, we present a quantitative assessment on the economic and institutional correlates factors of DRM support. The second objective is to present an in-depth case study on Belgium's role in DRM capacity support for its partner countries.[1]

The paper shows that donors are utilizing a diverse set of instruments for DRM capacity support – using specific country examples and projects. The key instruments include sector budget support, basket funds, multilateral and bilateral instruments, support for regional tax organizations, and in-kind (technical) assistance. Although specific conclusions are difficult to state here, based on our assessment, there is growing synchronicity between donors and partner countries in setting DRM agenda and capacity support instruments.

Most donors support DRM capacity primarily through multilateral agreements. Major donors (e.g., the United Kingdom, Germany, the United States, Switzerland, Denmark, and France) also often rely on project-type DRM interventions. Contributions to Trust Funds managed by multilateral organizations (e.g., the IMF and World Bank) and basket funds are two other popular instruments. Technical assistance, or the use of personnel from donor countries to 'steer reform' or 'build capacity' in partner countries is another important DRM tool favored by some bilateral donors and multilateral development agencies. Some donors also support regional tax organizations in developing regions, which are working to improve tax policy and tax administration. Such organizations provide a valuable platform for partner policymakers to learn from their experience witnessing the formulation, implementation, and evaluation of tax instruments in their region.

Bilateral agreements between partner countries and specific donors make up another part of the DRM support provided to developing countries. Bilateral agreements provide flexibility, lower fiduciary risks, make negotiations easier, and provide individual donors with the 'visibility' they need to gain political support. However, overreliance on bilateral tools by multiple donors may also create difficulty

[1] The list of Belgium's partner countries refers to those identified by the country's Directorate General for Development Cooperation (DGD). https://diplomatie.belgium.be/en/policy/development_cooperation/where_we_work/partner_countries

to ‘harmonize’ DRM support interventions in specific countries. They may also lead to an over (or under) investment in DRM support to specific countries, reducing their effectiveness. Overall, different DRM support intervention instruments may have different strengths and weaknesses. Thus, the best way for donors to support tax systems in developing countries is to use the "right mix" of different DRM support modalities.

The paper also briefly looks at different factors which explain the allocation of donor support for revenue mobilization. In this regard, the paper conducts a quantitative assessment on the determinants of DRM capacity support – based on recent OECD DRM aid data and other macroeconomic correlates from the World Bank's World Development Indicators. Results show that that DRM capacity support is targeted at countries that need it most. Data shows that the size of DRM projects is usually larger for developing countries with a low level of tax revenue mobilization. As the level of tax revenue rises, donors are likely to lower their DRM support.

There is some evidence in the data that poorer countries receive more DRM support on average. Most DRM projects are highly concentrated in countries that are low-income or lower-middle-income. There is also some weak evidence of an inverse relationship between DRM support and the quality of institutions in developing countries. Countries that have medium to lower quality of institutions, specifically weaker tax administration, receive more DRM projects. Donors on average target countries with 'weaker' tax administrations, e.g., using institutional measures for the efficiency of revenue mobilization. However, we fail to see significant and robust relationship between the level of DRM allocation and a standard set of determinants for macroeconomic performance (often adopted by quantitative ‘aid’ literature) – such as GDP growth, size of trade in the economy, level of external debt and size of net ODA.

The experiences of some donor-supported successful DRM reforms in developing countries provide some interesting observations. Tax revenues showed significant increases in developing countries following tax reforms. Countries made use of the growth in tax revenue to fund their development activities. The gains in revenue were used for funding social projects in education and health sectors as well as in fitting into the overall development budget of countries. International cooperation has often been instrumental in carrying out 'policy analysis' and delivering 'policy recommendations' in partner developing countries. For instance, Rwanda has passed several reforms in the area of tax policy and tax administration – by combining good domestic policy initiative with donor support for DRM. Over time, this has led to a rise in tax revenue as well as gains in tax efficiency. Through the increase in tax revenues, the government has been able to finance more social services. Rwanda has been able to fund an increasing share of its social projects, as the share of donor funding for these sectors concurrently diminishes overtime. The Rwandan experience showcases the successes resulting from the synergy of good donor DRM instruments and strong local initiative.

Belgium has particularly sought ‘donor coordination’ on tackling problems such as ‘vulture funds’ and also in formulating the idea of ‘taxing ODA’. Given the fact that multiple donors are engaged in DRM capacity support, often in the same country with comparable programs and instruments, there is a real danger of ‘aid fragmentation’.

Through the RMTF program, Belgium (together with IMF and other donors) is contributing to the proper design and administration of tax systems; helping to introduce efficiency, growth, and equity to the tax system; and is 'enabling' the funding of public investment projects. By the end of the first phase of the RMTF program in 2017, tax revenue has visibly increased in several partner countries. Besides, the IMF has noted 'qualitative' gains in tax administration (IMF, 2017).

In its DRM project in Burundi, Belgium is co-financing an 'Institutional Capacity Building' program, together with the World Bank. The program works to strengthen the institutional capacity of the government and realize improvements in tax management. Nevertheless, the success of this project is likely to be limited by political and governance risks.

Belgium has also taken important 'legal' steps that could assist the DRM efforts of developing countries (e.g., by passing a law to combat the detrimental effects of speculative practices around the so-called 'vulture funds' and their litigation in 2015). Belgium is also one of the donors exploring the possibility of taxing ODA flows to partner countries – since taxing development aid may bolster DRM levels.

Belgian communal administrative agencies (e.g., in Flanders, Wallonia and Brussels) have often sought to support DRM initiatives in developing countries at a subnational level – via exchanges and communications between local tax authorities and Belgian tax administrations. Belgium has gained some 'comparative advantage' for DRM support at the 'local' (i.e., decentralized) level based on its years of work on local development cooperation. Nonetheless, its experiences may also be helpful to act at the central level where tax policy is often formulated.

Overall, bilateral donors (as well as multilateral development agencies) are playing a crucial part in the global DRM initiative. However, the funding reserved for DRM initiatives by donors still constitutes a small part of their overall aid budget. In this regard, there are gaps between actual DRM funding vis-à-vis DRM 'rhetoric' by donors and the 'need' for capacity support by partner countries. Belgium and other donors should, therefore, scale-up their efforts. Understandably, this will not be easy, considering other (vital) competing areas of spending for aid money and the political and economic difficulty of scaling up ODA levels in rich countries. Bearing this in mind, donors should focus on the quality and effectiveness of their DRM projects, as much as they do on the scope of their support.

For donors and developing countries alike, there are useful lessons from countries that have used external DRM support for policy and administrative reforms. As studies show, post-reform gains in tax revenue are not limited to countries with relatively good institutions but also in those with weaker administrative capacities (ITC and OECD, 2015; Houssa and Megersa, 2017). In some instances, DRM reform initiatives had spilt over into trade and broader economic liberalization processes – leading to the rising role of consumption taxes such as Value Added Tax (VAT). There were also gains from better tax administration – in the form of a reduction in transaction costs to the general public as well as firms. DRM reforms that lead to better tax administration and government revenue were also often followed by increased economic growth and social spending.[2]

JEL Classification : H21, K34, Q01
Keywords: domestic resource mobilization, taxation, capacity development

[2] For more on 'successful' external DRM supported reforms in developing countries, see section 4.1 and 4.2.

0 | Introduction

Among recent changes in development finance, a notable trend has been the view of domestic public revenues as a critical driver of sustainable development in low-income countries. Developed countries as well as multilateral development agencies are giving an increasing role to technical assistance and capacity building for domestic resource mobilization (DRM). For instance, the issue of transferring 'real resources' to developing countries was discussed by the 'Joint Ministerial Committee of Boards of Governors' of WB and the IMF, on the basis of a report prepared by the WB, IMF and regional development institutions (AfDB and others, 2015).[3] The report discussed the necessity to move from 'billions' in international development assistance to 'trillions' in domestic and external investments in both the public and private sectors. It was also stressed that focus should not only be on mobilizing development capital but also in capacity building of partner countries. The report, which reflects the current assessments of the world's leading multilateral development and financial agencies, views domestic public resources as the 'most sustainable' way of development financing - at the national level.[4]

Governments of most developing countries also share the increasing focus on strengthening tax systems among the external development community. As a result, various local and regional initiatives centered around capacity building on 'Domestic Resource Mobilization' (DRM) are taking place.[5] Major multilateral institutions such as WB and IMF as well as regional development banks and organizations (e.g. AfDB, ADB, IADB, and AU) are driving the discussions on domestic resource mobilization. However, bilateral development partners are also playing an increasing role in DRM capacity building, whether this is done as an independent single donor initiative or as part of a more significant multilateral initiative to which multiple donors contribute (see section 2, 4 and 5). The increasing focus on capacity building by donors (i.e. to realize domestic public resource mobilization) also emanates from their understanding that traditional ODA and existing tax revenues in developing countries will not be able to fully cover the resources required to achieve the 'Sustainable Development Goals' (AfDB and others, 2015; Yamada, 2016).

Even if some developing countries are showing commendable improvements in tax revenue mobilization, public resources will continue to fall short of the full requirements of development financing. Despite past progress, overall tax revenue (as a share of GDP) is still very low in many developing countries. Coincidentally, DRM capacity support is designed to help close the public resource gap developing countries face. Apart from boosting tax revenues, DRM support can also

[3] The report, which featured the famous catch phrase "From billions to trillions", was prepared as a prelude to the 'Third International Conference on Financing for Development' (FfD), held on July 2015 in Addis Ababa, Ethiopia. At the latest (3rd) round of Financing for Development conference in Addis Ababa, there were firm commitments to support the financing of the 'Sustainable Development Goals' (SDGs) that followed up on the 'Millennium Development Goals' (MDGs).

[4] Yet, the report admits that financing from the private sector (both domestic private sector and global capital) will continue to have the biggest potential for financing.

[5] For the list of different local and regional tax initiatives taking place among developing countries, see (UNECA, 2016; IMF et al., 2016; AfDB and others, 2015; UN, 2014; AU, 2014).

play an important role in addressing 'equity' issues within existing tax systems. By helping to reform the design and implementation of tax policies, DRM support can simultaneously raise tax revenue and introduce better 'equity', thereby improving state-citizen interactions and even helping in 'state-building'. This will be of particular help, especially for those developing countries that are deemed 'fragile' (IMF et al., 2016).

The current paradigm shift in international development signifies a move from the traditional 'donor-recipient' approach to a system that highlights developing countries' (principal) role in their own development. The importance of DRM support (and taxation) is clearly highlighted in the 'Addis Ababa Action Agenda' (AAAA). The agenda lays out the basis and the 'means of implementation' for the 2030 Sustainable Development Goals (SDGs). In line with this, the Addis Tax Initiative (ATI), which was launched in July 2015, plans to double support for technical cooperation by 2020 (IMF et al., 2016).

This paper reviews key policy issues for donors, aiming to improve the impacts of their DRM support in developing countries. The paper is organized around five sections. Section 1 reviews the diverse DRM challenges in developing economies. Section 2 presents recent trend in donors' effort and policy instruments in supporting DRM in developing countries. In particular, we explore the commitments to DRM support provided by donors in recent years. In this regard, the report first investigates the channels and instruments of donor support. Section 3 is concerned with efficiency in donor support for DRM in developing countries. It discusses the link between donors' DRM instruments their partner country needs. It also provides an empirical assessment of the determinants of DRM support. Section 4 provides examples of successful DRM capacity support programs and local tax policy and administration reforms. As one positive example, some of the lessons learned from the experience of Rwanda are discussed. Finally, Section 5 presents case studies on Belgium's contribution to DRM support. It assesses two programs through which Belgium contributes to DRM support in its partner developing countries – specifically, through its involvements in IMF's multilateral DRM initiative and a World Bank project in Burundi. It further discusses Belgium's efforts for policy coordination, especially around 'vulture funds' and taxing ODA. In addition, it analyzes Belgium's efforts in setting up its own DRM projects and also in facilitating policy coordination (i.e., 'harmonization') with other donors. Section 6 concludes.

1 | DRM challenges in developing countries

Developing countries face a number of challenges that make the effort of increasing tax revenues particularly difficult. Most of these factors have to do with the general level of underdevelopment in their administrative capacity and weakness in policy design (IMF, 2017; OECD, 2016; Junquera-Varela et al., 2017; Van den Boogaard et al., 2016). However, other factors have to do with problems in taxing cross-border activities. This paper discusses some of these key DRM related challenges in this section.

Weak administrative capacity:

Developing countries generally suffer from weak tax administrative capacity that affects the implementation of their tax systems (OECD, 2016; ITC and OECD, 2015; IMF, 2015b). Even if a country manages to design good tax policies (often with the help of external development partners), the outcome would still be a low level of revenue mobilization – unless the policies are properly enforced. Part of the challenges in low organizational capacity is linked to staffing problems at tax administration offices. For example, tax bureaus in many African countries do not have well-trained staff (Junquera-Varela et al., 2017; OECD, 2013; Salami, 2011). Their lack of proper training makes them less efficient and impedes the mobilization of tax resources.

Further, low wages (which characterize the public sector in developing countries) push competent workers to the private sector. There is also ineffective communication between different tax offices, which are usually scattered over different geographical administrative units. The line of communication may take much longer than need be - due to lack of adequate computerization and other information technology services, inefficient organization of databases, wasteful organization of work units within tax bureaus, etc. Developing countries would require automation of their tax business processes and the availability of reliable mail services to make communication efficient (Junquera-Varela et al., 2017; OECD, 2013; OECD, 2008a).

Many developing countries also face low 'taxpayer morale' due to the high levels of corruption and failure of their governments to adequately deliver public goods back to their tax-paying citizens. For a successful DRM to be present, there has to be reciprocity between tax payments and social expenditures (OECD, 2015; IMF, 2015b; Salami, 2011; IMF, OECD, UN, World Bank, 2010; Megersa, 2019a). To reduce the low levels of tax compliance emanating from low taxpayer morale, developing country governments have to work on not only upgrading their tax administrative capacity but also on incentives and tax education. Special attention also needs to be given to 'hard to tax' sectors that are composed of informal activities, small businesses and parts of the agricultural sector.

Design of tax systems:

Some developing countries charge high tax rates in their effort to increase tax revenue. Usually, this is the result of the narrow tax base. Rather than embarking on the difficult task of ensuring good tax compliance and taxing (formalizing) unreported business activities, some developing countries simply raise the tax rate. However, this might have the adverse effect of pushing some taxpayers to 'underreport' their business activities or downsizing and retreating to the informal sector. Many tax systems in poor countries are also complicated by a number of 'exemptions' and rate differentiation (Houssa et al., 2017; Godin et al., 2017). Businesses are also well aware tax loopholes and exploit them to avoid paying their fair share of taxes. Further, tax loopholes open the doors to corruption as companies may work with local tax officials to reclassify their economic activities in ways which minimize their tax payments. There is also the danger for tax policies and tax bureaus to be gauged by political ideologies and personalities. The lack of 'independence' by tax administrations will lead to a politically motivated tax design and implementation - which may not often be the most efficient or equitable (OECD, 2008a; Salami, 2011).

Resource-rich countries:

Developing countries that heavily rely on their natural resources face additional challenges in their DRM enhancement efforts. One critical problem is that governments of such countries face less incentive to invest their time and resources to build the institutions required for domestic tax mobilization. Some empirical studies show that rising resource rents (such as petroleum revenue) leads to declining non-resource tax revenue in resource-rich countries (Junquera-Varela et al., 2017). Unless corrective policy measures are designed and put in place, resource-rich countries may become more and more dependent on their resource rents - leading to underdevelopment of their tax mobilization capacity.

The other problem of such economies relates to their weak position in terms of the negotiations required for equitable fiscal arrangements on natural resources revenues. The concessions on natural resource development between big international firms and weak developing country governments end up being unfair contracts that mainly enrich the international firms. This partly happens because developing countries lack a well-trained workforce, technical capacity and critical market research. In some instances, corruption might also be involved (Cooper et al., 2016; ITC and OECD, 2015; Morrissey, 2015). International firms may bribe local staff for a more simple deal - bypassing proper competition for contracts. Donors could play a useful role here - by helping to train partner country staff and giving consultations before agreements are signed (Okonjo-Iweala, 2013; OECD, 2008a).

Post-conflict and fragile countries:

In many developing countries, the challenge faced in the quest to enhance DRM capacity is that of inefficiency by existing tax administration systems, policy design and implementation. In other words, the institutions needed to mobilize tax revenue do exist, but they are underperforming. However, in the case of post-conflict countries, the requirement is not just an improvement of the pre-existing system but also of building/re-building the tax institutions themselves (Van den Boogaard et al., 2016; Toth, 2015). There are successful examples where countries (such as Liberia) that emerged from protracted conflicts have been able to re-build their tax institutions and implement improved policies with the help of donors (Okonjo-Iweala, 2013).

Gaps in the international tax system:

Issues such as 'base erosion' and 'profit shifting' are increasingly highlighted as other areas of challenge regarding DRM in developing countries (ITC and OECD, 2015; Cooper et al., 2016). Although developed countries also suffer from these same problems, the issue is more daunting for poorer countries due to weaker bargaining power, vis-à-vis international firms. Major multinational companies working in developing countries often move or shift profits to countries with low tax rates (i.e. 'tax heavens'). However, a large part of the economic activity and value creation takes place in developing countries. Multinational firms take advantage of various gaps in the rules and standards governing the global tax system. As some developing countries rely considerably on corporate tax revenue from big international firms (e.g. those engaged in resource development or extraction), creative profit shifting strategies by such firms will amount to a sizable loss of potential tax revenue. Furthermore, the knowledge that big firms are avoiding tax legally (albeit unfairly) gives a bad precedent where the confidence and morale of smaller taxpayers is further reduced (IMF, 2015b; OECD, 2015).

2 | Recent trends in donors' DRM support

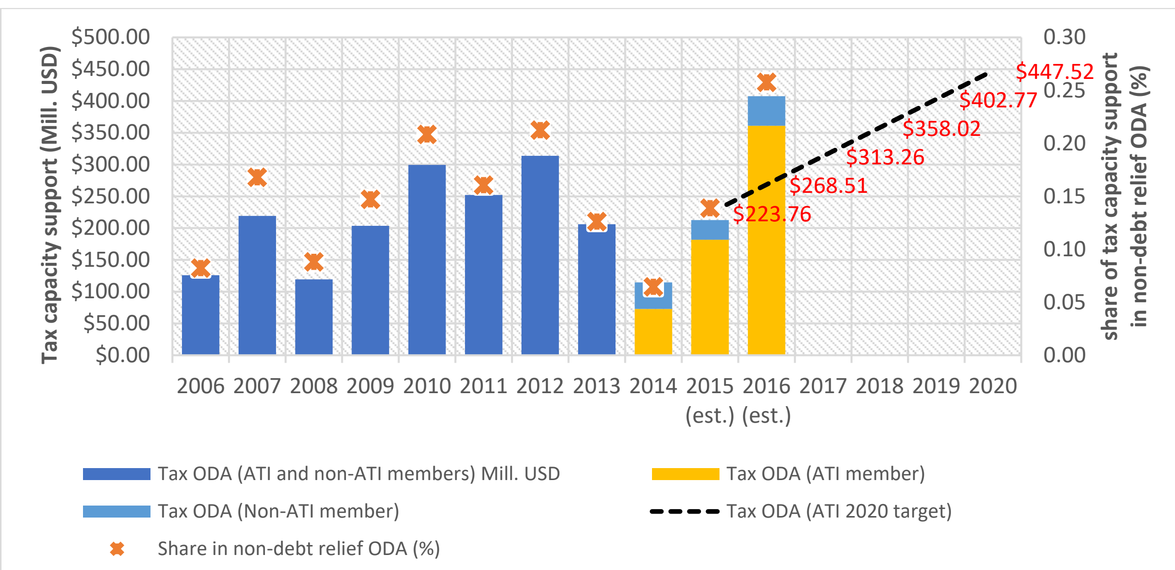
The section begins with presenting recent overall trend in donor support to DRM. Thereafter, a comparative analysis is presented between Belgium and 15 other member countries of DAC. Finally, we the section reviews the kay policy instruments used by the donors in their DRM supports.

2.1 Commitment to DRM support by donors

The share of tax capacity (DRM) support in overall ODA budget is relatively small. It has generally remained well below 0.3% of ODA based on the available data as of 2016 (see Figures 1 and 2). Estimates for the 2017-2020 period (based on ATI's ODA to DRM target) imply that the share of DRM support activities in overall ODA did not change considerably (see Figure 1; and also Development Initiatives, 2018).[6]

There is a slight positive trend since 2014 (and post 2016 figures being projected targets). However, the main conclusion emerging from Figure 1 is the cyclicality in expenditure patterns, from one year to another. There is a lack of clear 'sustained and significant' upward trend in tax capacity support over the 2006-2016 period (for which data is available). Thus, the growing discussion around domestic revenue mobilization capacity support in developing countries has yet to be translated to firm donor commitments for 'tax capacity support'.

Figure 1: 'Tax capacity support' to developing countries (USD) and share in non-debt relief ODA (%)



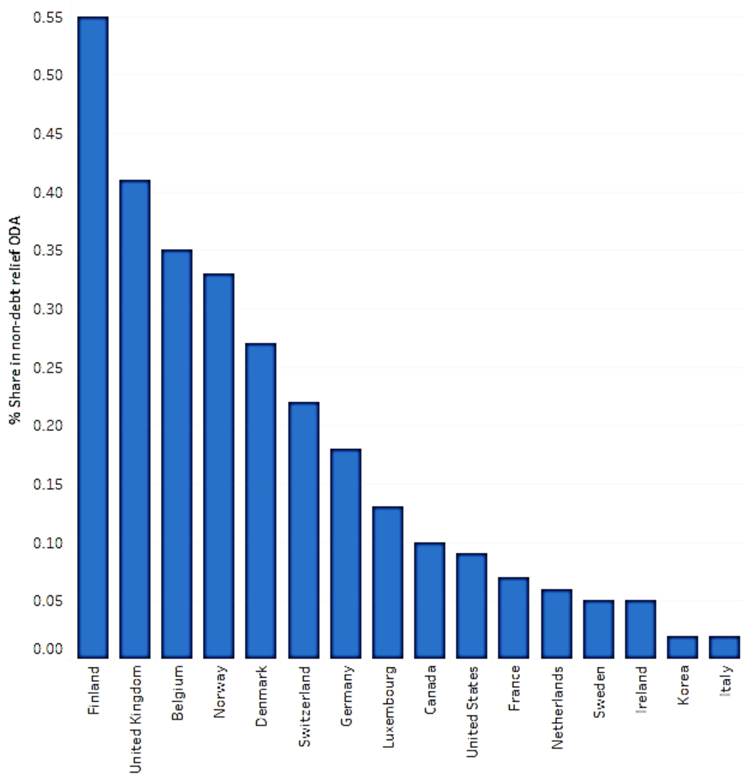
Source: IMF, OECD, UN, World Bank (2016) for 2006-2013 data and Development Initiatives (2018)[7] for post 2014 data.

[6] The ODA shares for DRM in the discussion reflect non-debt relief ODA, as indicated in Figures 1 and 2.
[7] http://devinit.org/wp-content/uploads/2018/05/ODA-for-domestic-resource-mobilisation-data.xlsx

There is some heterogeneities among donors regarding the relative size of their DRM support (i.e., despite DRM's overall limited size), as can be seen from the data presented in Figure 2 below. For instance, the provision of DRM capacity support by Finland, UK, Belgium and Norway (as a share of their non-debt relief ODA) stood over 0.3% in 2015. By contrast, donors such as the US, France, The Netherlands, Sweden, Ireland, South Korea, and Italy spent below 0.1% of their ODA on DRM capacity support in 2015.

Nevertheless, a focus solely on the size of DRM capacity support budget might not show the full picture of DRM priorities. This is so because most donors are focusing on the 'quality' of their DRM assistance, apart from the 'quantity' of support. Particularly, they focus on the overall impact in shaping sustainable development in designing their capacity support strategies, e.g. the role of tax regimes on poverty, inequality, health, gender, and the environment (DI, 2018).

Figure 2: share (%) of DRM capacity support by selected donors in non-debt relief ODA (2015)



Source: using OECD DRM data

2.2 Reviewing diverse instruments of DRM support by donors

Donors utilize a range of aid instruments and modalities for supporting tax systems in their partner developing countries. Key instruments used include sector budget support, financing with basket funds, 'other' multilateral instruments, bilateral arrangements, funding regional organizations, and in-kind support.

2.2.1 Sectoral budget support:

Donor initiatives on DRM and public financial management (PFM) are sometimes financed as sector budget support programs. The 'sector budget support' ODA modality relates to the transfer of funds to support 'sector programs, policy and strategy' (European Commission, 2007). Donors may use various techniques (e.g., 'variable tranche sanctions') to encourage those partner governments that focus on tax reforms and dis-incentivize those that do not want to pass necessary tax reforms (OECD, 2013).

Germany's 'Sectoral budget support' to Rwanda
Germany delivers Sectoral budget support to 'decentralization and good governance' efforts in Rwanda. The commitment dedicated to 'tax policy and tax administration support' amounted to over 2.2 million USD. This project notes that 'local service delivery' has improved after its intervention. Note: OECD database project number 201420728b and 200921056b

2.2.2 Basket funds (multilateral instruments):

Some DRM projects are financed through 'basket funds', i.e. through a multi-donor partnership with a given partner country. Since this funding instrument induces donors to coordinate and 'harmonize' their policies, it fits in line with the Paris principles of 'aid harmonization' and 'aid effectiveness'. This multilateral financing instrument, thus, reduces the potential 'donor fragmentation' across several bilateral projects. Nevertheless, the level of conformity to 'Paris Principles' may differ from project to project (OECD, 2013; European Commission, 2007; OECD, 2006; Koeberle et al., 2006). This is usually the case since different donors will be liable to different country laws and divergent priorities from political and social groups at home.[8]

One key downside of basket financing (unlike 'budget support' programs) is that it is not as closely aligned to the policy priorities set out by partner countries.[9] This is because basket funds are often

[8] A potential weakness for basket funding lies in the same area that they are touted to be excelling as compared to other DRM funding instruments - i.e. in aid harmonization. Basket funding might worsen aid fragmentation (instead of harmonization) since each 'basket' has its own distinct procedures and agreements. Furthermore, due to the multitude of actors involved in basket financing, there will be high transaction costs to be borne by donors to manage the process and coordinate all responsible actors (i.e. multiple donors and officials of partner countries). In cases where the basket funds are not well synchronized with partner country's priorities and broader 'sectoral' and 'general' budget support policies, they may render extra difficulties to both donors and partner countries.

[9] In relation to DRM, general budget support can bring certain benefits. First, various 'high-level' policy engagements and economic policy reviews (including tax policy) between donors and partner countries may give donors the opportunity to shape the focus on DRM. Further, the partner's revenue bureaus, finance offices or other ministries may benefit from much needed funding that may upgrade their administrative abilities. Since the general budget support framework also involves monitoring of progress (e.g. evaluation of gaps between targets and results), this modality might carry 'incentives' for more tax efficiency and reform (OECD, 2013). Furthermore, donors will make negotiations and have their say about the general policy and strategy to be followed by the partner countries. Donors may consult on the 'proper' functioning of public financial management. Donors will also have increased interest on the budgetary and disbursement details, once they approve general budget support. Similarly, recipient countries will have increased commitments for openness and

'earmarked' for particular uses and the funds are deposited in separate accounts. Even if this 'restrictive' nature of basket financing is commonly cited as a critical challenge, the 'basket' arrangements will be easy to follow and audit. This relative ease gives the instrument some appeal to donors, in using it for DRM enhancement programs.

'Basket funds' that support DRM efforts in Tanzania, Mozambique and Somalia

Norway ➔ Tanzania
Norway manages a 'basket fund' that supports DRM reforms in Tanzania. The project delivers support to the implementation of Tanzania Revenue Authority's (TRA) Fourth Corporate Plan (CP4) via the Tax Modernization Program (TMP) basket fund. The vision of the Program is to increase domestic revenue through enhancement of voluntary tax compliance, supported by the implementation of initiatives under three strategic themes: (i) Compliance; (ii) Convenience; and (iii) Continual Improvement. Close to 6 million USD has been committed to this project and over 4.3 million USD has been dispersed via this basket/pooled funding.

Note: OECD database project number TAN.15/0012

Norway ➔ Mozambique
Norway also manages a 'basket fund' that supports DRM reforms in Mozambique. The support is made to the 'Tax Common Fund' of Mozambique. Other donors also contribute to this basket fund, including Belgium (see section 5). The program is intended for capacity building in Mozambique Revenue Authority (Autoridade Tributaria) through institutional cooperation between Norwegian Tax Administration and Autoridade Tributaria. The commitment to this project is over 5.5 million USD.

Note: OECD database project number MOZ-14/0012

Finland ➔ Somalia

Finland contributed to a 'basket fund' managed by World Bank that supported reforms in tax policy and tax administration. World Bank's Multi Partner Fund (MPF) supported Somalia's stabilization and peacebuilding by strengthening Somalia's governance and the management of the state's revenues (including taxation) as well as by reviving the country's economy and the private sector to allow increased state revenues through taxation and to provide resources for extended and improved public services. The Fund operated in close partnership with the Federal Government of Somalia as well as with the donors and international agencies through the 'New Deal framework' and through its aid infrastructure 'Somalia Development and Reconstruction Facility' (SDRF). It offered 'peace and state-building' support to the Somali transition process. Finland, together with other international partners, has committed itself to work increasingly through the New Deal structures. Finland supported the MPF over the period of 2016 to 2019 with 4 million euros.

Note: OECD database project CRS ID 2015150053

2.2.3 Trust funds and joint-donor projects (multilateral instruments):

Just like basket financing, this set of alternative multilateral DRM project financing instruments involve multiple donors. They are, thus, thought to be better at harmonizing DRM support initiatives by different donors – compared to separate bilateral DRM partnership between the host country and several donors. These instruments also deliver financing for programs that are outside host country budgets. Due to the non-transfer of funds to government accounts, these instruments may be attractive tools for DRM projects in developing countries with less financial transparency, worrisome

transparency of budgets - once they become beneficiaries. This will have the effect of creating accountable ministries in the partner countries.

government spending patterns or corruption. The two widely used instruments in this category that are applicable for support of tax systems are 'trust funds' and 'joint-donor projects' (OECD, 2013).

'Trust Funds' involve the pooling of financial resources from multiple donors so that a common development program can be financed in a given partner country. Usually, a multilateral development institution (e.g. World Bank, IMF, UNDP, etc.) pools the resources from individual donor countries or agencies and oversees the spending on development programs. Multilateral development agencies such as the World Bank manage thousands of trust funds of varying magnitudes and focus (OECD, 2013). In Section 5, the paper will discuss one key 'trust fund' managed by the IMF that is focused on tax capacity building in developing countries. Belgium is one of the key contributors to this trust fund.

2.2.4 Bilateral instruments:

Part of the DRM support provided to developing countries consists of bilateral arrangements between partner countries and donors. Indeed, the flow of aid in separate 'stand-alone' bilateral channels might lead to aid fragmentation. These instruments may lead to an underinvestment in DRM projects if other sectors suddenly become more attractive to most donors. Conversely, this may exceptionally lead to overinvestment in DRM if the tax system of a partner country attracts the support of most donors at once.

However, despite its limitations, there is a good reason why many development interventions utilize this financing channel. Bilateral arrangements offer flexibility, reduced fiduciary risks, simplify negotiations - and above all - give individual donors the 'visibility' and 'ownership' they desire for good political support. In some cases, bilateral arrangements might also be preferred by the partner countries themselves. Sometimes, it may be easier for recipient governments to deal with donors one-on-one to simplify negotiations. There has been evidence of successful bilateral arrangements that were instrumental in DRM capacity support. One such example has been the case of Rwanda, where the country has been closely working with UK's DFID, with some additional assistance from IMF (OECD, 2008b; OECD, 2013).[10]

2.2.5 Technical assistance to countries and regional organizations:

ODA flows from donors to partner developing countries are not restricted to the delivery of capital. Some of it takes the form of 'in-kind' support. This aid modality is often categorized within 'technical cooperation'. Some of the key development partners and donors (e.g. tax assistance programs of IMF's Fiscal Affairs Department; United States Treasury Office of Technical Assistance; and Germany's Deutsche Gesellschaft für Internationale Zusammenarbeit - GIZ) are known to extensively use this aid modality to support reforms in developing countries. In-kind support, as being a direct form of support, might be easier to introduce when compared to indirect aid forms. Nevertheless, one key difficulty faced by this instrument is the challenge of proper assessment of aid effectiveness regarding the intervention programs. Further, it will be difficult to ensure that partner country officials and tax staff will properly receive and change policies following technical assistance missions (OECD, 2013).

[10] The experience of Rwanda regarding DRM reforms and the role of donors towards the success on the reform process is discussed in section 4.

Regional tax organizations can also play important roles in DRM capacity build-up. These organizations may deliver a platform where tax authorities can do networking and learn from each other's experiences and find shared solutions to shared problems. They may also cooperate in combating cross-border tax challenges (OECD, 2008b; OECD, 2013). There is a growing array of regional organizations focused on improving tax policy and tax administration in the South. Some of these organizations have benefited from years of capacity building and technical support. The experience of witnessing the formulation, implementation, and evaluation of tax instruments in their region, as well as the repeated improvements of these policies, gives such organizations a valuable platform from which partner policymakers may learn from.

Some of these organizations include:

- African Tax Administration Forum (ATAF)
- Inter-American Center of Tax Administrations (CIAT)
- Commonwealth Association of Tax Administrators (CATA)
- Centre de rencontres et d'études des dirigeants des administrations fiscales (CREDAF)

DRM support to regional organizations

Finland ➔ Africa, regional

Finnish Tax Administration (FTA) had launched technical cooperation with the African Tax Administration Forum (ATAF) in regional capacity and knowledge building in 2015. The Finnish Ministry for Foreign Affairs already supported ATAF with a euro 1 million general contribution for the period 2014-2016. Technical assistance for the 2015-2016 period was directed via ATAF to the African member countries within the OECD led Base erosion and Profit Shifting work in the area of transfer pricing. The Finnish Tax Inspectors technical assistance was also included in the OECD Tax Inspectors without Borders initiative. The targets for the technical assistance were high-quality regional courses and workshops as well as toolkits to ATAF members to strengthen their capacity to participate and exploit the new global tax rules.

Note: OECD database project number 29892383

In summary, as discussed above (and as could be seen from Figure 3, 4 and 5 below), different kind of aid instruments are used by donors to support DRM initiatives in developing countries. As recent DRM data shows, almost all donors mainly use multilateral arrangements for DRM capacity support (see Figure 3). Most major donors (e.g. UK, Germany, US, Switzerland, Denmark, and France) also heavily rely on project-type interventions. Other favorite instruments include contributions to funds managed by international organizations and basket funds. An additional key instrument is 'technical assistance' or the use of donor country personnel to 'steer reform' or 'build capacity' in partner countries (see Figure 4).

Figure 3: Multilateral and bilateral channels of DRM support (for 2015)

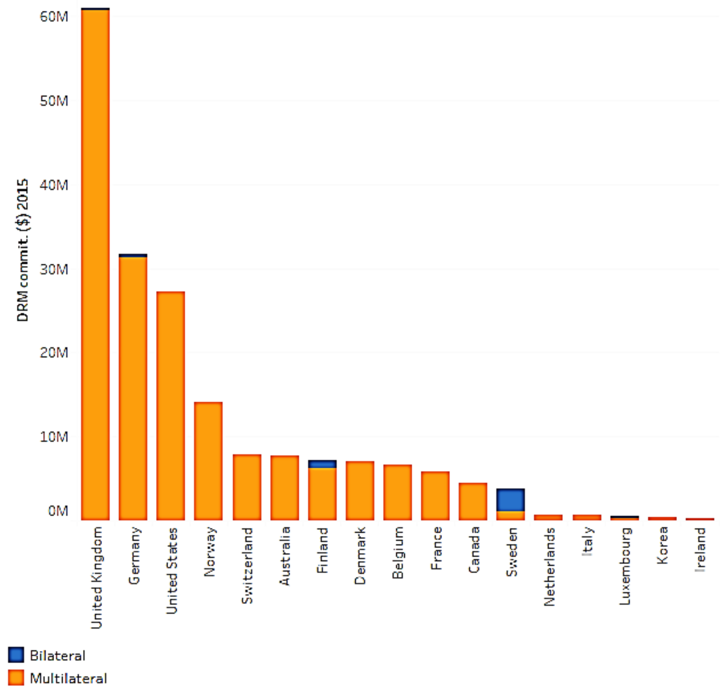
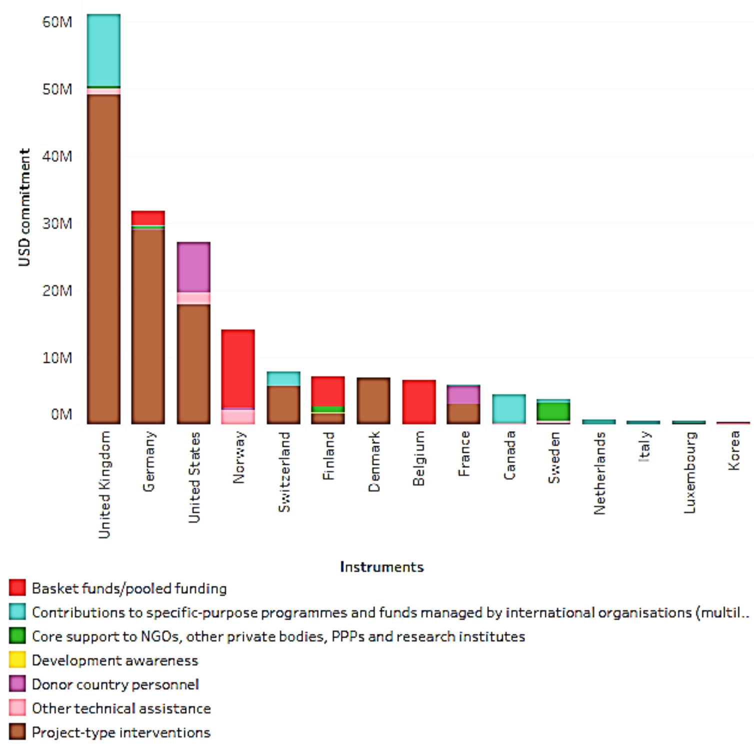


Figure 4: Funding instruments (modalities) of DRM capacity support by donors (for 2015)



Source: using OECD DRM data

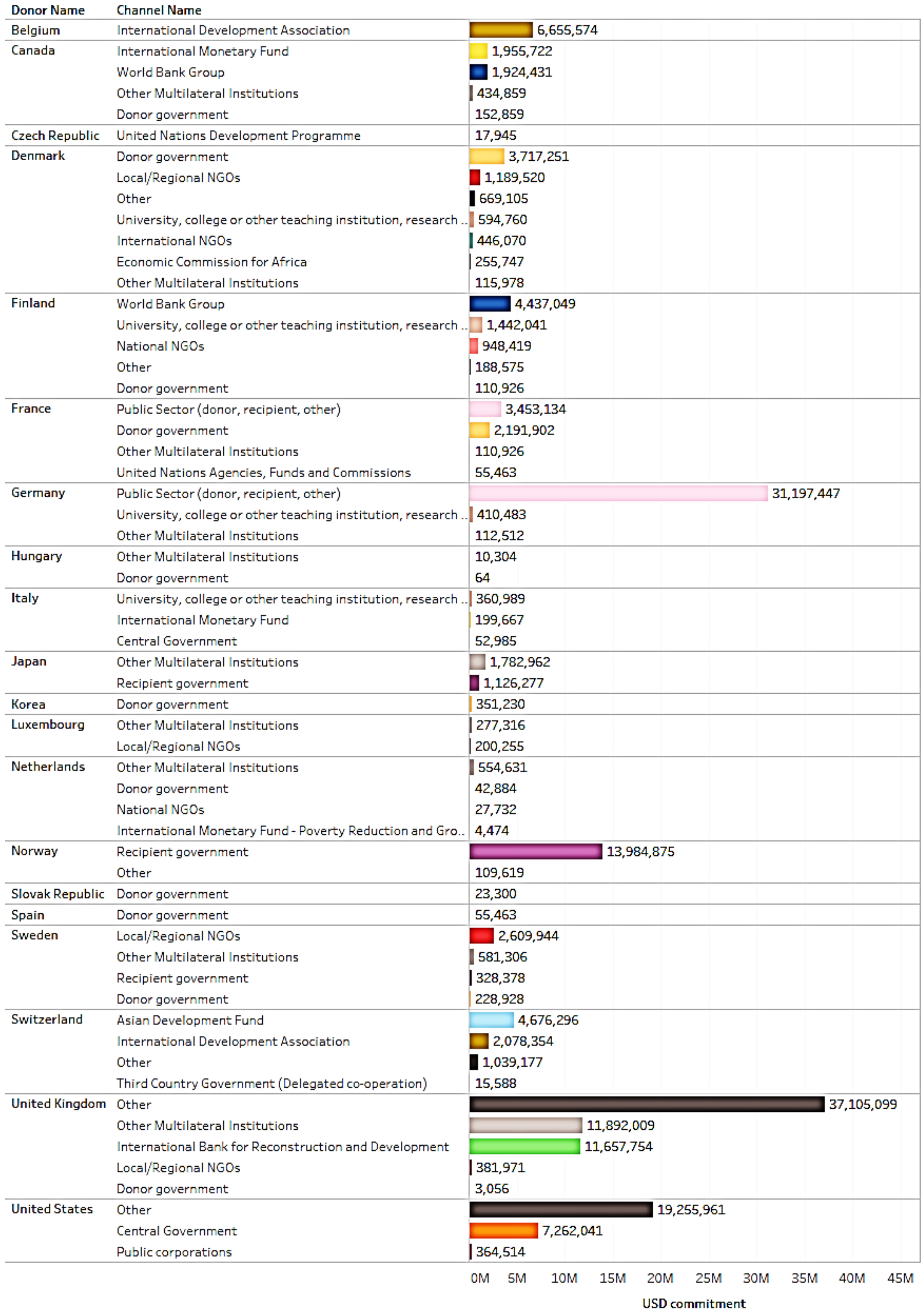
Note: More information on aid instruments and modalities utilized by other Belgium is available in section 5. For additional information on DRM disbursements and channels on various donors, see also the annex section.

There are also differences among donors in the types of channels used for DRM capacity support. Belgium currently funds DRM initiatives in its partner countries through international development agencies such as IMF and WB. Similarly, Canada, Finland, and Switzerland work with IMF, WB and other multilateral institutions. Denmark uses government agencies as well as local and regional NGOs. Norway likewise utilizes basket funds to support recipient governments and local organizations. UK and US use 'other' multilateral instruments such as basket funds and joint donor projects (see Figure 5).

However, the different instruments of DRM support interventions may have distinctive strengths and weaknesses - depending on the specific objectives at hand.[11] Therefore, the best way of supporting tax systems is for donors to use the 'right mix' of diverse modalities, where each instrument is tailored for the preferences of partner governments and their unique socio-economic or political contexts (OECD, 2013). Doing so will be important because the 'priorities and circumstances' across developing countries diverge widely - even if they all have the objective of elevating the level of tax revenue and the capacity of their tax administrations (OECD, 2016).

[11] Donors may also use broader instruments, such as 'general budget support', that give more room for recipient country's own national priorities and budgetary procedures. However, aid modalities like general budget support are best used in combination with other modalities, e.g. technical assistance. Additionally, it may also come up with its own disadvantages for the recipient country. General budget support may face cyclicality (i.e. 'on-and-off' funding) and this may create difficulties in setting medium- or longer-term budgeting in partner countries. There may also be macroeconomic challenges to the recipient countries linked to the 'sterilization' of foreign exchange inflows from the general budget support. Further, the general budget support might, in some cases, may do the opposite of what it is intended to do. Instead of building domestic resource mobilization capacity, it may actually create disincentives for DRM and accountability (OECD, 2013). Its overall outcome, therefore, depends on the quality (i.e. design and implementation) of the budget support program - where potential 'disincentives' are highlighted and avoided.

Figure 5: channels of DRM capacity support (for 2015)



Source: using OECD DRM data

Note: The data for Belgium shown here is largely the contribution to the WB managed 'basket Fund' in Burundi. See also section 5.2.

2.2 International cooperation on DRM support

It can be argued that the DRM needs, and challenges of developing countries are well reflected in the targets and type of instruments of intervention (for capacity support) utilized by donors. That being said, more effort could be done to focus on the unique opportunities and challenges of individual developing countries (IMF, 2015b; OECD, 2016). A key indicator for this is the similarity in priority areas of DRM challenges as highlighted by developing country governments, tax administrations and regional development organizations on the one hand, and donor countries and agencies on the other hand. As the experience of the Addis Ababa Action Agenda in 2015 showed, African heads of state and finance ministers have begun to actively engage with their bilateral and multilateral development partners to negotiate the modalities of development financing (UN, 2015; UNRISD, 2015).

Many other high-profile meetings between developing country heads of states and donors show the rising interest and political will reflected on the side of developing countries for tangible DRM strategies - such as enhancing tax policy, tax administration, domestic credit, domestic saving, rents, and royalties (Wujung and Aziseh, 2016). The Monterrey Consensus on Financing for Development in 2002 had already recognized DRM as a top priority area of cooperation among donors and their partner developing countries. The significance of DRM was only further signified in the Doha Declaration on Financing for Development in 2008, G20 meeting in 2013 and even more so in the latest (third) International Financing for Development conference (i.e. Addis Ababa Action Agenda) in July 2015. The later also led to the Addis Tax Initiative (ATI), which is becoming a key DRM partnership platform for development actors.

Key international meetings/platforms between developing countries and donors that laid the foundations of recent DRM initiatives

- **Addis Ababa Action Agenda (2015):** The Addis Ababa Action Agenda (AAAA) was adopted by the UN Conference on Financing for Development in July 2015. The actions that will be needed to support the Sustainable Development Goals by the international community were noted in the agreement. Special attention was given to the enhancement of revenue mobilization in developing countries as a means of enabling them to self-finance their development priorities.[12] To realize this, a partnership for capacity building in the area of revenue mobilization was ratified by a big pool of donors and developing countries. This partnership, known as the Addis Tax Initiative (ATI), plans to significantly boost technical assistance for DRM objectives and also involves the support of key development financial institutions (IMF, 2018).

- **G20 meeting (2013)**: A group of the world's 20 largest economies (G20) has noted the centrality of efficient tax systems for a resilient global economy. In line with this, G20 has communicated its call for further emphasis on improving tax systems to major international multilateral institutions such as the IMF, World Bank, OECD and the UN (OECD, 2016). It has pleaded explicitly for a focus on the following (albeit interrelated) priorities:
    - Fighting the evasion of taxes by countering base erosion and profit shifting (BEPS), and also the restructuring of the global tax system
    - Combating tax evasion via the automatic exchange of information (AEOI)
    - Enabling effective 'domestic resource mobilization' so that developing economies could benefit from the G20 international tax agenda and also take part in it.

[12] One of the stronger aspects of the Addis Ababa Action Agenda, compared to previous key rounds on development financing (e.g. compared to the Monterrey and Doha), was the explicit consideration set for fragile countries regarding revenue mobilization (Toth, 2015). The initiative also puts enhanced DRM capacity as a key instrument of achieving the SDGs by developing countries (GIZ, 2017).

- **Doha Declaration (2008)**: The Doha Declaration on Financing for Development (2008) noted that both the 'mobilization of financial resources for development' as well as the 'effective' utilization of these financial (development) resources is vital to the global partnership regarding sustainable development financing. The declaration noted that there was a need to improve the efforts made on increasing tax revenue in developing countries as well as working on investments and private flows of capital. These were necessary to realize sustainable development as well as inclusive growth in partner countries (OECD, 2015). Particularly, the focus on enhancing tax revenues in developing countries was prioritized since the prevailing levels of tax revenue were often inadequate to attain most of the major development objectives set together between developing countries and their international development partners. For instance, the UN estimated that developing countries needed a tax revenue on average of 20% of GDP to successfully attain the Millennium Development Goals (i.e. precursors of the current SDGs), while tax revenue across low-income countries averaged just 13% - significantly below the threshold (UNDP, 2010).

- **Monterrey Consensus (2002)**: The Monterrey Consensus set the stage for the global focus on 'domestic resource mobilization'. It particularly set DRM as one of its foremost endorsements in attaining sustainable growth and development in developing countries. The notable fall in funds for external development assistance (and remittances) due to the late 2000s global financial crisis only added to the focus and urgency on DRM so that developing countries start to self-finance a growing part of their development projects and become less vulnerable to shocks in aid flows (NSI, 2010; UN, 2003).

  An increased focus on DRM among donors is vital since a small portion of overall development aid is allocated to it, despite its importance. In fact, on average, only around 0.1% of total 'official development assistance' (ODA) goes to DRM related disbursements (see Figure 1). OECD (2008a) also notes that tax-related development assistance to government administration, economic policy and public financial management in developing countries constitutes a small fraction (2%) of 'bilateral aid'. The Monterrey Consensus also noted the poignant reality that the supply of foreign aid from the donors' side is often carried out in a short term project framework while developing countries demand and plan about longer-term development objectives. Committing donors to resource mobilization capacity building will help to close this gap. Also, incremental assistance in this area will have the long-term outcome of 'enabling' partner countries to assume a greater share of not only the planning but also funding of development projects (OECD, 2008a; UNO, 2002).

3 | What explains the allocation of DRM support?

In this section, we present a short literature review on the broader links between donor support and tax revenue mobilization as well as on the different explanatory factors of donor support for revenue mobilization and public finance reform initiatives in developing countries. Subsequently, we carry out a quantitative assessment on the determinants of DRM capacity support – based on recent OECD DRM aid data and other macroeconomic correlates from World Bank's World Development Indicators database.

3.1 Brief literature review

3.1.1 Broad links between DRM (ODA) support and tax revenue mobilization:

Two potential channels determine the effect (i.e., the direction and magnitude) of foreign aid on tax effort, according to Collier (1999). The first is the 'welfare dependency channel' and this can negatively affect tax effort. The second is 'tax efficiency channel', where aid is thought to provide positive effects through reduced distortions and generate efficiency gains to the tax system of the recipient country.

The negative effects of foreign aid on tax revenue may arise if foreign aid serves as an alternative source of 'revenue' for the government, thereby reducing the pressure on tax mobilization and the need to develop domestic institutions (Todd et al., 2006). That is, aid may replace tax revenue in the short term and pose disincentives (moral hazard problems) to developing country governments. This may, in the longer-term, lead to aid dependency and failure to properly build tax administrations and other related institutions (Thornton, 2014). Collier (1999), however, notes that it can be difficult to interpret a negative correlation between tax revenue and aid flows under the circumstances where aid is used by donors as a way to lessen revenue shocks in developing countries (i.e. giving more aid to offset declining tax revenue).

Existing empirical exercises on the effect of aid on tax effort deliver mixed results. Some studies fail to see significant effects (e.g., Teera and Hudson, 2004; Leuthold, 1991). Others, on the other hand, report positive effects of aid (e.g., Gupta, 2007) and concessional loans (e.g., Gupta et al., 2004) on tax revenue. Furthermore, the negative effects of aid on tax revenue were reported by others (Knack, 2009; Remmer, 2004; Ghura, 1998). Yet another study by Thornton (2014), who also studied the impact of foreign aid on tax effort using a cross country panel like most empirical studies, finds an adverse effect of aid inflows on tax effort (tax to GDP ratio) of countries. He particularly notes that 'unconditional grants' drive such results.

A theoretical foundation on the possible negative relationship between aid flows and tax effort has also been presented by Kimbrough (1986) and Collier (1999). They see the reduction in taxes following rising aid inflows as 'welfare optimal' policy responses by governments. Nevertheless, much of the empirical and theoretical evidence on the possible adverse effects of aid on tax revenue relates to grants. This is particularly the case in countries where grants are significant portions of government revenue. The relationship between tax revenues and DRM support could be different because the latter is relatively small in size and is often directed at institution (i.e., tax administration) building. Thus, empirical evidence on this may even likely yield positive results. Yet, given the data limitations on DRM, conducting a robust empirical exercise will be challenging. This paper will, therefore, leave this to be addressed by future research.

3.1.2 What factors explain the allocation of DRM (ODA) support?

There is a very limited empirical evidence examining the factors influencing DRM support – which will be the focus (and main contribution) of the empirical exercise in this paper. Most empirical studies look broadly at overall ODA flows, rather than ODA flows for specific purposes (e.g., DRM support) and how economic and institutional factors affect its allocation. However, some studies have investigated the determinants of donor support for broader public finance (PFM) reform initiatives and the effectiveness of such reforms (e.g., Mustapha, 2019, Andrews 2010; De Renzio et al. 2011; and Fritz et al. 2017). Since much of the economic and institutional factors affecting the allocation of donors' support for PFM reform initiatives (which mainly target budgeting and public expenditure issues) will be similar to the factors affecting donors' support for DRM reform initiatives (which mainly target revenue raising capacity), this paper will briefly assess the empirical PFM literature to complement the limited empirical DRM literature.[13]

[13] Nonetheless, although PFM and DRM projects are similar - there are key differences. Donor support for PFM reform often targets budget programming, budget execution, electronic financial management systems, debt management, and local government public finance systems. Furthermore, even performance assessment tools for PFM in partner countries (including the popular Public Expenditure and Financial Accountability - PEFA framework) mainly focus on the 'expenditure-side' performances and efficiency gains rather than gains on the 'revenue-side' (OECD, 2013). Thus, many PFM sector programs supported by donors are often 'expenditure-side reforms' that may not directly address the

De Renzio et al. (2011) conducted a cross country empirical study on the effectiveness of support to PFM reforms in developing countries – show that 'aid-related factors' (unlike economic factors) display 'limited explanatory power' on the quality of PFM systems in developing countries. The researchers specifically note that better quality PFM systems are associated with countries with higher levels of per capita income, larger populations, and better recent economic growth records. They also note the difficulty of assessing the impact of donor support on PFM reforms, because a robust exercise on this issue requires a reasonable time series data (which is hard to get in developing countries). Because of this, they advise caution on inference, i.e., not to draw a strong conclusion from their empirical exercise.

Andrews (2010), who analyzed new revenue and public finance reforms in 31 African countries as well as existing PFM systems, found that different countries fall into different 'performance leagues' and several factors influence which league a country is associated with. Some of these factors included - economic growth, political stability, reform tenure, and colonial heritage. Similarly, Fritz et al. (2017), who also studies the public finance systems in developing countries (i.e., performance of existing policies and new reforms), argue that per capita GDP growth, initial performance, being resource rich, ODA levels, and country characteristics explain differences in performance. Mustapha (2019), using cross-country data PEFA data, show the role of political institutions in affecting the performance of public financial management. The author alludes to the fact that a lack of political stability will limit a state capacity (e.g., PFM and DRM capacity), will entrench informality, and erodes political will (e.g., to pass PFM and DRM reforms).

Fjeldstad (2014), who carries out an extensive review of donor support around strengthening tax systems in developing countries, notes that donors support is targeting i) the improvements in tax policy and design; ii) creation of more effective tax administrations; and iii) promoting state-society engagement on taxes. However, he argues that this support fails to fully translate to successes in DRM performance in developing countries. This is due to (among others) low tax compliance rates by elites; big, untaxed informal sectors; inefficient local government tax systems; incoherent patterns of business taxation; and poor administrative expertise to effectively tax sectors such as extractive industries, tourism, telecommunications, banks and financial institutions.

3.2 An empirical assessment: Does the level donors' DRM support correlate with the recipient's needs?

Apart from the growing 'policy' synchronicity in development priorities and breadth of DRM instruments between donors and recipients, there is also some evidence that actual DRM capacity support favors countries that need it most. Our empirical analysis investigates four factors: tax effort (as measured by tax revenue to GDP ratio); level of development (proxied by GDP per capita); level of natural resource rent (normalized by GDP); the Country Policy and Institutional Assessment (CPIA) Revenue Mobilization Efficiency, index, and the CPIA Transparency & Accountability, index. The empirical analysis proceeds in two steps. First, we present a graphical analysis; and second, we present a regression analysis.

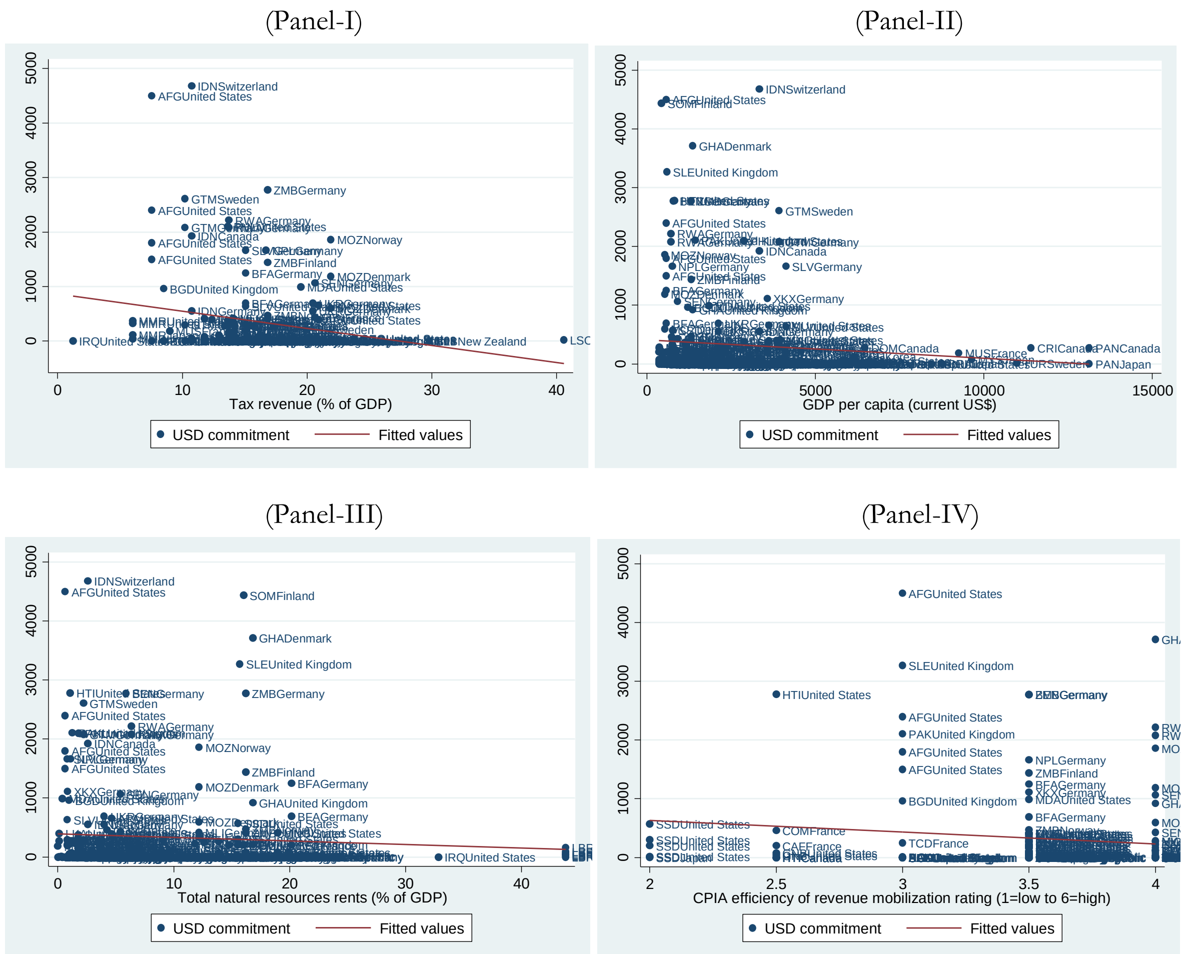
Figure 6 displays the scatter plots in between the size of DRM support and each of the first 4 indicators announced above. The data shows that the size of DRM projects is generally larger for those countries

'revenue-side reforms' targeted by DRM support projects. Lastly, the policy 'ownership' of partner country governments is arguably a key determinant of the success of donor supported reform programs.

with a low level of tax revenue mobilization (see Figure 6 Panel-I). Alternatively, the data shows that as the level of tax revenue increases, the donors are likely going to decrease their DRM support (see Figure 6 Panel-I).

Another interesting indicator to look at (from the recipient side) is per capita income. Most DRM projects are highly concentrated in countries that are low-income or lower-middle-income. Generally, as income increases, the size and number of DRM programs decrease (see Panel-II). Further, countries that are rich in natural resources receive smaller DRM projects as compared to developing countries with lower resource rents (see Panel-III). Countries that have medium to lower quality of institutions, specifically weaker tax administration, receive more DRM projects. Using a CPIA measure for 'efficiency of revenue mobilization rating' (on a scale of 1 to 6), most recipients were scoring around 3.5 and almost all at or below 4 (see Panel-IV). This shows that donors target countries with 'weaker' tax administrations but not necessarily the weakest. However, the inference drawn here should be taken with some caution because of the lack of a more comprehensive DRM data.

Figure 6: Donor DRM commitments by country and 'level of need'



Source: using OECD and WB data

Note: Scatter plots between Donor DRM commitments (000' USD) and tax as %GDP, Per capita GDP, resource rents as %GDP, institutional strength in revenue mobilization capacity. The donor commitments are taken from OECD DRM data for the fiscal year 2015. The ratings for 'efficiency of revenue mobilization' come from the World Bank's Country Policy and Institutional Assessment (CPIA) database.

An empirical assessment of the relationship between DRM related aid allocation and various determinants of 'need' also somehow reaffirm the foregoing argument. There is some (albeit weak) evidence that poorer countries receive more DRM support on average. As would be expected, per capita income shows negative coefficients in Table A1 (simple unconditional univariate regressions) and Table A2 (multivariate regressions). However, in the multivariate regressions in table A2, we notice that the significance drops once we account both for country and time effects (columns 3), showing the relatively weak evidence that DRM allocations align with country's level of income. A robustness exercise using the log of variables in Table A3 also confirms the lack of strong evidence for an inverse relationship between a country's level of wealth and the size of DRM support it receives. Conversely, as can be seen in Table A4, overall, ODA aid allocation shows a strong inverse relationship between developing countries' income levels and the ODA allocated to them - in line with the findings of much of the aid literature (e.g. Bourguignon and Platteau, 2017, Cogneau and Naudet (2007), Collier and Dollar, 2002).[14]

There is also some (weak) evidence of an inverse relationship between DRM support and the quality of institutions in developing countries. For instance, the univariate regressions in Table A1 show inverse relationships between level of DRM support and 'revenue mobilization efficiency' as well as 'transparency and accountability'. The multivariate regressions in Table A2 also show an inverse relationship between level of DRM support and 'IDA resource allocation index', which aggregates several indices that broadly capture the quality of institutions.[15]

However, we also fail to see significant and consistent relationships between the levels of DRM allocation developing countries receive and a standard set of determinants for macroeconomic performance, such as level of government revenue, GDP growth, size of trade in the economy, level of external debt and size of net ODA – as can be seen in multivariate regressions in Table A2 and A3. Nevertheless, as noted in the aid literature, these determinants seem to have significant explanatory power in overall ODA allocation. This can also be seen from Table A4 columns 1 and 2. Furthermore, the level of significance and explanatory power of these macroeconomic determinants drops once country effects are taken into account (Table A4 columns 3 and 4). This shows the degree of heterogeneity among developing countries.

Nevertheless, it is important to note that the aid literature itself is full of debates on the size and direction of the relationship between ODA and economic determinants. Different empirical studies come up with different findings reaffirming strong heterogeneities across countries and over time. We also acknowledge these limitations, since the inadequate availability of DRM data significantly confines our data setup for the ODA regressions in Table A4. We also note that the ODA regressions in table A4 are fundamentally robustness controls for our main multivariate DRM regressions in Table A2.

Table A1: Determinants of DRM allocation, Unconditional panel regressions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
per capita GDP	-0.745***									
	(-8.08)									
Revenue Mobilization Efficiency, CPIA		-0.344*								
		(-1.70)								
Resource Allocation Index, IDA CPIA			-0.387							
			(-1.50)							
Transparency & Accountability, CPIA				-0.426**						
				(-2.15)						
Tax Revenue (%GDP)					0.009					
					(0.57)					
GDP growth						0.042				
						(1.46)				
Trade (%GDP)							0.003			
							(0.96)			
External Debt (%GNI)								-0.005*		
								(-1.71)		
Net ODA (%GNI)									0.022**	
									(2.36)	

[14] Robustness exercises for univariate regressions Table A1 are provided in Table A5 and Table A6 in the Annex.
[15] World Bank's IDA Resource Allocation Index is based on annual Country Policy and Institutional Assessment (CPIA) exercise. The CPIA rates countries on the basis of 16 criteria grouped in four clusters: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions. More information available at http://pubdocs.worldbank.org/en/600961531149299007/CPIA-Criteria-2017.pdf

Natural resource Rents (% GDP)										0.027**
										(2.43)
_cons	16.766***	12.822***	12.891***	12.817***	11.111***	11.093***	11.014***	11.531***	11.104***	11.017***
	(24.58)	(17.67)	(14.98)	(22.20)	(38.67)	(71.49)	(39.24)	(66.56)	(90.87)	(76.50)
N	512	368	368	368	304	510	494	484	510	509

Note:
Significance (* p<0.05, ** p<0.01, *** p<0.001); t-statistics in parentheses; robust OLS panel regressions;
Dependent variable (Source, OECD): log of DRM disbursements at project level by year (2014, 2015, 2016);
Explanatory variables (Source, WB WDI):
Per-capita GDP, log of
Revenue Mobilization Efficiency, CPIA (index rated on a scale of 1 (low) to 6 (high))
Resource Allocation Index, IDA CPIA (index rated on a scale of 1 (low) to 6 (high))
Transparency & Accountability, CPIA (index rated on a scale of 1 (low) to 6 (high))
Tax Revenue (% GDP)
GDP growth (change, year on year)
Trade (% GDP)
External Debt (ratio of GNI)
Net ODA (ratio of GNI)
Natural resource Rents (% GDP)

Table A2: Determinants of DRM allocation, Conditional panel regressions

	(1)	(2)	(3)
per capita GDP	-0.611**	-0.707**	-0.0950
	(-1.98)	(-2.27)	(-0.24)
Revenue Mobilization Efficiency, CPIA	0.339	0.233	0.235
	(0.48)	(0.34)	(0.37)
Resource Allocation Index, IDA CPIA	-2.252**	-2.083**	-2.627***
	(-2.26)	(-2.03)	(-2.87)
Transparency & Accountability, CPIA	-0.283	-0.337	-0.257
	(-0.70)	(-0.86)	(-0.55)
Tax Revenue (%GDP)	0.0488	0.0515	0.0628
	(1.08)	(1.18)	(1.11)
GDP growth	0.109	0.104	0.0617
	(0.94)	(0.92)	(0.56)
Trade (%GDP)	-0.00274	-0.00345	-0.0132
	(-0.28)	(-0.35)	(-1.21)
External Debt (%GNI)	0.000401	0.00345	0.00569
	(0.08)	(0.65)	(1.22)
_cons	22.21***	23.30***	20.85***
	(7.37)	(7.82)	(6.02)
N	172	172	172
Time Effects	No	Yes	Yes
Country Effects	No	No	Yes
Robust	Yes	Yes	Yes

Note:
Significance (* p<0.05, ** p<0.01, *** p<0.001); t-statistics in parentheses; Fixed Effects (robust) regressions;
Dependent variable (Source, OECD): log of DRM disbursements at project level by year (2014, 2015, 2016);
Explanatory variables (Source, WB WDI):
Per-capita GDP, log of
Revenue Mobilization Efficiency, CPIA (index rated on a scale of 1 (low) to 6 (high))
Resource Allocation Index, IDA CPIA (index rated on a scale of 1 (low) to 6 (high))
Transparency & Accountability, CPIA (index rated on a scale of 1 (low) to 6 (high))
Tax Revenue (% GDP)
GDP growth (change, year on year)
Trade (% GDP)

External Debt (ratio of GNI)
Net ODA (ratio of GNI)
Natural resource Rents (% GDP)

4 | Successful DRM reforms

4.1 successful DRM reforms in developing countries

ITC and OECD (2015) have conducted case studies in trying to document successful DRM reforms in partner countries. These case studies included developing and emerging countries in Asia (Afghanistan, Bangladesh and Vietnam), Europe (Bosnia and Herzegovina, and Georgia) as well as Africa (Rwanda) and Latin-America (Paraguay). The key findings of the ITC and OECD (2015) study were that;

- Tax revenues (e.g., tax to GDP ratio) showed significant increases following tax reforms. This was the case not only in countries with relatively good institutional set-up but also in countries with fragile environments.
- Tax reforms in some of the countries studied also had the simultaneous impact of supporting trade liberalization. In these circumstances, the contribution of import duties declined overtime. Nevertheless, such declines were often more than offset by the gains in consumption taxes such as VAT and other tax instruments.
- Reforms resulted in reductions of transaction costs to the public as well as businesses.
- There were positive gains to economic development as a result of tax reforms. Countries utilized the increases in tax revenue to fund their development activities. Specifically, the gains in revenue were utilized for funding social projects in education and health sectors as well as in fitting into the overall development budget of countries.

ITC and OECD (2015) note that internal cooperation and assistance have contributed to the success of DRM reforms in the countries they investigated. International cooperation has been particularly helpful in carrying out 'policy analysis' and delivering 'policy recommendations'. Various international (development) organizations conducted studies on tax administration and tax policies of developing countries. These diagnostic studies were often followed up with reform programs. Developing country governments also pursued resources from bilateral and multilateral development agencies, be it in the form of technical capacity support or financial support earmarked for DRM activities.

Nevertheless, ITC and OECD (2015) also note the difficulty of precisely measuring DRM efforts (or attributing the supposed positive outcomes of international cooperation) in developing countries. There will be many confounding factors, and any attempts of measuring the role of international cooperation by specific donor or institution will require robust monitoring and evaluation activities. Yet, the right mix of external technical assistance and domestic reforms in the sphere of tax policies will contribute to DRM development. Donors should also bear in mind that it might take a long time before the positive impacts of policy reforms are witnessed.

4.2 Some lessons from the experience of Rwanda: the role of donors and good local initiative

Rwanda passed various reforms, including on tax policy, in the second half of the 1990s. This reform period follows the civil war in the country at the early 1990s. By 2001, the country also adopted VAT. These reforms have helped to increase the revenue mobilization capacities of the country. Further, the country's tax administration office (i.e., Rwanda Revenue Authority) underwent a major reorganization in 2003 and introduced an e-Tax Information System (ITC and OECD, 2015). The country also introduced new income tax laws in 2005 (constituting just three rates, i.e. 0%, 20%, and 30%). At the same time, several exemptions were eliminated to simplify the tax system. In addition, a turnover tax of 4% was levied on medium-sized businesses. The excise tax on various consumption items and services (alcohol, beverages, fuel, telecom, etc.) was expanded to include a wide range of consumption items. The country's income tax law was amended again in 2012 to include a turnover tax of 3% on small and micro (SME) enterprises.

A legislation passed by the country in 2005 also delivered more autonomy to tax bureaus regarding tax collection and auditing. It also delivered various legal tools to facilitate the enforcement of the tax code. The Rwanda Revenue Authority also started collecting social security contributions on behalf of the Rwanda Social Security Board in 2010. This was done to improve the level of compliance to social security contributions. This scheme, together with the revenue authority's 'Pay as you Earn' scheme (i.e., a withholding tax) enables a comprehensive coverage of taxpayers. Rwanda has also introduced Electronic Billing Machines to enhance the compliance of VAT payment by businesses. Further, as Ernst and Young (2015) notes, all tax filings (and archiving of accounting and tax records) in the country are currently conducted online. Rwanda has also taken the effort to enhance the decentralized collection of taxes across the 30 districts of the country. The effort to boost subnational tax collection have provided increased resources to local administrative units and communities. Following the institutional and policy reforms of the second half of the 1990s and the 2000s, the country started to focus more on a regional integration project, particularly with the East African Community (EAC). Rwanda ratified regional trade agreements and customs reform (e.g. Single Customs Territory project of EAC) after 2010. The country also planned to reduce its dependence on import duties gradually.

As a result of the country's policy reforms and improved implementation of policies, the tax revenue collected by the country has significantly increased. Overall, tax revenue (as a share of GDP) has risen by about half over the period from the early 2000s to early 2010s. It is interesting to note that the country saw significant gains in total tax revenue while witnessing a considerable decline in trade taxes. Revenue from trade taxes nearly halved over the period from the mid-2000s to early 2010s (ITC and OECD, 2015). The country is, thus, well on its way to fulfilling the objective of reducing reliance on import duties and trade taxes.

Apart from the rise in tax revenues, the productivity of various tax instruments such as VAT, corporate income tax and personal income tax has improved over time. As ITC and OECD (2015) note, the rise in tax revenue has enabled the country to have access to increasing domestic resources to fund its development activities (such as the health and education sectors). The health sector has particularly seen a decline in the share of external resources to cover the country's health spending. Fortunately, the simultaneous rise in domestic resources has offset the decrease in the expenditure by external resources. The experience in the health sector represents a dynamics that donors are eager to see, where a rising pool of domestic resources gradually replace the burden carried by external resources.

Figure 7: DRM related funding by donors and tax performance in Rwanda (as of 2015)

National progress on DRM

- Tax-to-GDP: 14% (IMF, GFS)

Doing Business, ease of paying taxes (2015)

- Payments (number per year): 29
- Time (hours per year): 124
- Total tax rate (%profit): 33
- Post-filing index (0-100): 83.3
- Regional ranking (SSA): 5/48
- Overall ranking: 59/190

Global competitiveness report (2015/16)

- Effect of taxation on incentive to work: 4.9/7 (Rank 14/140)
- Effect of taxation on incentive to invest[16]: 4.1/7 (Rank 27/14)

Source: Taxcompact (2018), DRM Project List (as of 2015)

The country's reform schemes on tax policy has enjoyed the support of donors (see Figure 7). This includes the technical assistance from both bilateral cooperation as well as from multilateral

[16] Countries have often used tax incentives to promote investment in their territories, although the evidence is mixed and the incentives might be considerably costly in some cases (see Megersa, 2019b).

development agencies. The donor support has included policy advice and capacity building targeting tax administration as well as the financing of information technology infrastructure. Donor technical support and advice was particularly instrumental when the country overhauled its tax administration and set up the 'Rwandan Revenue Authority'. Rwanda also enjoyed support during the introduction of the VAT system and while creating the Taxpayer Identification Number (TIN). The nation's tax agency also enjoyed a 'mentoring' program that was delivered by United Kingdom's Revenue and Customs bureau (ITC and OECD, 2015).

5 | Case studies on Belgium's contribution to DRM support

5.1 Belgium's work with the IMF

Belgium's cooperation with the IMF on DRM has been successful partly due to large overlaps in policy objectives. For instance, the IMF (through its Revenue Mobilization Trust Fund) intends to improve the domestic revenue mobilization capacities of developing countries by also nurturing the development of an efficient, transparent, and fair tax system. To further promote these shared goals on DRM, Belgium has been making financial contributions to this trust fund (DGD, 2015). Building further on its past contribution to the fund over the 2011-2017 period, the country extended its contribution to cover the 2017-2020 period.[17] Belgium had contributed about 4.1 million USD or around 15% of the overall budget for the first phase of the Trust Fund (see Figure 9) and already made contributions of 3.2 million USD or around 10% of the budget as of 2017 for the new (second) phase of the Trust Fund (see Figure 10). However, Belgium has noted that an extra $US6.5 million contribution will be made for the Trust Fund (IMF, 2017). This will bring Belgium's contribution to the second phase of the Trust Fund (IMF RMTF) to around 9.7 million USD or 9 million Euros. This is about a threefold increase in Belgium's contribution to the program, compared to the first phase.

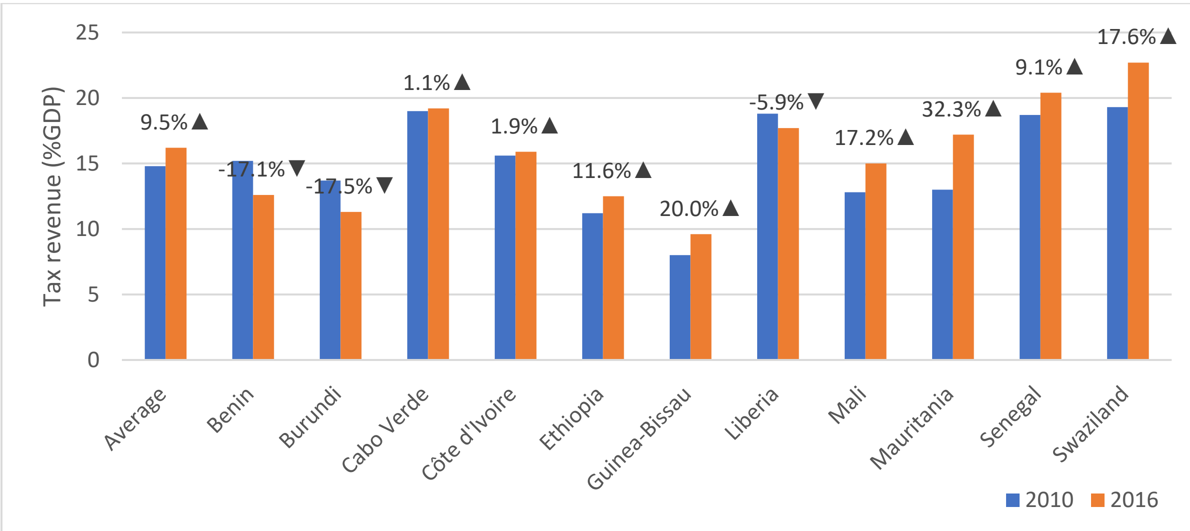
Through a collaboration between IMF and individual donors, IMF's DRM capacity building Trust Fund was initially launched in April 2011. The trust fund is formally known as '*Tax Policy and Administration Topical Trust Fund*' (TPA TTF). The individual contributors were Belgium, Germany, the Republic of Korea, Kuwait, Luxembourg, Netherlands, Norway, Switzerland, and the European Union. This trust fund was launched to help low-income and lower-middle-income countries. Its primary goal was the introduction of efficient and effective tax systems and enhanced revenue mobilization capacities to developing countries (IMF, 2016; 2015; 2010). The TPA TTF program was designed to address the rising demand from developing countries towards technical assistance on tax policy and tax administration. The program is directed to three specific objectives::

- Contribute to the DRM efforts in partner countries via support for the proper design of tax policy and tax administration systems,
- Introducing efficiency, growth, and equity to the tax system of partner countries by improving tax structure, and

[17] The first phase of the project (TPA TTF) ended in April 2017 and a second phase of the program followed. The program was also renamed to Revenue Mobilization Trust Fund (RMTF). This program will run over the 2017-2022 period (IMF, 2016b).

- Enabling the funding of public investment projects as well as various 'growth enhancing' government ventures via DRM assistance (IMF, 2017).

Figure 8: Tax Revenue performance in countries receiving DRM support



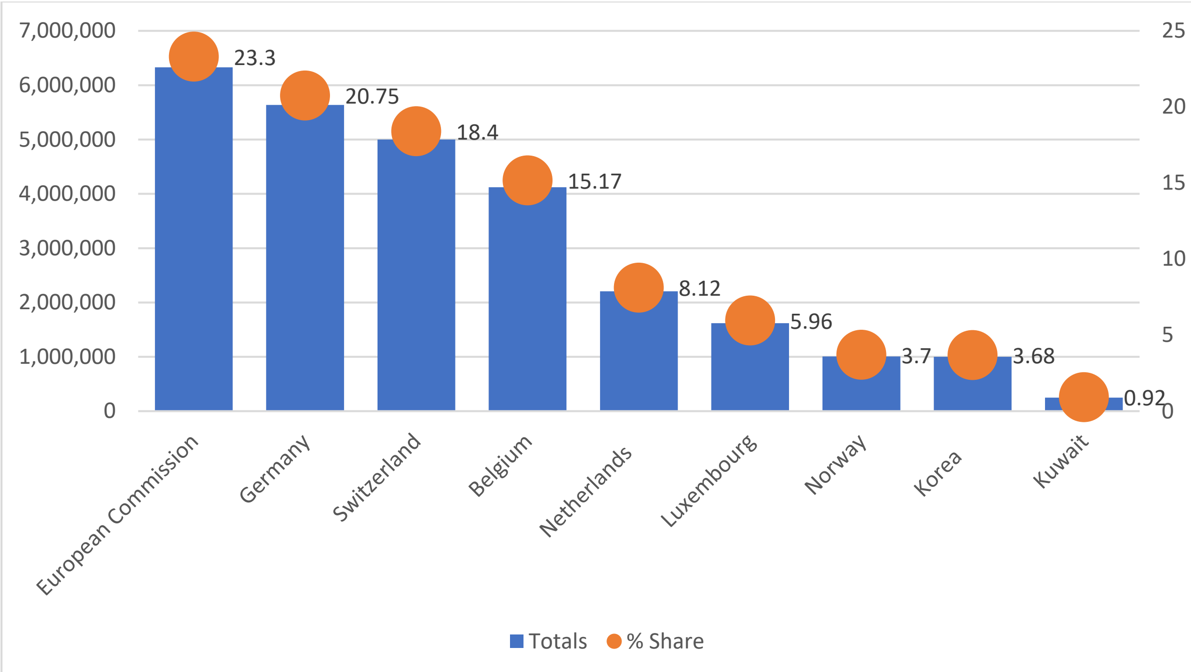
Source: IMF

The results from the first phase of the program over the 2011-2017 period were overall successful. Tax revenue has notably increased in several of the partner countries (see Figure 8). Furthermore, there have been important qualitative gains in tax administration (IMF, 2017). The project has also rendered useful insights into how external capacity support (by donors and other partner multilateral organizations) should proceed.[18]

The RMTF program has focused on two main delivery mechanisms in working towards its DRM goals. The first is '*Intensive engagement in support of transformational reform*'. This relates to the delivery of capacity support towards the realization of comprehensive reforms in the tax system of partner countries. This may include reformulating tax policy instruments and reorganization of revenue administration bureaus. It often involves the presence of the IMF's 'long-term experts' and other technical assistance providers, who work in close collaboration with local authorities. The second channel of focus is '*targeted support for reforms*'. This channel involves the delivery of support in specific and 'targeted' segments of the tax system that are deemed vital and where proposed changes would bring relatively bigger gains with limited reform. This channel is applied both in countries with good tax design that do not require comprehensive reforms and in countries without good tax policy but also with low 'absorption capacity' (IMF, 2016b).

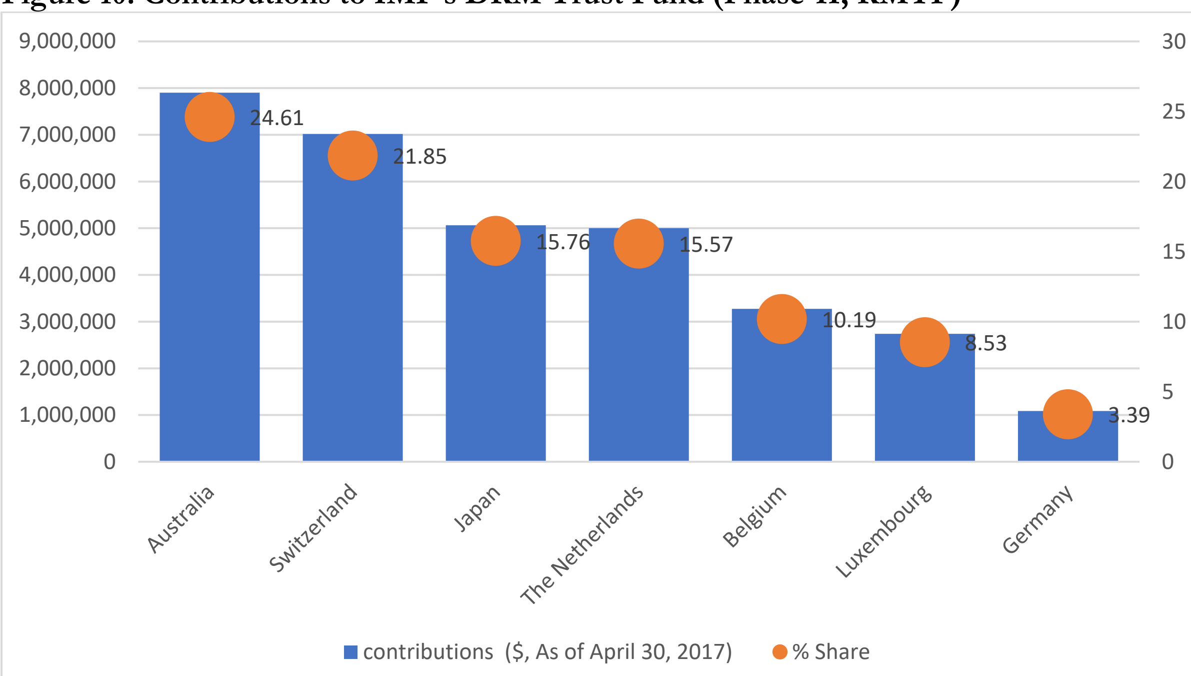
Figure 9: Contributions to IMF's DRM Trust Fund (Phase-I, TPA TTF)

[18] Some of the key lessons learned from the TPA TTF are summarized in IMF (2016). Brief notes on country performances are also available at IMF (2014, 2015).



Source: using IMF (2017) data

Figure 10: Contributions to IMF's DRM Trust Fund (Phase-II, RMTF)



Source: using IMF (2017) data, the stats show contributions as of 2017.
Note: In a 2017 report, the IMF noted that "at this point, no further potential donors are being approached, since the likely commitments to the RM-TF will total US$58.7 million once the slated Belgian, European Commission, German, Korean, and Japanese contributions are finalized." (IMF, 2017)

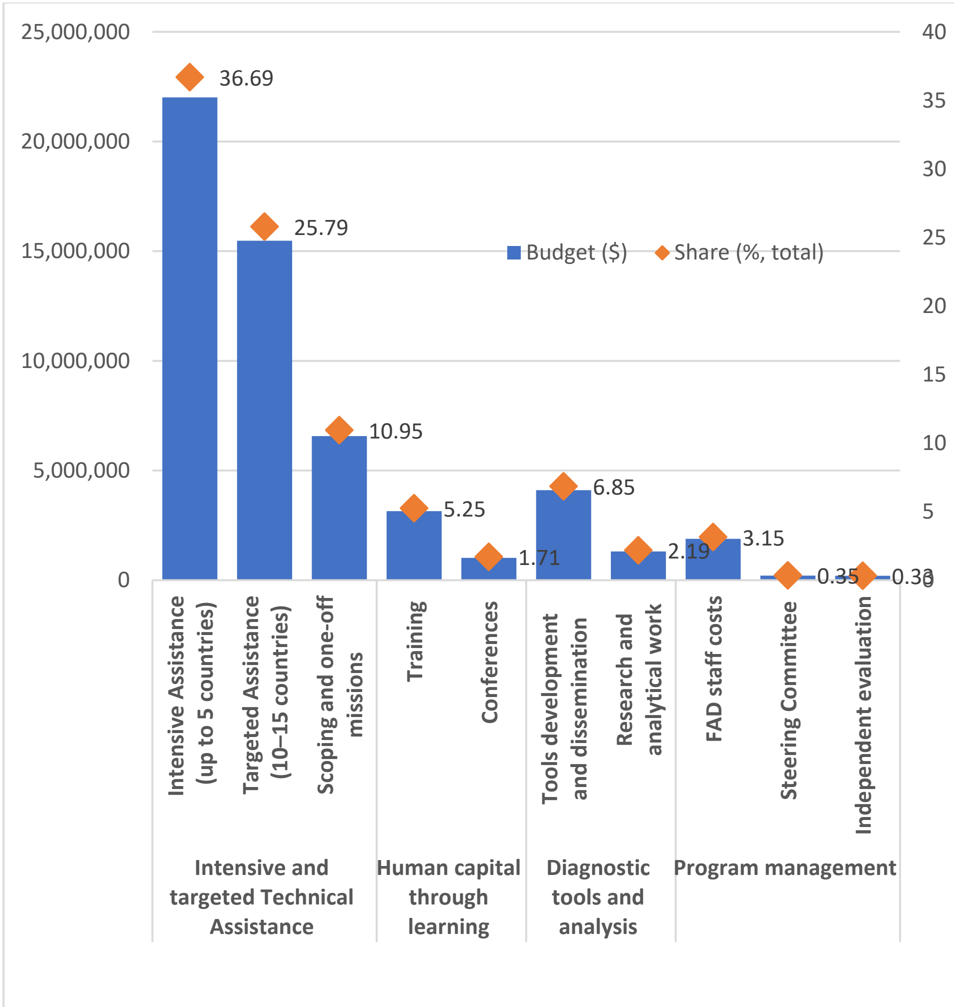
The RMTF is structured in a modular approach (see Table B1). The core focus areas of 'intensive' and 'targeted' *technical assistance* are provided via six specific modules - namely, i) reform strategy and management; ii) tax policy design; iii) tax administration organization; iv) tax administration corporate and compliance risk management; v) tax administration core business functions and procedures; and vi) tax administration support functions. The complementary focus areas of 'human capital' development is covered through i) training modules on tax policy and administration as well as via ii) hosting of international and regional conferences. The other complementary focus area of 'diagnostics tools' provision and analysis are covered by i) fiscal tools development and dissemination and ii) research and analytical work. Additional information about ongoing and proposed projects via IMF's RMTF Trust Fund (especially in African countries) is provided in Table B2. The budget breakdown of different instruments over the 2017-2022 period is also given in Figure 11. As can be seen from the figure, the most important components are the intensive and targeted technical assistance programs. These alone take around 60% of the program's budget.

Table B3: Modular Approach followed by RMTF

	CD modalities	Module	TA support for:	Major objectives
Core focus areas	**Intensive and targeted TA**	I	Reform strategy and management	Advice on reform planning and establish sound reform implementation and governance arrangements.
		II	Tax policy design	Advice on country-specific tax policy frameworks, including in international taxation.
		III	Tax administration organization	Advice on improvements to tax administration organizational structure.
		IV	Tax administration corporate and compliance risk management	Assist in developing country-specific capacity to identify, assess, and mitigate institutional and compliance risks.
		V	Tax administration core business functions and procedures	Assist in implementing efficient and effective core tax administration functions (registration, filing, payment, taxpayer services, tax audit, and dispute resolution). Develop supporting tax procedure legislation.
		VI	Tax administration support functions	Advise on measures to strengthen human resources, information technology, and budget/financial policies.
Complementary focus areas	**Human capital through learning**	VII	Training	Develop and deliver tax policy and administration training to raise human capacities.
		VIII	Conferences	Host international and regional conferences to promote dialogue across countries.
	Diagnostic tools and analysis	IX	Fiscal tools development and dissemination	Assist countries in establishing RAJFIT management platforms and delivery of the annual RAJFIT updates, and support analytical development of the RAJGAP methodology.
		X	Research and analytical work	Develop and build on existing research and analytical tools (including TADAT) to provide information and input to support CD work.

Source: IMF (2016)

Figure 11: Instruments of focus and budget ($), new phase of the IMF RMTF (US$)



Source: using IMF (2017) data

Table B4: IMF's RMTF projects (ongoing and proposed) in African countries

Country	Project Proposal approved by the SC	Coverage	Project formally endorsed by the authorities (MOP or LOC)/comments
Benin	Yes	Tax Administration	MOP between the Tax Administration and FAD signed on April 13, 2017.
CEMAC	Yes	Tax Policy	LOC signed by the Commissioner on May 28, 2017.
Cabo Verde	Yes	Tax Administration	LOC signed by the National Director on April 25, 2017.
Côte d'Ivoire	Yes	Tax Administration	Not yet.
EAC	Yes	Tax Policy	LOC signed by the Deputy Secretary General on May 18, 2017.
Ethiopia	Yes	Tax Administration	Not yet.
Guinea Bissau	Yes	Tax Policy and Administration	LOC signed by the Minister of State on April 27, 2017.
Liberia	Yes	Tax Policy and Administration	LOC signed by the Commissioner General on May 12, 2017.
Mali	Yes	Tax Administration	Not yet.
Sao Tome	No	Tax Administration	Not yet approved by the SC.
Senegal	Yes	Tax Policy and Administration	Not yet. A potential MTRS country.
Sierra Leone	No	Tax Administration	Not yet approved by the SC.

Swaziland	No	Tax Administration	Not yet approved by the SC.
WAEMU	Yes	Tax Policy	Not yet.
Central African Republic	No	N/A	Proposal being finalized and will be presented to SC in future.
Congo, DRC	No	N/A	Scoping mission had to be cancelled but discussions with the authorities and the World Bank are under way.
Guinea	No	N/A	Scoping mission was undertaken but project proposal still being discussed with the officials.
Tanzania	No	N/A	TA request received but assessment mission has not taken place and information waited on specific needs.

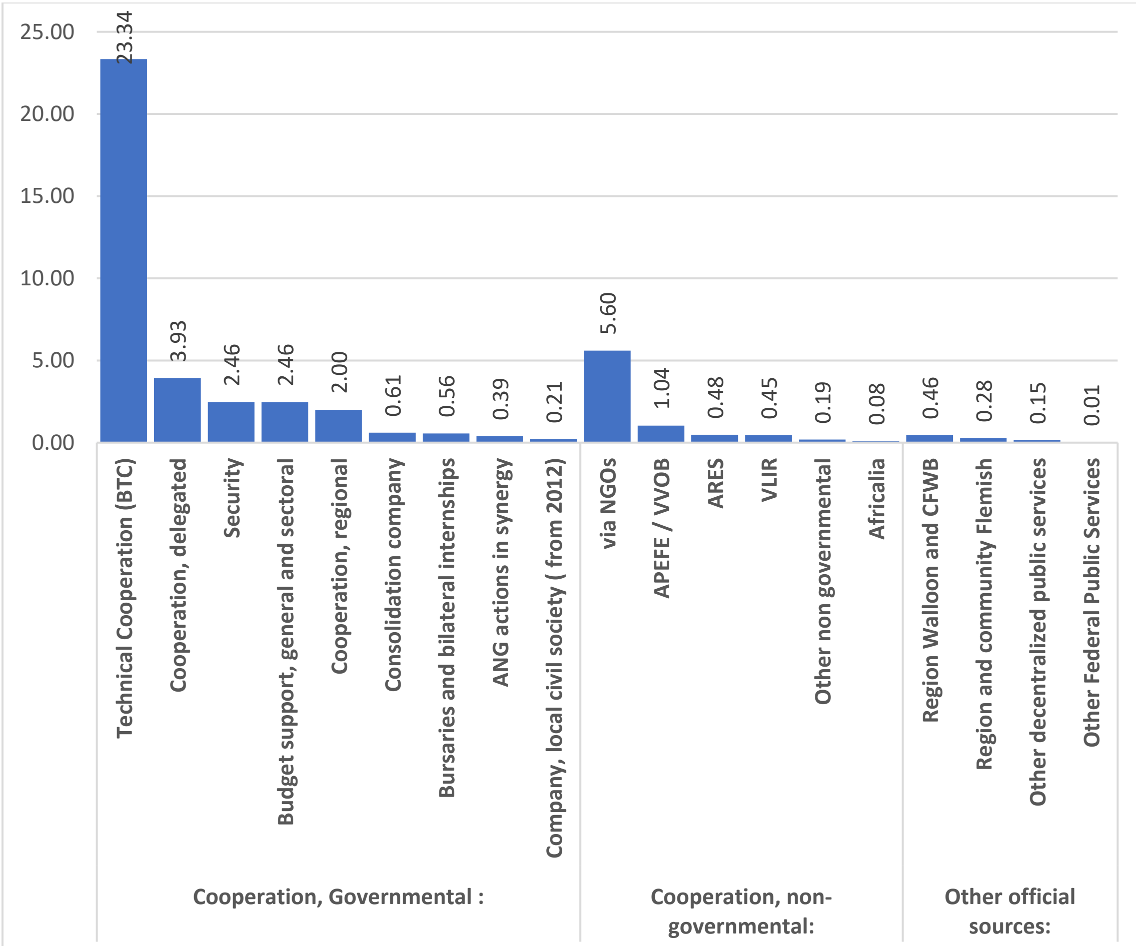
Source: IMF (2017)

5.2 Belgium's DRM support project in Burundi

Burundi is one of the key development partners for Belgium. The share of Belgian aid going to Burundi averaged around 8.3% of DGD's annual budget that was geographically allocated over the 2012-2015 period. In financial terms, Belgian ODA to Burundi averaged over 44 million euros per year over the 2012-2015 period. Over half of the budget in this period (averaging over 23 million euros per year) went to 'technical cooperation' (see Figure 12). In general, government cooperation (including technical assistance) took the lion's share of the support, constituting around 36 million euros per year in the period. Another important channel of the aid to Burundi was via non-government channels, which mainly flows through NGOs. There is also some smaller scale cooperation (at sub-national level) between federal regions and communes of Belgium and Burundi.

For Belgium, especially in view of the fall in official development assistance to developing countries, it is becoming a priority to support the mobilization of domestic resources. To increase the impact of its support, Belgium intends to integrate its contribution into a broader program that will benefit from the World Bank's expertise in this area (Taxcompact, 2018). To respond to Burundi's challenges on fiscal policy issues, the World Bank set up the '*Institutional Capacity Building of the Republic of Burundi*' project - amounting to 28 million USD. The program is run via co-financing with Belgium. The contribution of the Bank amounted to $22 million, while the contribution of Belgium was $6 million. The Belgian contribution will be managed directly by the Bank to carry out technical assistance and scoping studies. The Bank has set up a Trust Fund and hopes to attract other donors to this project (Taxcompact, 2018). The core objective of the project is to strengthen the institutional capacity of the government to improve tax management.

Figure 12: Belgian ODA to Burundi, Sectoral breakdown: average, 2012-2015 (mil, $)



Source: using DGD data

Burundi (Belgium - World Bank) DRM project

DRM project	Institutional strengthening program on financial administration: fiscal policy and administration, audit and public expenditure management, support for the national statistics institute, strengthening Burundi's revenue bureau (*l'Office Burundais des Recettes*)
Development partner	World bank group: international Association AID/IDA development
Partner country (Global South)	Burundi
2015 Commitment	6,000,000
2015 expenditure	2,000,000
Channel (Gov't, NGO, Multi.)	Government cooperation
History	Belgium would like to support the enhancement of 'domestic resource mobilization' capacities of its partner countries, also in light of the decline in development assistance and the need to grow local capacity. To maximize the impact of its development cooperation in this regard, Belgium is working with international/multilateral development institutions such as the World Bank that have strong expertise. To meet the challenges faced by Burundi regarding fiscal policy issues, the World Bank will set up a draft an 'institutional capacity building' program for the Republic of Burundi. This program will be covered by a 28 million USD budget, co-financed by Belgium, where the

	country will cover 6 million USD, and the bank covers the rest 22 million. The Bank will also manage the Belgian contribution to the program. The bank has also set up a Trust Fund in the hope of attracting other donors to the project. Out of Belgian contribution, 4.9 million euros will go to the Trust Fund. Furthermore, 800,000 euros will be used to finance 'technical assistance' activities, studies, analyses, etc., while 300,000 euros are assigned to cover the costs of the bank.
Target group	Ministry of Finance, Burundian revenue Office, Court of Auditors, Institute of Statistics and Economic Studies of Burundi
Objective	The objective of the project is to strengthen the institutional capacity of the government to improve tax administration
Expected results	Component 1: Modernization of Tax Policy and Administration: • *Subcomponent 1.1: Strengthening Tax Policy Functions at the Ministry of Finance and Economic Development Planning (MFPDE),* • *Sub-component 1.2: Support for Macroeconomic Modeling,* • *Subcomponent 1.3: Modernization of tax administration through an integrated system of tax administration (ITAS) and audit management based on risk analysis,* • *Sub-component 1.4: Improving Mining Revenue Collection Practices.* *Component 2: Strengthening Public Expenditure Management and Control:* • *Sub-component 2.1: Capacity Building for Planning, Coordination and Consensus Building on the Implementation of Public Financial Management Reforms of the State,* • *Sub-component 2.2: Improved functionality and use of new integrated financial management systems,* • *Sub-component 2.3: Establishment of Pillars for the Implementation of Program Budgets,* • *Sub-component 2.4: Strengthening audit and external control functions.* Component 3: Improvement of the Institutional Performance of the Burundi Institute of Statistics and Economic Studies. Component 4: Improved regulatory capacities of the mining sector and mining practices. The Belgian contribution will come more specifically to support Component 1, which concerns, in particular, the strengthening of the Burundian Revenue Authority (OBR) through the modernization of its IT system. Implementation will be the responsibility of the World Bank. The overall responsibility for technical coordination and monitoring of the project rests with the Ministry of Finance and Economic Development Planning (MFPDE) through the Support Unit for Monitoring Reforms.

5.3 Belgium's efforts for policy coordination: 'vulture funds' and taxing ODA

Belgium has shown a commitment to working towards a 'coherent' policy for development cooperation (GIZ, 2017). In this regard, the country is working on various specific themes whose priority coincides with the targets agreed with the European Union.[19] Belgium has also taken critical legal steps that could assist the DRM efforts of developing countries. For instance, the country passed a law on 12 July 2015 to combat the detrimental effects of speculative practices by 'vulture funds'.

[19] Some of these specific areas of development cooperation where the country coordinates its efforts and policies include; projects on 'trade and finance', mitigating 'climate change', as well as works on dealing with 'migration', and 'peace and security'.

This law makes 'vulture fund litigation' difficult to carry out in the country, thereby assisting DRM efforts of partner developing countries (DGD, 2015; Cassimon et al., 2017; GIZ, 2017). In other words, the law works by enabling the country's courts to block the claims raised by 'vulture funds'. The power of this legislation has also been enhanced by the support of the African Legal Support Facility. For example, the government of D.R. Congo has been able to score a victory against the claims raised by a vulture fund known as 'FG Hemisphere', where the claims of 100 million USD by the fund was rejected by US courts using this legal scheme in 2014 (DGD, 2015).

Belgium is also one of the donors taking the lead role in entertaining the idea of taxing ODA flows to partner countries.[20] Most donors commonly enjoy tax exemptions on their projects in their partner countries (Steel et al., 2018). Although there are limited studies on the extent of revenue loss on ODA exemptions, existing evidence indicates that it is quite significant (ODA, 2018). for instance, revenue loss from ODA exemptions represented 10% of revenue in Niger as of 2002 (Thuronyi, 2006). In Burundi, ODA exemptions represented a staggering 50% of total customs exemptions (MFBP, 2013). similarly, Tanzania loses about 17% of its gross import value as customs exemptions on ODA (Thuronyi, 2006). Further, ODA customs exemptions were valued at 1.7% of GDP in Mali (Chambas, 2005).

Apart from its direct implication in raising revenue, taxing ODA may play additional roles. For instance, some (theoretical) studies suggest that developing countries may tax 'unilateral' development projects so that there is more donor 'harmonization' and cooperation on joint development projects for more efficient and bigger-impact intervention. It is noted that donors often "have a bias in favor of their own unilateral project" (Auriol and Miquel-Florensa, 2015).

Belgium is not only working on its plan to voluntarily make its ODA flows subject to the tax policies of partner countries but also doing some advocacy work so that other donors also pursue this agenda. Given that ODA flows constitute a significant share of economic activity in some of the poorest countries (which also have among the lowest levels of tax collection), taxing development aid may assist DRM capacities (GIZ, 2017).

The July 2015 Belgian Law on 'vulture funds'
The 2013 law mainly affects Belgian works on development cooperation via two main executing agencies - namely, the Belgian Development Agency (BTC) and the Belgian Investment Company for Developing Countries (BIO). Apart from updating the laws governing these two major development organizations of the country, the regulatory systems governing CSO funding and humanitarian aid activities have also been extensively modified. Besides, a legal framework has been set up to oversee the harmonization/'policy coherence' of development cooperation activities (DGD, 2015).

5.4 Belgium's DRM activities at the local level

The local governments of Belgium (i.e. cities, municipalities, and provinces) make important support for the country's overall contribution to international development cooperation (DGD, 2017). They deliver valuable local practices and lessons (i.e. 'bottom-up approach') to solve global problems. One

[20] Some donors (such as the Netherlands and Norway) have already 'unilaterally' decided to abstain from asking for ODA tax exemptions. The WB and other multilateral development institutions are also reviewing possible ways to relax restrictions on taxing projects and loan proceeds (Steel et al., 2018)

notable area of cooperation has been the sharing of experience (e.g. on tax administration) by specialized Belgian communal associations, such as:

- Union of Cities and Towns of Wallonia, i.e. *'Union des Villes et des Communes de Wallonie'* (UVCW);
- Association for Flemish Cities and Municipalities, i.e. *'Vereniging voor Vlaamse Steden en Gemeenten'*; and
- Brulocalis.

Belgium has sought to enhance revenue administration of its partner countries, among other ways, through improvements of governance and accountability in tax agencies, customs bureaus, and finance ministries of local governments. The support often involves exchanges and communications between local tax authorities and Belgian tax administration. Belgian development agencies (e.g. Enabel, formerly BTC)[21] have also accumulated extensive experience from working on international development programs in many partner countries. Belgium has gained some 'comparative advantage' for DRM support at the 'local' level, based on the experiences gained from its work on local development cooperation (BTC, 2016). Such expertise could positively shape the current drive for DRM projects in partner countries. Nevertheless, its experiences may also be useful to act at the 'central' level where tax policy is often formulated and ratified - including policies that will be implemented at a decentralized or 'local' level.

6 | Conclusion

While developing countries have seen rising levels of tax revenue on average, for many low-income countries, the level of revenue mobilization remains below the minimum threshold required for 'sustainable development' financing (IMF et al., 2016). Developing countries are confronted with numerous administrative challenges that affect the effectiveness of their tax systems (OECD, 2016; IMF, 2015b). The institutional weaknesses affecting developing countries are not limited to tax administration. In fact, they affect virtually all aspects of public service delivery. In the context of tax administration, developing countries suffer from inadequate staffing of tax bureaus. In addition, the lack of good training to tax agents as well as lack of good IT technology imposes inefficiencies to their tax administration. Furthermore, the presence of corruption renders public administration difficult and, thereby, diminishes taxpayer morale.

Apart from administrative weaknesses, the design of the tax system itself may carry challenges. In some countries, tax rates are raised high to compensate for low tax base. However, this has a knock-on effect on businesses - as it discourages economic activity and even pushes some firms to the shadow economy. Further, the tax codes might be complex involving various tax instruments, differentiated tax rates and exemptions. This adds to the difficulty of implementing tax systems and, eventually, lowers tax revenue. Developing countries in post-conflict scenarios and those heavily reliant on natural resources face additional difficulties, i.e. besides the broad institutional challenges

[21] For the reform on Belgian Development Agency and renaming to 'Enabel', see link below.
https://diplomatie.belgium.be/en/newsroom/news/2017/1_january_2018_new_name_reformed_belgian_development_agency_will_be_enabel

similarly faced by all developing countries. Countries in the Global South also suffer from the unfair arrangements of the international tax system. Nevertheless, some of these external challenges are not easy to fix solely by developing countries themselves. Donors can play a key role in helping to fight 'profit shifting' and 'tax heavens'.

At the moment, several DRM support initiatives that have the backing of both donors and partner developing countries are underway. Bilateral and multilateral development agencies are working on DRM enhancement projects in their partner countries. The prime position given to domestic resource mobilization efforts in developing countries by donors is evident from the 2015 Addis Tax Initiative, in which donors pledged to double the technical cooperation allotted to tax objectives (OECD, 2016; IMF et al., 2016; Junquera-Varela et al., 2017). The overall aim of DRM initiatives is to enhance the domestic revenue generation capacities of developing countries. Nevertheless, the scope, instruments and specific objectives of each project might slightly differ. The list of funding modalities includes sector budget support, basket funds, bilateral and multilateral arrangements, support for regional organizations, in-kind supports or technical assistance, etc.

There are a number of exemplar DRM projects through which donors are making significant contributions to their partner countries (see Section 2.1). For instance, Denmark's 'general budget support' contribution has benefited Mozambique's 'Center for Public Integrity' and 'Institute of Social Economic Studies'. With the provision of external support, these institutions have conducted research on 'transparency of financial flows in Mozambique' and 'link between finances generated from the extractive sector and development' (Fjeldstad and Heggstad, 2011). Germany's 'Sectoral budget support' to Rwanda has been dedicated to 'tax policy and tax administration' support and 'decentralization and good governance' efforts in the country. Norway supports DRM enhancement efforts in Tanzania and Mozambique via 'Basket Funds'. Norway's 'Tax Modernization Program (TMP)' basket fund has supported 'Tanzania Revenue Authority's DRM initiatives. Further, the 'Tax Common Fund of Mozambique' has supported capacity building in 'Mozambique Revenue Authority'. Finland supports DRM reforms in the broader Africa region via the funding of 'regional tax organizations'. In this regard, the country is working closely with the African Tax Administration Forum (ATAF), especially in the areas of 'Base erosion' and 'Profit Shifting'. As a region, sub-Saharan Africa receives a significant share of DRM focused aid flows. OECD data on DRM commitments shows that the region received about 3.8 dollars out of every 10 dollars committed globally by donors to DRM in 2015. As being a region comprised of many developing countries with low revenue mobilization capacities, it is encouraging to see that it is receiving strong attention from donors and development institutions. In particular, the paper shows that DRM support is directly more to developing countries with weaker tax efficiency systems.

Like other donors, Belgium is also taking a commendable role by participating in different DRM and PFM projects. It has been active through country projects, such as in Burundi and Mozambique. Belgium also actively participates in major multilateral DRM projects (Trust Funds) administered by IMF and also World Bank. In Mozambique, for instance, it supports the Mozambique Tax Authority, locally known as *Autoridade Tributária de Moçambique*. Belgium contributes to the 'Tax Common Fund' of Mozambique. This program is funded and coordinated by Belgium and other donors (namely; Germany, UK, Switzerland and Norway) and includes the IMF as an 'observing partner'. The BTC (now *Enabel*) has coordinated Belgian assistance on tax-related programs in Mozambique together with other bilateral and multilateral development agencies such as CIDA (Canada), DFID (UK), GIZ (Germany), IPAD (Portugal), Norad (Norway), SECO (Switzerland), Schweizerische Eidgonossenschaft (Switzerland), AfDB, IMF, and World Bank (Fjeldstad and Heggstad , 2011).

In Burundi, Belgium collaborates with the World Bank in supporting the country's DRM enhancement initiatives. The 'Institutional Capacity Building of the Republic of Burundi' is a World Bank project which also encompasses the country's DRM reform. Around 28 million USD is budgeted for the program. Of this, Belgium has committed itself to cover 6 million while the bank will be responsible for the rest of the 22 million budget. In this regard, the Bank has set up a Trust Fund in the hope of attracting other donors. The key targets of the project include modernization of tax policy and administration; strengthening public expenditure management and control; improvement of the institutional performance of the Burundi Institute of Statistics and Economic Studies; and improved regulatory capacities of the mining sector and mining practices.

Belgium participates in a major IMF led trust fund targeted at DRM support in developing countries. With a contribution worth 4.1 million USD, Belgium had participated in the first phase of this Trust Fund, namely Tax Policy and Administration Topical Trust Fund (TPA TTF) that ran over the 2011-2017 period. Belgium is also currently participating in the second phase of the trust fund, namely the Revenue Mobilization Trust Fund (RMTF), which run over the 2017-2020 period. Belgium has already contributed over 3.2 million USD in 2017 to this fund and promised to add another tranche of 6.5 million USD. The program delivers assistance to partner countries via different channels such as: tax policy design; improvements to tax administration and organizational structure; training to raise human capacities; host international and regional conferences to promote DRM dialogues; assist in conducting DRM research, and provision of analytical tools.

Belgian activities in DRM initiatives are not only anchored on country programs but also on multi-donor platforms that require coordination. In this regard, the country has been able to realize a 'coherent' and 'harmonized 'development policy (GIZ, 2017). Apart from supporting DRM reforms in partner countries, Belgium has introduced reforms to its financial laws to fight international tax arrangements that hurt developing countries. The Belgian 'law on vulture funds' (passed July 2015) combats the speculative practices of 'vulture funds' by making the litigation of these funds difficult. The law has also positively altered the *Modus Operandi* of the Belgian Development Agency (BTC), and the Belgian Investment Company for Developing Countries (BIO) – so that they responsibly execute their operations in partner countries.

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Annex

Table A5: Determinants of DRM allocation, Conditional panel regressions (log)

	(1)	(2)	(3)	(4)
per capita GDP	0.451	0.320	18.25**	18.36**
	(0.96)	(0.71)	(1.99)	(2.03)
Revenue Mobilization Efficiency, CPIA	2.728	-1.229	22.08**	18.99
	(0.97)	(-0.43)	(2.22)	(1.94)
Resource Allocation Index, IDA CPIA	-13.98***	-15.93***	-10.56	-3.743
	(-3.49)	(-4.10)	(-0.31)	(-0.11)
Transparency & Accountability, CPIA	-0.152	0.509	4.779	4.313
	(-0.13)	(0.45)	(0.51)	(0.47)
Tax Revenue	-0.426	0.0773	-1.749	0.173
	(-0.49)	(0.09)	(-0.19)	(0.02)
GDP growth	0.848	0.879**	1.308	1.652**
	(1.85)	(2.02)	(1.56)	(2.00)
Trade	-1.071	-2.364**	11.06	6.733
	(-0.99)	(-2.16)	(1.35)	(0.83)
External Debt	0.668	2.207**	11.83**	12.99***
	(0.86)	(2.56)	(2.42)	(2.69)
Net ODA	0.391	0.522*	1.447	2.526
	(1.18)	(1.66)	(0.39)	(0.69)
Natural resource Rents	0.435**	0.256	8.348*	9.492**
	(2.56)	(1.51)	(1.94)	(2.23)
_cons	23.63***	30.67***	-189.8***	-185.9***
	(4.26)	(5.27)	(-2.70)	(-2.68)
N	152	152	151	152
Time Effects	No	Yes	Yes	Yes
Country Effects	No	No	Yes	Yes
Robust	Yes	Yes	Yes	No

Note:
Significance (* p<0.05, ** p<0.01, *** p<0.001); t-statistics in parentheses; Fixed Effects (robust) regressions;
Dependent variable (Source, OECD): log of DRM disbursements at project level by year (2014, 2015, 2016);
Explanatory variables (Source, WB WDI):
log of Per-capita GDP
log of Revenue Mobilization Efficiency, CPIA
log of Resource Allocation Index, IDA CPIA
log of Transparency & Accountability, CPIA
log of Tax Revenue
log of GDP growth
log of Trade
log of External Debt
log of Net ODA
log of Natural resource Rents

Table A6: Determinants of ODA allocation, Conditional panel regressions (log)

	(1)	(2)	(3)	(4)
per capita GDP	-1.170***	-1.125***	-0.957***	-0.957***
	(-34.68)	(-31.52)	(-3.98)	(-5.70)

Revenue Mobilization Efficiency, CPIA	1.495***	1.988***	2.094***	2.094***
	(5.34)	(6.93)	(4.98)	(7.78)
Resource Allocation Index, IDA CPIA	3.791***	3.619***	1.102	1.102*
	(10.26)	(10.00)	(1.17)	(1.89)
Transparency & Accountability, CPIA	1.084***	1.081***	0.453	0.453*
	(9.96)	(10.13)	(1.40)	(1.95)
Tax Revenue	-0.730***	-0.811***	-0.0725	-0.0725
	(-7.61)	(-8.54)	(-0.28)	(-0.43)
GDP growth	-0.172***	-0.161***	-0.0335	-0.0335*
	(-4.40)	(-4.18)	(-1.25)	(-1.81)
Trade	0.817***	0.854***	0.00593	0.00593
	(8.63)	(8.82)	(0.02)	(0.03)
External Debt	0.216***	0.145**	-0.0715	-0.0715
	(3.54)	(2.17)	(-0.50)	(-0.59)
Natural resource Rents	0.0384*	0.0607***	-0.120	-0.120
	(2.30)	(3.66)	(-0.87)	(-1.55)
_cons	0.0253	-0.447	5.845***	5.845***
	(0.04)	(-0.74)	(2.59)	(3.51)
N	249	249	249	249
Time Effects	No	Yes	Yes	Yes
Country Effects	No	No	Yes	Yes
Robust	Yes	Yes	Yes	No

Note:
Significance (* p<0.05, ** p<0.01, *** p<0.001); t-statistics in parentheses; Fixed Effects (robust) regressions;
Dependent variable (Source, OECD): log of Net ODA by year (2014, 2015, 2016);
Explanatory variables (Source, WB WDI):
log of Per-capita GDP
log of Revenue Mobilization Efficiency, CPIA
log of Resource Allocation Index, IDA CPIA
log of Transparency & Accountability, CPIA
log of Tax Revenue
log of GDP growth
log of Trade
log of External Debt
log of Natural resource Rents

Table A7: Determinants of DRM allocation (as share of ODA), unconditional panel regressions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
per capita GDP	-0.0000363*									
	(-1.92)									
Revenue Mobilization Efficiency, CPIA		-0.372***								
		(-2.66)								
Resource Allocation Index, IDA CPIA			-0.437***							
			(-2.71)							
Transparency & Accountability, CPIA				-0.227*						
				(-1.95)						
Tax Revenue (%GDP)					0.00102					
					(0.16)					
GDP growth						-0.00438				
						(-0.33)				
Trade (%GDP)							0.00358**			
							(2.01)			
External Debt (%GNI)								0.00199		
								(1.44)		
Net ODA (%GNI)									0.00238	
									(0.50)	
Natural resource Rents (% GDP)										0.00356
										(0.66)
_cons	0.764***	2.154***	2.260***	1.385***	0.971***	0.666***	0.417**	0.518***	0.626***	0.598***
	(11.35)	(4.28)	(4.14)	(4.05)	(5.57)	(9.48)	(3.04)	(6.37)	(10.60)	(9.05)
N	603	442	442	442	312	599	580	575	602	601

Note:
Significance (* p<0.05, ** p<0.01, *** p<0.001); t-statistics in parentheses; robust OLS panel regressions;
Dependent variable (Source, OECD): log of DRM disbursements at project level by year (2014, 2015, 2016);
Explanatory variables (Source, WB WDI):
Per-capita GDP, log of
Revenue Mobilization Efficiency, CPIA (index rated on a scale of 1 (low) to 6 (high))
Resource Allocation Index, IDA CPIA (index rated on a scale of 1 (low) to 6 (high))
Transparency & Accountability, CPIA (index rated on a scale of 1 (low) to 6 (high))
Tax Revenue (% GDP)
GDP growth (change, year on year)
Trade (% GDP)
External Debt (ratio of GNI)
Net ODA (ratio of GNI)
Natural resource Rents (% GDP)

Table A6: Determinants of DRM allocation, Unconditional panel regressions (log)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
per capita GDP	-0.770***									
	(-7.35)									
Revenue Mobilization Efficiency, CPIA		-1.024								
		(-1.35)								
Resource Allocation Index, IDA CPIA			-0.677							
			(-0.81)							
Transparency & Accountability, CPIA				-0.825						
				(-1.46)						
Tax Revenue					-0.656*					
					(-1.84)					
GDP growth						0.363**				
						(2.42)				
Trade							0.500**			
							(1.99)			
External Debt								-0.146		
								(-0.82)		
Net ODA									0.385***	
									(6.26)	
Natural resource Rents										0.248***
										(3.31)
_cons	16.98***	12.97***	12.49***	12.53***	13.40***	10.87***	9.204***	11.88***	10.90***	10.92***
	(21.77)	(13.50)	(12.41)	(21.09)	(12.29)	(48.55)	(8.68)	(17.87)	(89.67)	(71.01)
N	512	368	368	368	272	467	494	484	504	505

Note:
Significance (* p<0.05, ** p<0.01, *** p<0.001); t-statistics in parentheses; robust OLS panel regressions;
Dependent variable (Source, OECD): log of DRM disbursements at project level by year (2014, 2015, 2016);
Explanatory variables (Source, WB WDI):
log of Per-capita GDP
log of Revenue Mobilization Efficiency, CPIA
log of Resource Allocation Index, IDA CPIA
log of Transparency & Accountability, CPIA
log of Tax Revenue
log of GDP growth
log of Trade
log of External Debt
log of Net ODA
log of Natural resource Rents

Table B8: Disbursement to DRM projects in Sub-Saharan African countries by international donors (2015)

Donor Name	Recipient Name	Channel	Short Description	Disbursement (Thous. USD)
Belgium	Burundi	International Development Association	Programme de renforcement institutionnel dans la gestion des finances publiques : politique et administration fiscales, audit et gestion des dépenses	2218.52
Canada	Mali	Other	Support for the Mobilization of Internal Resources (PAMORI II) / Appui à la mobilisation des ressources internes (PAMORI II)	2998.78
Canada	Benin	Other	Support to the Increase of Internal Revenues in Benin (PAARIB) / Projet d'appui à l'accroissement des recettes intérieures du Bénin (PAARIB)	442.86
Canada	Tanzania	Recipient government	Tanzania Minerals Audit Agency / Agence tanzanienne de vérification chargée du secteur minier	293.36
Canada	Ethiopia	International Finance Corporation	Investment Climate Improvements Program / Programme d'amélioration du climat d'investissement	117.34
Canada	Tanzania	Recipient government	Extractive Industries Transparency Initiative in Tanzania . Phase II / Initiative pour la transparence dans les industries extractives en Tanzanie . P	97.79
Denmark	Ghana	Donor government	Ghana: Tax and Development Programme (2015.2018)	364.01
Denmark	Ghana	Donor government	Ghana: Tax and Development Programme (2015.2018)	44.79
Denmark	Ghana	Recipient government	Ghana: Tax and Development Programme (2015.2018)	1391.16
Denmark	Mozambique	International Monetary Fund - Poverty Reduction and Growth Trust	Development contract with Mozambique . 2014.2017.	669.11
Denmark	Mozambique	Local/Regional NGOs	Development contract with Mozambique . 2014.2017.	597.01
Denmark	Mozambique	Recipient government	Development contract with Mozambique . 2014.2017.	2230.35
Denmark	Mozambique	University, college or other teaching institution, research institute or think-tank	Development contract with Mozambique . 2014.2017.	593.04
Finland	Kenya	Donor government	Transparency International Kenya . Supporting citizens? demand for Integrity and Accountability at the Sub.National level ; Phase II	29.20
Finland	Kenya	Donor government	Tax Justice network . taking a step towards achieving Tax Justice in East Africa through citizen.driven actions	88.74
Finland	Tanzania	Recipient government	Public Financial Management Reform Programme in Tanzania	1331.11
Finland	Zambia	World Bank Group	Public Finance Management Reform	1109.26
France	Cameroon	Public Sector (donor, recipient, other)	Appui à la gouvernance financière au Cameroun (PAGFI)	51.03
France	Niger	Public Sector (donor, recipient, other)	Civisme fiscal développement	102.05
France	Comoros	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	459.23
France	Central African Republic	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	198.56
France	Chad	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	250.69
France	Niger	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	67.67
France	Mali	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	331.67
France	Mauritius	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	183.03
France	Madagascar	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	227.40
France	Senegal	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	430.39
France	Burkina Faso	Public Sector (donor, recipient, other)	Expertise technique dans le domaine de la gouvernance financière . Assistance technique dans le domaine fiscal	203.00
Germany	Democratic Republic of the Congo	Public Sector (donor, recipient, other)	Policy Advice for the Mobilization of the National Revenue	236.48
Germany	Benin	Public Sector (donor, recipient, other)	Program for decentralisation and local developpement	13.17
Germany	Democratic Republic of the Congo	Public Sector (donor, recipient, other)	Support good governance in the commodities sector	1069.83
Germany	Rwanda	Public Sector (donor, recipient, other)	Support of decentralisation to make a contribution to good governance in Rwanda	680.10
Germany	Tanzania	Public Sector (donor, recipient, other)	Support to Local Governance Processes . SULGO	34.30
Germany	Benin	Public Sector (donor, recipient, other)	Macroeconomic advice for poverty reduction	463.49
Germany	Kenya	Public Sector (donor, recipient, other)	Support to Public Finance Reforms	10.39
Germany	Mauritania	Public Sector (donor, recipient, other)	Support to reform processes in the fields of good financial governance and decentralisation	3.21
Germany	Mali	Public Sector (donor, recipient, other)	Support to good resource governance in Mali	391.12
Germany	Burkina Faso	Public Sector (donor, recipient, other)	Advising of the Ministry of Economy and Finance	100.96

Germany	Burkina Faso	Public Sector (donor, recipient, other)	Decentralisation and Municipal Development	577.95
Germany	Zambia	Public Sector (donor, recipient, other)	Good Financial Governance in Zambia	967.53
Germany	Malawi	Public Sector (donor, recipient, other)	Support to Public Financial and Economic Management	1909.83
Germany	Zambia	Public Sector (donor, recipient, other)	Public Financial Management Reform Programme (PFMRP)	554.63
Germany	Ghana	Public Sector (donor, recipient, other)	Support to decentralisation reform in Ghana	424.58
Germany	Ghana	Public Sector (donor, recipient, other)	Good Financial Governance	1534.51
Germany	Mauritania	Public Sector (donor, recipient, other)	Support to reform processes in the fields of good financial governance and decentralisation	502.80
Germany	Mozambique	Public Sector (donor, recipient, other)	Natural Resource Governance in Mozambique	108.40
Germany	Tanzania	Public Sector (donor, recipient, other)	Support to the National Audit Office of Tanzania	300.60
Germany	Senegal	Public Sector (donor, recipient, other)	Assistance Advisory for results.based development and budget planning	180.51
Germany	Kenya	Public Sector (donor, recipient, other)	Promoting Good Governance to strengthen Integrity and Accountability	612.47
Germany	Uganda	Public Sector (donor, recipient, other)	Promotion of Accountability and Transparency	300.21
Germany	Benin	Public Sector (donor, recipient, other)	Programme for decentralisation and local development	889.02
Germany	Cameroon	Public Sector (donor, recipient, other)	Support in modernizing public financial management	438.54
Germany	Uganda	Public Sector (donor, recipient, other)	Support to the Financial Management and Accountability ProgrammeFINMAPII	1109.26
Germany	Burkina Faso	Public Sector (donor, recipient, other)	Strengthening of Good Financial Governance in Burkina Faso	62.87
Germany	Mozambique	Public Sector (donor, recipient, other)	Districts and municipalities manage their resources according the principles of Good Financial Governance more	1127.70
Germany	Rwanda	Public Sector (donor, recipient, other)	Support to decentralisation and good governance in Rwanda II	0.33
Germany	Zambia	Public Sector (donor, recipient, other)	Good Financial Governance in Zambia	0.32
Germany	Rwanda	Public Sector (donor, recipient, other)	Public Financial Management (PFM)	831.95
Italy	Somalia	International Monetary Fund	SoMalia Trust Fund for Capacity Development in Macroeconomic Politics and Statistics	199.67
Korea	Rwanda	Donor government	Capacity Building for Tax and Customs Services in Rwanda	1074.24
Korea	Cameroon	Donor government	Invitational Revenue Package Seminar for High Level Officials from Afric	6.39
Korea	Ethiopia	Donor government	Invitational Revenue Package Seminar for High Level Officials from Afric	6.23
Korea	Ghana	Donor government	Invitational Revenue Package Seminar for High Level Officials from Afric	12.52
Korea	Malawi	Donor government	Invitational Revenue Package Seminar for High Level Officials from Afric	6.87
Korea	Zimbabwe	Donor government	Invitational Revenue Package Seminar for High Level Officials from Afric	12.55
Korea	Rwanda	Donor government	Invitational Revenue Package Seminar for High Level Officials from Afric	7.01
Korea	Uganda	Donor government	Invitational Revenue Package Seminar for High Level Officials from Afric	6.76
Netherlands	Ghana	National NGOs	VNG Improving local taxation	368.45
Netherlands	Ghana	Third Country Government (Delegated co-operation)	ACC Support to the GRA	754.30
Norway	Mozambique	Recipient government	Institutional cooperation Tax Norway and Revenue Authority Mozambique	144.75
Norway	Mozambique	Recipient government	Tax Common Fund, Mozambique Revenue Authority 2015. 17	1364.04
Norway	Mozambique	Recipient government	Tax Institutional Cooperation NTA and AT 2015. 18	299.45
Norway	Tanzania	Recipient government	Capacity development in specialized tax administration	168.78
Norway	Tanzania	Recipient government	Tanzania capital flight study	504.23
Norway	Tanzania	Recipient government	Tanzania Tax Modernisation Programme	4327.72
Norway	Zambia	Recipient government	Zambia Revenue Authority Institutional Cooperation	1278.79
Norway	Zambia	Recipient government	Minerals value chain monitoring project	2281.32
Sweden	Kenya	Recipient government	SWE TAX AGENCY . KENYA REVENUE AUTH	1219.19
Sweden	Kenya	Recipient government	KENYA REVENUE AUTHORITY DATA W	2343.29
Sweden	Mozambique	Recipient government	TAX COMMON FUND 2013.2017 . RBM CONSULTANT TAX ATM	82.28
Switzerland	Burkina Faso	Recipient government	Technical Assistance, Tax Reform (2009.2013)	15.40
Switzerland	Ghana	Third Country Government (Delegated co-operation)	Tax Reforms, Phase II	498.80
United Kingdom	Uganda	Other	Technical Assistance to Uganda Revenue Authority	51.43
United Kingdom	Mozambique	Recipient government	Financial Aid . Revenue Authority Common Fund	834.23
United Kingdom	Mozambique	Recipient government	Capital expenditure . Revenue Authority Common Fund	770.06

United Kingdom	Tanzania	Recipient government	Financial Aid Contribution to the Tax Modernisation project Basket	3055.80
United Kingdom	Uganda	Other	Procurement of Information Technology Equipment for Uganda Revenue Authority	15.14
United Kingdom	Uganda	Other	Fund Management for Procurement of Taxation Training for Uganda Revenue Authority	130.33
United Kingdom	Somalia	Other	Public Sector Management . Somaliland	2043.31
United Kingdom	Tanzania	Other	Technical Assistance for the Tax Modernization Programme	448.08
United Kingdom	Sierra Leone	Other	Sierra Leone Revenue and Tax Collection Programme	549.87
United Kingdom	Tanzania	Other	HMG Technical Assistance for the Tax Modernization Programme	306.55
United Kingdom	Ghana	Other	Pre.programme Design and Appraisal. Revenue Reforms in Ghana	37.86
United Kingdom	Sierra Leone	Other	Sierra Leone Revenue and Tax Collection Programme	695.13
United Kingdom	Ghana	Other	Ghana Revenue Reform Programme.Technical Assistence	104.98
United States	Sao Tome and Principe	Public corporations	MCC TAX ENFORCEMENT	203.31
United States	Sao Tome and Principe	Public corporations	MCC VOLUNTARY COMPLIANCE WITH TAX LAWS	161.21
United States	Ghana	Central Government	Technical Assistance for Ghana . Revenue Policy and Administration	4.98
United States	Guinea.Bissau	Central Government	Technical Assistance for Guinea.Bissau . Revenue Policy and Administration	70.56
United States	Guinea.Bissau	Central Government	Technical Assistance for Guinea.Bissau . Revenue Policy and Adminstration	40.75
United States	Liberia	Central Government	Technical Assistance for Liberia . Revenue Policy and Administration	53.61
United States	Liberia	Central Government	Technical Assistance for Liberia . Revenue Policy and Administration	113.45
United States	Liberia	Central Government	Technical Assistance for Liberia . Revenue Policy and Administration	7.60
United States	Malawi	Central Government	Technical Assistance for Malawi . Revenue Policy and Administration	32.70
United States	Malawi	Central Government	Technical Assistance for Malawi . Revenue Policy and Administration	136.79
United States	Malawi	Central Government	Technical Assistance for Malawi . Revenue Policy and Administration	86.21
United States	Niger	Central Government	Technical Assistance for Niger . Revenue Administration and Revenue Policy	44.08
United States	Niger	Central Government	Technical Assistance for Niger . Revenue Administration and Revenue Policy	123.79
United States	Niger	Central Government	Technical Assistance for Niger . Revenue Administration and Revenue Policy	19.40
United States	Nigeria	Central Government	Technical Assistance for Nigeria . Revenue Policy and Administration	3.86
United States	Rwanda	Central Government	Technical Assistance for Rwanda . Revenue Policy and Administration	13.19
United States	Rwanda	Central Government	Technical Assistance for Rwanda . Revenue Policy and Administration	124.13
United States	Rwanda	Central Government	Technical Assistance for Rwanda . Revenue Policy and Administration	61.00
United States	Tanzania	Central Government	Technical Assistance for Tanzania . Revenue Policy and Administration	35.17
United States	Tanzania	Central Government	Technical Assistance for Tanzania . Revenue Policy and Administration	125.41
United States	Zambia	Central Government	Technical Assistance for Zambia . Revenue Policy and Administration	147.15
United States	Zambia	Central Government	Technical Assistance for Zambia . Revenue Policy and Administration	126.07
United States	Zambia	Central Government	Technical Assistance for Zambia . Revenue Policy and Administration	159.64
United States	Liberia	Other	Governance and Economic Management Support (GEMS) . Justice System	14.39
United States	Liberia	Other	Governance and Economic Management Support (GEMS) . Legislative Function and Processes	6.74
United States	Liberia	Other	Governance and Economic Management Support (GEMS) . Anti.Corruption Reforms	37.85
United States	Liberia	Other	Governance and Economic Management Support (GEMS) . Anti.Corruption Reforms	8.85
United States	Liberia	Other	Governance and Economic Management Support (GEMS) . Public Sector Executive Function	96.88
United States	Liberia	World Bank Group	Multi Donor Trust Fund for Public Financial Management . Public Sector Executive Function	769.60
United States	South Sudan	Other	Strengthening Core Economic Governance Institutions (CORE II) . South Sudan . Financial Sector Capacity	346.00
United States	South Sudan	Other	Strengthening Core Economic Governance Institutions (CORE II) . South Sudan . Financial Sector Enabling Environment	430.00
United States	South Sudan	Other	Strengthening Core Economic Governance Institutions (CORE II) . South Sudan . Fiscal policy	460.27
United States	South Sudan	Other	Strengthening Core Economic Governance Institutions (CORE II) . South Sudan . Local Government and Decentralization	130.95
United States	South Sudan	Other	Strengthening Core Economic Governance Institutions (CORE II) . South Sudan . Public Sector Executive Function	300.00

Source: Taxcompact (2017)