

IMF-WBG BACKGROUND PAPER FOR G-7

PRINCIPLES FOR EFFECTIVE AND EFFICIENT SUPPORT FOR DOMESTIC RESOURCE MOBILIZATION (DRM)

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*Does not necessarily reflect the views of the IMF and WBG Executive Boards.

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Acronyms

ADB	Asian Development Bank
AE(s)	Advanced Economy(ies)
AFD	Agence Française de Développement
AMLA	African Mining Legislation Atlas
ATI	Addis Tax Initiative
ATLA	African Tax Legislation Atlas
CIT	Corporate Income Tax
CPAT	Climate Policy Assessment Tool
CRM	Compliance Risk Management
CSO(s)	Civil Society Organization(s)
DFID	Department for International Development
DPF	Development Policy Financing
DRM	Domestic Resource Mobilization
EME(s)	Emerging Market Economy(ies)
FARI	Fiscal Analysis of Resource Industries
FCS(s)	Fragile and Conflict-Affected State(s)
FTE	Fiscal Transparency Evaluation
GDP	Gross Domestic Product
GPPF	Global Public Finance Partnership
GTP	Global Tax Program
G-7	Group of Seven
IDA	International Development Association
IEO	Independent Evaluation Office
IFC	International Finance Corporation
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
IPF	Investment Project Financing
ISORA	International Survey on Revenue Administration
LIC(s)	Low-Income Country(ies)
MIGA	Multilateral Investment Guarantee Agency
MTRS	Medium-Term Revenue Strategy
NTO	Network of Tax Organizations

PRINCIPLES FOR EFFECTIVE AND EFFICIENT SUPPORT FOR DOMESTIC RESOURCE MOBILIZATION (DRM)

OECD	Organisation for Economic Co-operation and Development
PCT	Platform for Collaboration on Tax
PFM	Public Financial Management
PFR(s)	Public Finance Review(s)
PIMA	Public Investment Management Assessment
PIT	Personal Income Tax
PforR	Program-for-Results Financing
SDG(s)	Sustainable Development Goal(s)
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
VAT	Value-Added Tax
VITARA	Virtual Training to Advance Revenue Administration
WBG	World Bank Group
WoRLD	World Revenue Longitudinal Database

EXECUTIVE SUMMARY

Domestic Resource Mobilization (DRM)¹ is central to achieving sustainable financing for development, building fiscal buffers, and strengthening state capacity. Recent work by the IMF and the World Bank shows that many countries—especially low-income countries (LICs) and fragile and conflict-affected states (FCSs)—are still collecting less than 15 percent of GDP in tax revenue. World Bank and IMF research suggests that collection beyond this threshold is linked to lasting improvements in growth, public service delivery, and state capacity. DRM—central to the IMF-WBG three-pillar approach to helping countries address liquidity challenges (IMF and World Bank 2024a)—is crucial for building fiscal space to advance public spending for development, reduce reliance on volatile external financing, support jobs and growth, and strengthen the social contract between the state and its citizens.

While there is considerable potential to mobilize domestic revenue in LICs, progress in raising additional revenue since 2010 has been limited. IMF analysis indicates an untapped tax potential in LICs of roughly 5 percent of GDP, which is achievable through well sequenced and sustained tax policy and revenue administration reforms. Further revenue gains can be made through improvements in institutional quality while savings can be achieved by improving spending efficiency. Despite progress in the early part of the century, tax-to-GDP ratios in developing economies have on average stagnated since 2010—albeit with some variations between countries.

Progressing the DRM agenda is confronted with key impediments. In many LICs, economic activity is concentrated around a limited range of commodity exports, alongside sizable informal and low value-added services, which are hard to tax. Political hurdles can be significant and trust in the state weak. Reform therefore requires not only sound economic and legal design and effective implementation, but also careful political management. Ultimately, success depends on public trust that the tax system is fair and that government will use revenue wisely for the public good.

Meaningful and sustained progress in DRM in developing countries often requires significant and multi-year technical assistance and capacity building. During the past decade, progress has been made in the development of diagnostic tools, improved analytic capacity, and deepened partner collaboration. These provide strong foundations for achieving further gains in the effectiveness and efficiency of capacity building support—and help build broad public agreement on the DRM agenda.

G-7 partnership on DRM will be crucial, particularly in the context of overall decreasing foreign aid budgets. Key principles for effective and efficient DRM support are that efforts are country-led, tailored to circumstances and needs, embrace a whole-of-government approach, guided by policies aimed at private sector led growth, well sequenced and coordinated, and anchored in evidence, analytics, and institution building. Multilateral institutions should play a central support role, in coordination with bilateral assistance and regional organizations.

¹ “Domestic resource mobilization” (or DRM) refers to collection and spending of taxes and other public revenues, to align with the concept note by the French G-7 presidency. It does therefore not discuss other domestic resources that are also associated with DRM such as public debt (IMF and World Bank 2024b).

INTRODUCTION

1. This background note by IMF and World Bank staff aims to provide analytical building blocks for a G-7 declaration on guiding principles for achieving sustained progress in DRM, notably in LICs. The request by the G-7 refers to the aim to develop shared guidance for support to DRM, building on existing analytical work and experience by the IMF and World Bank. The latter include the report jointly produced by the partners of the Platform for Collaboration on Tax (PCT) (IMF, OECD, WBG and UN), the report on strengthening revenue administration by the IMF—both written at the request of the South-African G-20 presidency in 2025—and other recent work by the IMF and the World Bank, such as the report on the Joint DRM Initiative (JDRMI) for the Brazilian G-20 Presidency. The focus of this note is on the key guiding principles, making extensive reference to these earlier and other reports for further details.

2. The note is organized as follows. It starts with a short summary of the key DRM challenges and opportunities in LICs, with Box 1 providing further detail on options. Then, it elaborates on the role of capacity building through technical assistance and training for achieving progress in DRM, thereby distinguishing different stages of the DRM reform process. This part also discusses the importance of coordination and collaboration among development partners for effective and efficient DRM support. The note ends with a set of guiding principles for DRM support.

DRM CHALLENGES AND OPPORTUNITIES

3. Developing countries face substantial financing needs to support development. The additional investment for IDA2 countries to build human and physical capital and invest in adaptation against natural disasters is estimated at 18.7 percent of their combined GDP. Spending for education (6 percent of GDP) and health (5.3 percent) require the most of these public resources (IMF and World Bank 2024b). While some of these investments can be financed by leveraging the private sector, progress in both revenue mobilization and spending efficiency remains paramount to close financing gaps. This section discusses opportunities and challenges in both areas, building on IMF-World Bank (2024b), IMF (2025), PCT (2025b) and Baer et al. (2025).

4. There is considerable untapped potential to increase tax revenue. Baer et al (2025) show the most recent estimates of countries' tax potential, which is defined as the estimated theoretical maximum level of tax revenue in a country, given its income per capita, economic structure, openness to trade, and institutions. Comparing these estimates to their actual revenue collections, it appears that LICs, on average, can mobilize an additional 5 percent of GDP in tax revenue to reach their potential. Options to achieve this in tax policy and revenue administration are summarized in

² Definitions of country groupings by the IMF and the World Bank differ. For the purpose of this note, the term "LICs" is used in a broad sense to refer to developing countries in general. It includes countries that are classified by the IMF as low-income developing countries and by the World Bank as low-income and some lower-middle income countries that qualify for International Development Association (IDA) lending, the WBG's concessional lending).

Box 1. Moreover, an additional 1–2 percent of GDP is attainable through improvements in institutional quality.

5. Progress in raising additional tax revenue in developing countries has stalled over the last decade. On average, tax-to-GDP ratios in developing countries have been broadly unchanged since 2010, with signs of adverse effects from recent shocks in all income groups (Figure 1). Trends across regions are similar (Figure 2). On the other hand, the progress made in LICs since the turn of the century has been sustained. There is also wide diversity between countries, including within country groups—reflecting also differences in countries’ economic structures. The median tax ratio of low- and lower-middle income countries combined has remained stable at around 12 percent (Figure 3).

Figure 1. Tax Revenue in Percent of GDP, Median by Income Group (1995-2023)

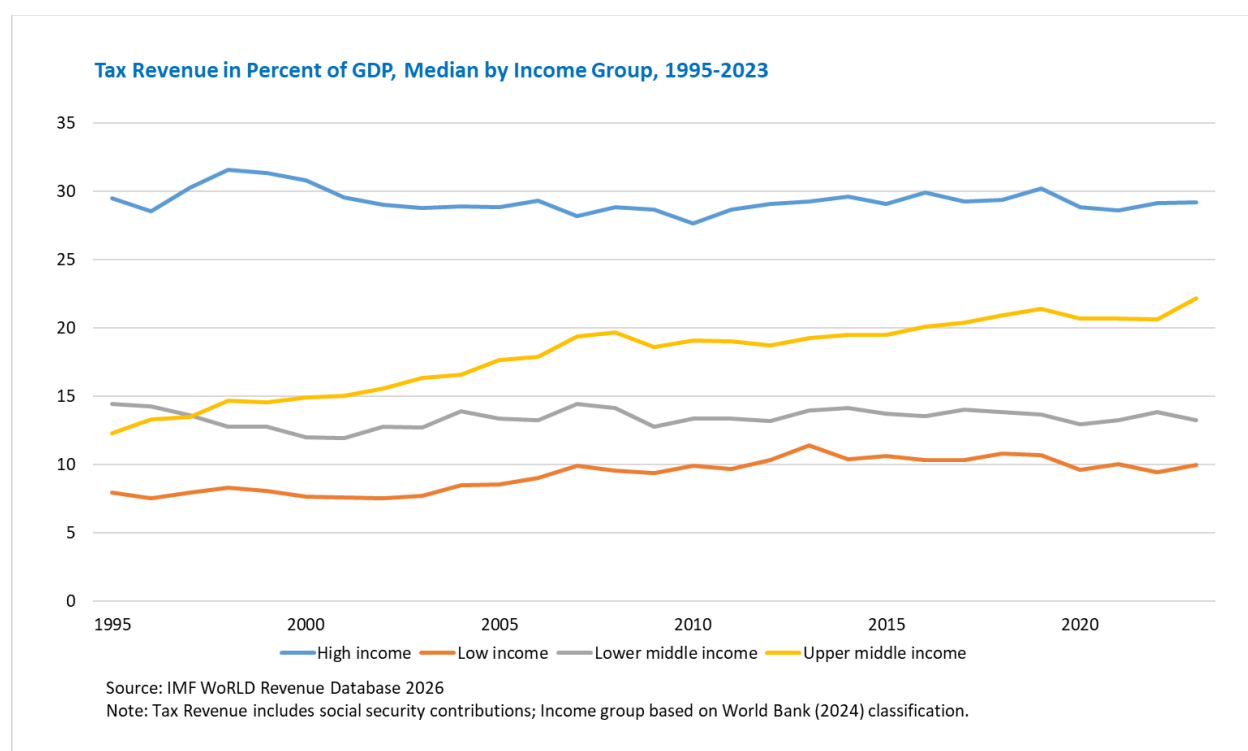


Figure 2. Tax Revenue of Developing Countries in Percent of GDP, Median by Regions, 1995-2023

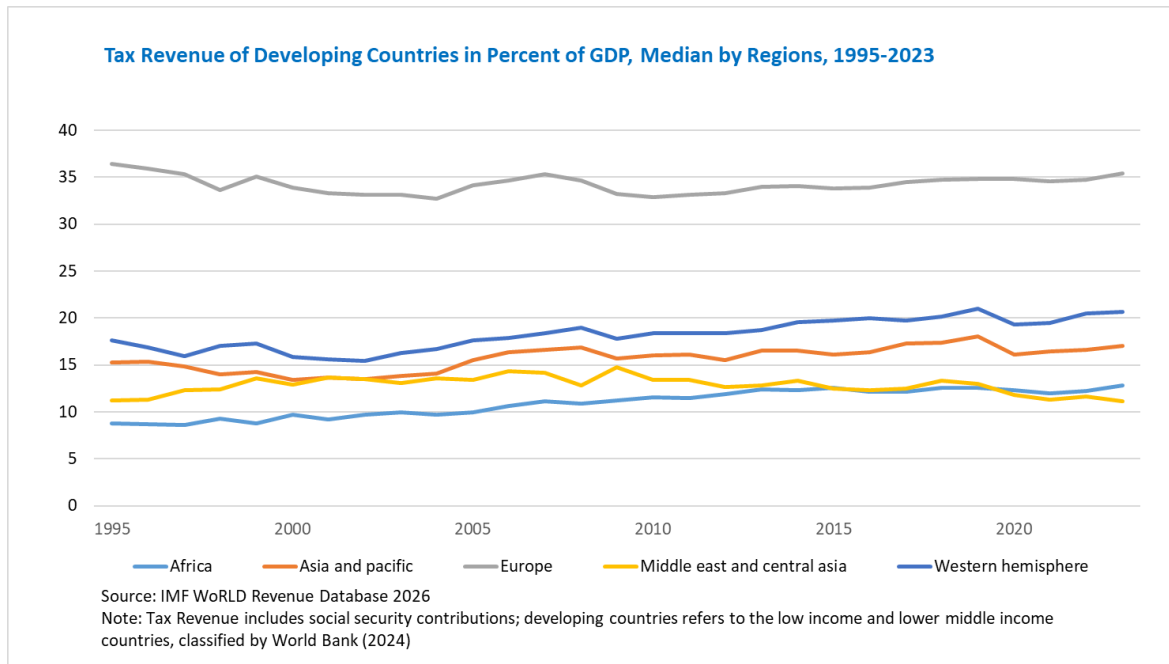
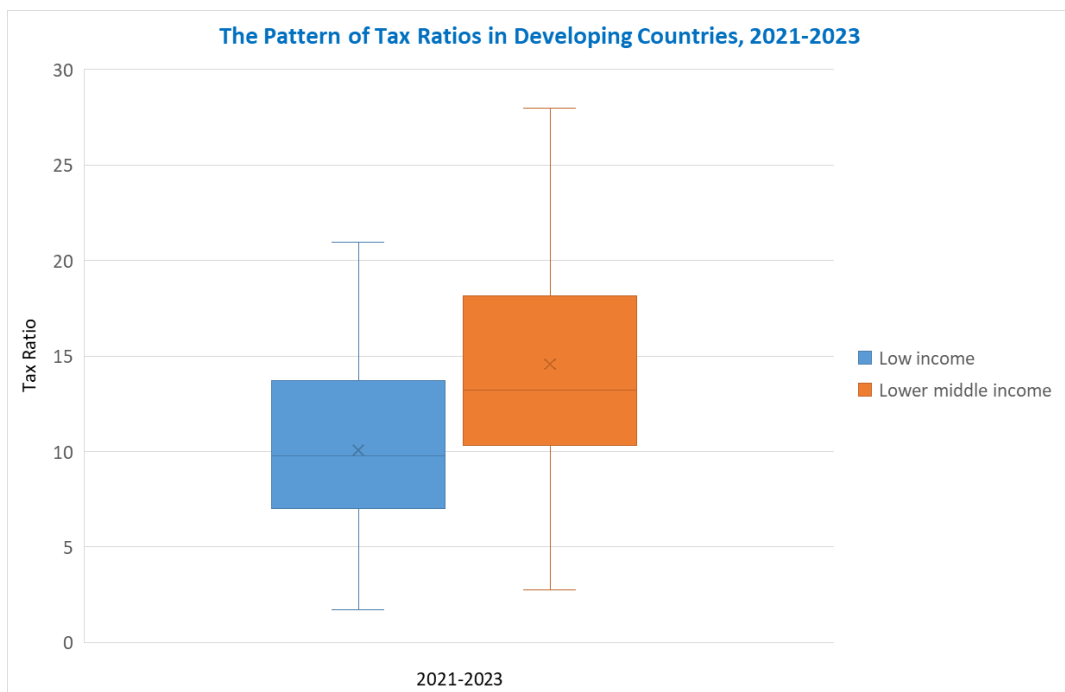


Figure 3. Pattern of Tax Ratios in Developing Countries, 2021-2023



6. Importantly, two-thirds of all developing countries, have tax ratios below 15 percent.

Eighty five percent of low-income countries and about half of lower middle-income countries fall short of this threshold. Analysis suggests that developing countries should aim for a tax-to-GDP ratio of at least 15 percent to achieve sustainable economic growth, deeper financial markets, and stronger institutions (Baer et al. 2025; Choudhary et al. 2024).

7. Achieving progress requires addressing some of the key impediments to DRM:

- **Structural impediments.** In many LICs, economic activity is concentrated in a limited range of commodity exports, informal sectors and low value-added services, exacerbating their vulnerability to external shocks including from climate change. Creating the fiscal space to support pro-growth spending, reducing budgetary rigidities and procyclical spending (for instance, the public wage bill), minimizing contingent liabilities and fiscal risks (for instance, in relation to state-owned enterprises, public-private partnerships, and pensions), investing in adaptation (for instance, in relation to water management and irrigation for a more stable agriculture output) are critical elements for a holistic strategy to diversify the economy and address structural impediments to sustainable revenue mobilization, crowding in the private sector. Aligning reforms is essential, noting that investing in infrastructure and human capital can spur growth and job creation thereby growing the tax base. In this way, the aim is to create a virtuous circle between DRM and economic development.
- **Large policy and compliance gaps.** The revenue productivity in LICs of the corporate income tax (CIT) is frequently undermined by blanket tax incentives, demanded by foreign investors including to compensate for weak governance, inconsistent regulation, and poor infrastructure. In countries where a significant portion of the population is living below the poverty line, the personal income tax (PIT) effectively becomes a payroll tax on public sector employment. Consumption taxes—such as value-added tax (VAT) and excise taxes—and customs duties often represent the main source of revenue, but still suffer large compliance gaps (for instance, LICs have on average a VAT compliance gap equivalent to 3 percent of GDP; see Baer et al. (2025)). Narrowing these gaps is more difficult in the presence of high informality and other structural impediments noted above.
- **Weak capacity.** Finance ministries need tools and expertise to analyze tax reform options, engage in international tax discussions, prepare tax proposals, and translate them into enforceable tax laws and regulations. Tax administrations subsequently need the capacity and resources to implement and enforce these laws. On the spending side, finance ministries also require capacity for public financial management (PFM) and implementing sectoral policies and strategies to effectively and efficiently deliver public services to citizens, thereby fostering accountability and transparency. Yet, many LICs are considerably constrained in these capacities. For instance, low levels of digitization, limited integration of data, inadequate audit capacity, and shortage of skilled professional staff and managers often compromise DRM effectiveness, leading to weak tax design, ample tax evasion, high compliance burdens and low tax morale.

- **Lack of trust.** Decisions about who pays taxes, how much, and in what form and who benefits from public spending programs are at the core of the social contract between the state and its citizens. Establishing a clear connection between public revenues and spending is therefore critical. Trust erodes when taxpayers do not see tangible improvements in infrastructure, healthcare or education, despite facing high tax burdens. Taxpayer morale is low where public service delivery is weak and tax administration is viewed as coercive or biased rather than as rules-based. Evidence from various countries shows that when public funds are transparently managed and visibly benefit communities, tax morale rises, leading to higher voluntary compliance (OECD, 2019). Technical improvements in tax systems and public spending delivery therefore should go hand in hand with credibility, certainty, and improvements in service delivery to build trust. This includes addressing the challenges from budget credibility and improving the quality of service delivery. Efficiency losses can be sizable with around half explained by poor infrastructure governance (IMF and World Bank. 2024b). Similarly, enhancing efficiency and effectiveness of social programs and strengthening the financial performance of utilities companies are all important visible aspects to demonstrate taxpayers that public resources are used efficiently without waste.
- **Political barriers.** Reforms must serve the general interests of the wider electorate rather than those of influential interest groups. Reforms therefore require not only sound economic and legal design and effective implementation, but also careful political management. This requires empowerment of policy makers and their leaders to enable them to build support and convince the public. For example, tax exemptions, preferential rates, special regimes and other tax expenditures are often easy to introduce (due to lack of transparency and scrutiny), but hard to reform (due to powerful vested interests). Evidence based analysis and practical experience can help empower policymakers and strengthen decision making, strategic communication, mobilize support for reform, and build consensus for effective implementation. Technical assistance support to design, finance and implement reforms can be transformative including in helping to build political support, particularly in developing and fragile economies. For instance, governments that produce regular tax expenditure reports will benefit from transparency and scrutiny to help advance the debate on desirable reform.

Box 1. Opportunities for Revenue Mobilization¹

This box summarizes a selection of common options for DRM in developing countries, guided by the key principles of good taxation: effectiveness, efficiency, equity and ease of implementation.

Opportunities to strengthen tax policy design:

Broaden the value-added tax (VAT) base by eliminating exemptions and applying a uniform rate, while addressing equity concerns through more targeted instruments, including direct spending to protect the poor.

Improve the yield of the corporate income tax (CIT) by reforming inefficient incentives and giving prevalence of cost over profit-based incentives. This has become more important in light of the global minimum tax (PCT 2025a).

Strengthen the personal income tax (PIT), including in relation to other sources of income including capital.

Exploit (recurrent) property taxes, often as a revenue source of local governments. This requires investment in a cadaster and measurement of property values.

Strengthen fiscal regimes for extractive industries and other natural resources, such as critical minerals, to ensure effective taxation of resource rents.

Better exploit excises for revenue and other policy purposes (health, pollution, congestion, climate).

Opportunities to increase the effectiveness and efficiency of revenue administrations:²

Improve managerial and organizational structures, with effective exercise of core functions (registration, filing, correct reporting, and payment).

Improve Compliance Risk Management (CRM), including taxpayer segmentation, data-driven risk profiling, and targeted treatments to raise voluntary compliance and prioritize enforcement backstopped by efficient dispute prevention and resolution mechanisms.

Improve third party data and interagency exchanges to strengthen data matching (for instance, from banks, social security and business registries, customs, and subnational administrations) with robust legal underpinnings and data protections in place.

Strengthen tax administrations' capacity to implement international tax standards including on anti-tax avoidance strategies and transfer pricing.

Leverage technology, such as e-filing, e-payments, and e-invoicing to improve tax collection and reduce corruption opportunities, with digital investments scaled to start with large/medium taxpayers and expand as systems and user adoption mature. Invest in data analytics and artificial intelligence.

Strengthen governance, integrity, and human capacity, including merit-based recruitment and retention, modern HR practices, leadership training, clear integrity rules and enforcement, and transparent performance reporting.

Opportunities to improve the legal framework and the capacity for tax policy making.

Clear and comprehensive legislative frameworks to ensure certainty, reduce discretion and undue influence, and to improve fairness, transparency and accountability.

¹ This box follows Annex II in PCT (2025b), which provides further detail.

² Revenue administration comprises both tax and customs administration. More detail is provided in IMF (2025).

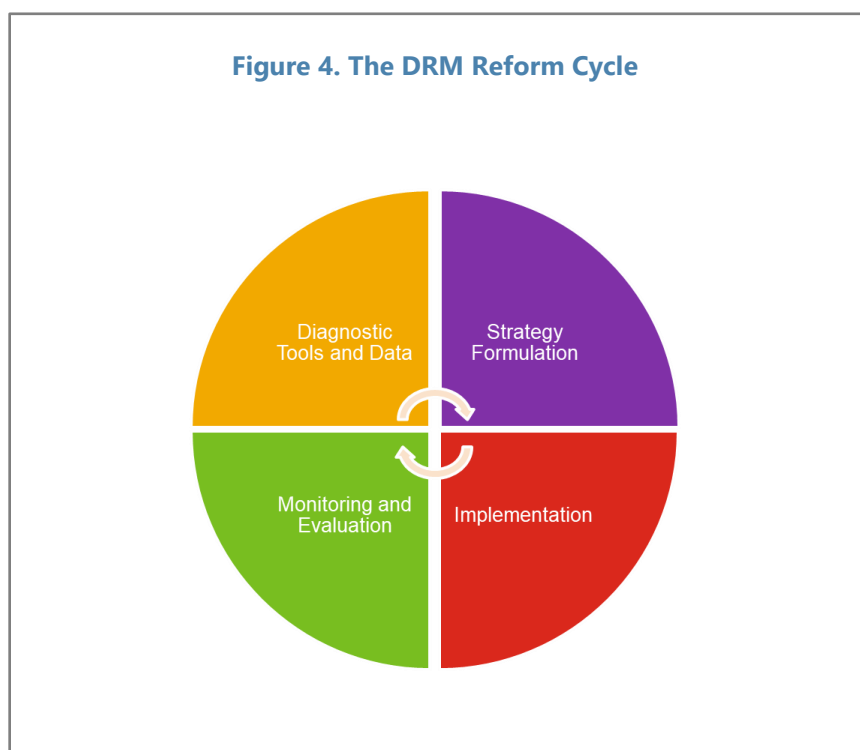
Box 1. Opportunities for Revenue Mobilization (concluded)

Develop institutional capacity to design and evaluate tax policies to further strengthen trust in the tax system.

SUPPORTING COUNTRIES IN DRM

8. Capacity building through technical assistance, training and peer learning can help address the above key impediments to DRM by investing in institutions, technology (digitization), staff skills, organization, governance and data. Comprehensive technical assistance and capacity building, including in tax and expenditure policy, revenue administration, public financial management, and efficiency of public spending, helps countries strengthen institutions, structures, systems and capacities necessary to improve revenue and spending performance in a sustainable and equitable manner. Sustained progress requires predictable, multi-year, well-sequenced and coordinated technical assistance, that is country-led, data driven and focused on institution building. As noted before, the value can go well beyond the mere technical support, by empowering governments to manage the reform and build trust in the social contract.

9. Support for capacity building is critical during each stage of the DRM reform cycle: diagnostics, strategy formulation, implementation and monitoring/evaluation (Figure 4). To gain broad public support, quick revenue gains can be important to demonstrate progress. This can be possible through measures such as withholding—which brings forward tax collection and concentrates it in the hands of a smaller, typically more compliant group of taxpayers—or targeted inflation indexation (for instance, of specific excise rates). However, building durable tax capacity generally requires years of consistent effort, while excessive reliance on short-term fragmented revenue measures can undermine credibility and tax morale over the longer term. Indeed, countries that have succeeded have done so gradually, maintaining reform momentum across political cycles.



A. Diagnostics and Data

10. Diagnostics and data create a shared, evidence-based understanding of performance, bottlenecks, and revenue potential, which enable country authorities and partners to prioritize reforms and anchor expectations in measurable baselines, embedded in countries medium-term fiscal frameworks. A selection of key diagnostic tools and datasets are presented in Box 2. Several of these tools, such as TADAT, ISORA, and VITARA are developed and used jointly by different international and regional organizations.

Box 2. A Selection of Diagnostic Tools and Data for DRM³

TADAT (Tax Administration Diagnostic Assessment Tool), providing standardized, comparable assessments of revenue administrations across nine performance outcome areas (for instance, integrity of the taxpayer registry, risk management, timely filing/payment, accurate reporting, dispute resolution, revenue management, transparency). TADAT has been deployed in over 100 countries and is increasingly used for baseline and repeat assessments to guide reforms and track progress. TADAT is a good example of collaboration between the IMF and World Bank, and other partners, as well, including the IADB, CIAT, ATAF and ADB. The IMF and WBG aim to continue deepening their partnership and ensure that TADAT remains a cornerstone in advancing global tax administration reforms.

RAGAP (Revenue Administration—Gap Analysis Program by IMF) quantifies policy and compliance gaps especially for VAT but also PIT, CIT, and excises. Compliance gap analyses help administrations identify vulnerabilities and calibrate interventions.

ISORA (International Survey on Revenue Administration) is a global yearly survey by the IMF, OECD, CIAT, IOTA and ADB of revenue administrations. It collects data on operational strength and processes (digitalization, HR, governance, services, autonomy) and helps authorities identify institutional weaknesses and compare themselves to peers.

WoRLD (World Revenue Longitudinal Database) tracks government revenue trends in 195 countries since the early 1990s. It offers insights into the evolution of the level and composition of key tax and non-tax revenue components based on IMF surveillance data, enabling cross-country comparisons and longitudinal analysis.

FARI (Fiscal Analysis of Resource Industries), developed by the IMF to evaluate countries' mining and petroleum fiscal regimes by quantifying the investor and government share of returns across price scenarios, including calibrating the progressivity of the fiscal regime and determining breakeven thresholds.

Virtual Training to Advance Revenue Administration (VITARA) is a comprehensive online learning program launched in 2020 by the IMF and partner organizations (CIAT, IOTA, OECD) to upskill tax administrators globally.

Climate Policy Assessment Tool (CPAT) is a spreadsheet-based model developed by IMF and World Bank Staff providing, for over 200 individual countries, projections of fuel use, carbon emissions, and local air pollution by sector, and estimates of the fiscal and other impacts of energy subsidy reform, individual fuel taxes, carbon taxes, air emissions fees, electricity taxes, and other policies on future government revenues and other metrics.

³ This overview includes key diagnostic tools and datasets developed by the IMF and/or the World Bank, in many cases in close collaboration with others. PCT (2025b) provides a fuller overview of tools and datasets, including those developed by others.

Box 2. A Selection of Diagnostic Tools and Data for DRM (concluded)

DaTax, launched in 2025 by WBG, is a lab that leverages tax microdata to generate evidence of policy impacts, build capacity and a culture of evidence-based policy design by creating strong links between operational and analytical work.

Fiscal Microsimulation Models (FiscalSim) are WBG customized tax-benefit microsimulation tools leveraging household survey and administrative data to assess the incidence of taxes and spending and their distributional impact. They allow detailed simulations of reforms, covering direct and indirect taxes, direct transfers and subsidies, and in-kind benefits on education and health.

DRM Impact Program will be launched by WBG in 2026, a two-year program focusing on tax incentive reform, centered around cost benefit analysis, peer learning and scaling up proven approaches.

11. Public finance diagnostics, such as the World Bank’s Public Finance Reviews (PFRs), and fiscal risk assessments complement revenue diagnostics by addressing spending efficiency.

This also includes the IMF’s PIMA (Public Investment Management Assessment), a comprehensive framework assessing infrastructure governance practices for countries across all levels of economic development, and FTE (Fiscal Transparency Evaluation), assessing countries’ fiscal transparency practices against international standards and providing practical, sequenced recommendations to improve them.

B. Strategy Formulation

12. Strategy formulation translates diagnostic insights into a sequenced, multi-year plan integrating all aspects of public finance reform. As countries differ in their circumstances, economic conditions, administrative capacities, and social preferences, the most appropriate strategy and sequencing of reforms will also differ. A country’s strategy therefore needs to be tailored and pragmatic. The Medium Term Revenue Strategy (MTRS) framework—developed by the PCT and currently under review, following a decade of experience in nearly 30 countries—has proven an effective approach to structured and country-led medium-term tax system reform designed to meet countries’ financing objectives (PCT 2017, 2025b). At its core, the MTRS is a whole-of-government approach linking taxation to spending side of the budget. It emphasizes the criticality of sustained political commitment and the coordination of external support, and embraces the tax systems approach stressing the close linkages between tax policy, revenue administration, and the legal framework as components of a unified system.

C. Implementation

13. The IMF and WBG play a critical role by providing countries with hands-on support with reform implementation. This support is closely integrated with policy advice and lending operations and grounded in the deep expertise in policy and administration housed in the two institutions. Tailoring to local conditions is essential and is facilitated by the near universal coverage of LICs through the extensive network of offices and experts located in the field:

- The IMF has about 130 resident advisors supporting its fiscal capacity development in the field. About half of them work on tax matters, especially in tax and customs administrations; the other half work in PFM. About half of IMF resident advisors are based in Africa.
- The World Bank Group has extensive local presence with offices in over 130 countries. Its in-country expertise encompasses areas such as tax policy and administration, as well as comprehensive sectoral knowledge and engagement at the micro level with households and firms. This capacity enables the organization to integrate short-term macro-fiscal objectives with long-term development strategies, resulting in a holistic approach to sustainable outcomes. The World Bank operations are informed and often complemented by IFC and MIGA interventions. The in-country presence is complemented by support from the Fiscal Policy Global Practice.

D. Monitoring and Evaluation

14. Monitoring and evaluation are a critical part of the DRM reform cycle to track progress, draw lessons, and make adjustments as needed. Evaluation—both of reform measures and technical assistance interventions to support them—also fosters better coordination amongst development partners, strengthens country ownership, and improves accountability. Much progress has been made in this area including by leveraging more widely available diagnostic tools and data such as TADAT, RAGAP, ISORA, and WoRLD to set measurable baselines and enable repeat assessments to assess impact. Administrative tax data is increasingly being used as an active reform management tool, relying on real-time indicators, micro-data, and service metrics to guide prioritization, sequencing, and course correction as needed. More work is underway—including in the PCT—to further improve our understanding of and ability to monitor and evaluate progress. Insights from monitoring and evaluation also enable making timely amendments or refinements to the reform strategy.

COLLECTIVE RESPONSIBILITY

15. Country ownership is essential for successful DRM reforms, as these reforms underpin the social contract between the state and its citizens. Country authorities therefore need to anchor reforms in broad public support through careful political management and, where possible, take the lead in coordinating external assistance from development partners.

16. External support for DRM should be a collective effort requiring close coordination and collaboration among technical assistance providers to ensure maximum impact and complementarity of efforts. Key partners of the IMF and World Bank include the OECD and UN (partners in the PCT), regional tax organizations, regional development banks, bilateral agencies, and other key actors such as the International Institute for Sustainable Development (IISD). Networks with academia, businesses and CSOs are also important. Box 3 provides a selection of collaborative efforts among stakeholders.

Box 3. International Cooperation in DRM

The Platform for Collaboration on Tax (IMF, OECD, UN, WBG) plays a central coordinating role in supporting DRM. The PCT aims to ensure a coordinated approach to DRM working with other partners and has developed joint toolkits with guidance in priority areas, promoting knowledge sharing, avoiding duplication, and distilling lessons from country experience, including with respect to Medium Term Revenue Strategies (MTRS).

AMLA (African Mining Legislation Atlas) Project is an Africa-wide initiative with a focus on building specialized legal expertise in mining law. Launched by WBG in 2013, the AMLA project is being implemented in partnership with the African Development Bank and the African Union Commission, in coordination with several African Universities.

The African Tax Legislation Atlas (ATLA) builds on AMLA and was recently launched by the WBG with the Global Forum on Law, Justice and Development and in collaboration with the LexisNexis Rule of Law Foundation. The platform, when fully implemented, will cover CIT, PIT, VAT, and excise duties across all 54 African countries and serves as a free, online, one stop resource for accessing tax legislation at www.a-tla.org.

ATI (Addis Tax Initiative) provides a coordination platform with over 70 partners that aims to promote fair and effective DRM through partnerships and knowledge building.

NTO (Network of Tax Organizations), a network of regional tax organizations, aims to develop a global platform to strengthen tax systems around the world for the wellbeing of citizens.

17. Capacity building in DRM is more effective when centered around well-resourced multi-donor programs that ensure sustained support to countries spanning the entire DRM reform cycle. The IMF and World Bank have extensive experience in supporting countries on DRM and currently organize a large share of that support through multi-donor vehicles. These vehicles provide strategic results-focused country support and analytics, close integration with policy advice and lending, transparent and detailed reporting and multiple opportunities for coordination between multilateral and bilateral partners. The two most important vehicles—for which continued resourcing is critical for sustained collective DRM action—are the IMF’s Global Public Finance Partnership and the World Bank’s Global Tax Program. These programs are complementary with the former focused on anchoring macro-critical reform sequencing and the latter on operational implementation, and execution being closely coordinated at country level.

18. The Global Public Finance Partnership (GFPF) is the IMF’s capacity development multi-donor trust fund. It is a key vehicle to support countries’ DRM efforts by bringing CD on revenue and spending policies and operations under one umbrella. This emphasizes the importance of linkages between revenue and spending as a cohesive view on public finances, supported by transparent and trusted fiscal institutions. CD provided by the IMF is demand driven and integrated with the Fund’s surveillance and lending operations. This ensures that its CD is embedded into the country’s wider priorities and ensures strong reform commitment. The GFPF has global reach and has a growing portfolio of country programs (currently 64 with many more countries benefiting from training, peer learning, and analytical tool development).

19. The Global Tax Program (GTP) is the World Bank’s flagship trust fund for domestic revenue mobilization—supporting country level reforms by embedding high quality analytics, technical assistance, and capacity building in core policy dialogue that feed into a range of complementary lending operations. Development Policy Financing (DPF) supports policy and institutional reforms; Program-for-Results (PforR) and Investment Project Financing (IPF) underpin public administration, sector-specific approaches, and targeted household and firm level interventions. GTP has reached 114 countries; 69 supported in FY25 informing US\$13.6 billion in DRM related lending.

20. Collaboration among the IMF and World Bank has intensified. The IMF and World Bank’s technical assistance and training are designed to be complementary and mutually reinforcing. Teams routinely coordinate and collaborate on technical assistance at the country level, as documented in IMF and World Bank (2024b), with examples on Ethiopia, Kenya, Senegal, Sri Lanka and Ukraine. Productive collaboration also occurs in the development of diagnostic tools, such as TADAT, CPAT and PEFA as well as organizing joint events during Spring and Annual Meetings. More recent intensified collaboration was undertaken with the JDRMI, which integrates revenue policies, spending efficiency, and domestic public debt market development into multiyear programs coordinated by IMF and WBG country teams. The goal is to reduce fragmentation, improve accountability, and provide more consistent and strategic support—including in collaboration with other development partners. The initiative has been piloted with valuable lessons learned that are now being mainstreamed in future Fund and Bank support (IMF and World Bank 2024b).

GUIDING PRINCIPLES FOR DRM SUPPORT

21. The decline in overall aid flows intensifies the importance of focusing on the DRM agenda. It is critical to protect and enhance the funds available to finance technical assistance and training in DRM within the declining overall aid envelope. These resources are tiny compared to the overall aid envelope (less than 0.30 percent of total aid in 2023; PCT 2025b) but are critical to enabling countries sustainably mobilize domestic resources to meet development challenges.

22. Based on decades of experience and the evolving challenges to make progress in DRM, key principles are emerging for how DRM support should be designed and delivered. These principles were outlined in the recent paper of the PCT partners for the G-20 (PCT 2025b)—which

also assesses levels of progress made over the past decade—and are consistent with the recent declaration of the Addis Tax Initiative (ATI 2025). The key principles are:

Support development, long-term economic growth, job creation and poverty reduction through:

- **Structured, comprehensive and medium-term public finance approaches covering both revenue and expenditure.** The MTRS approach has shown its effectiveness in enabling such reforms, with further scope for refinement to better tailor it to country circumstances.
- **Flexible results-focused support, that is country-led, tailored to country-circumstance,** with measurable milestones and outcomes, supported by well-coordinated partners and predictable financing. Medium-term commitments of support that are flexible enough to adapt targets and delivery modalities to changing political and institutional demands are essential.
- **Policy design based on data- and evidence-driven reform management,** grounded in robust diagnostics, data and tools, which in turn enables the monitoring of progress, strengthening of accountability and facilitation of coordination.
- **Institution building that is integrated into reform design and sequencing,** including the development of human capacity, organizational governance, and technological capability to ensure sustainability of reforms over time. Peer learning should be an integral element of these programs.
- **Strong mechanisms for development partners' coordination,** including regional organizations, to avoid duplication, fragmentation, and inconsistent reform signals, with structured, country-led frameworks—such as MTRSs—being most effective to sustain multi-year reforms.

Ensure a strong central role for multilateral institutions in assisting countries to build their public finance systems by:

- **Coordinating and integrating bilateral support** to countries with the operations led by multilateral organizations.
- **Enhanced information provision on bilateral DRM support** to countries to facilitate coordination and aid effectiveness.

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