DOUBLING DOWN ON "DRM"

Are We Making the Right Bets?

EXECUTIVE SUMMARY

Education, health, sanitation, infrastructure and other critical public services are severely underfunded in many countries each year. A major reason for this shortfall is weak collection of tax and non-tax revenues – also known as Domestic Revenue Mobilization (DRM). In 2015, developing country governments and international donors made three political commitments to strengthen DRM, as part of the Addis Tax Initiative (ATI). This report assesses the donor "track record" since ATI commitments were made in 2015. It is meant to supplement the ATI Monitoring Brief, and provide an update to Oxfam's "State of DRM" report. The analysis, and its findings, are largely based on DRM grants reported by donors to ATI in 2015 and 2016 ATI.[1] Oxfam knows that datasets do not tell the whole story. Development cooperation involves donors, partner countries, civil society and many other actors. We plan to work with ATI partners and others to strengthen the quality of reporting, the monitoring of DRM activities and its ultimate outcomes. Below are some of the key findings:

1. **Donors are not on track to meet their commitment to double support for DRM**. Support increased from 2015 to 2016, but only by $7.1 million (a 5 % increase)

2. **A commitment to equity is absent or unclear in most DRM projects.** In 2016, just 2.8 percent of total projects (18 of 634) contained clear goals on equity or fairness.

3. **Gender equity is largely neglected.** In 2016, only 0.5% (less than 1 percent) of DRM project descriptions actually indicate any gender related objectives.

4. **Country Ownership is far too weak; trending in wrong direction.** Only 16 percent of aid for DRM is channeled to domestic stakeholders. Down from 19 percent in 2015.

5. **Support for broader accountable public finances has decreased**. Aid for complementary sectors (such as public financial management and anti-corruption) in Sub-Saharan Africa, the largest recipient of DRM aid, declined by $203 million in 2016.

6. **The role of multilateral institutions is increasing**. Compared to 2015, donors channeled $7.5 million more through multilaterals overall (but $14m more through IMF)

7. **There is too little qualitative information on DRM strategies and interventions**, including for multilateral institutions and Southern providers (e.g. China).

OXFAM

INTRODUCTION

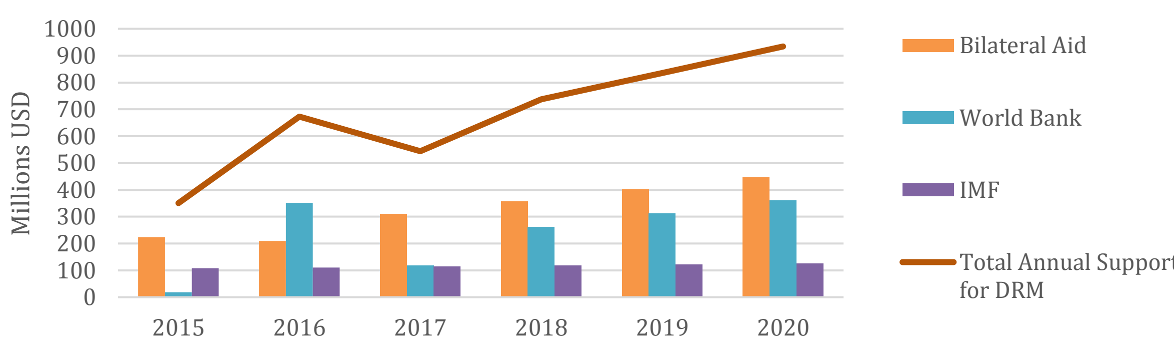
Improving domestic revenue mobilization (DRM) is essential to country-owned, sustainable development. Recognizing this core development imperative, twenty of the world's largest donors signed on to the Addis Tax Initiative (ATI), committing to double their annual support for DRM, from an official baseline of $222.36 million in 2015 to $444.72 million by 2020.[2] Donors have embraced DRM as an essential ingredient in their foreign assistance strategies going forward. Mark Green, USAID's administrator, has emphasized DRM as the agency embarks on a new strategic vision to help recipient countries transition to greater self-reliance.

"*Domestic revenue mobilization is an imperative for those countries that are seeking to achieve the new Sustainable Development Goals****"***

Christine Lagarde, IMF Managing Director [3]

International financial institutions (IFIs) are also intensifying their focus on DRM, and the Platform for Collaboration on Tax (which includes the IMF, OECD, United Nations and World Bank) has highlighted the growing consensus that strong tax systems are central to development objectives.[4] In 2016 alone, the World Bank contributed $352 million[5] to DRM-related projects, and the IMF plans to spend at least $105 million on DRM-related capacity development in 2018.[6] And with new donors, such as China, supporting large DRM projects (*e.g.,* $30 million grant to Uganda[7]), the full picture of "support for DRM" must also account for expanding South-South cooperation. Private foundations are also playing an important role, particularly in their support for civil society, journalists and other accountability stakeholders.

Figure 1. Support for DRM *(trends from 2015-2020)*



**projections based on donor commitments to ATI, World Bank support for DRM captured by IATI data (on www.d-portal.org), IMF medium-term budget[8]. Does not include support from Southern Providers or Private Foundations*

Over the next three years (2018-2020), donors are on pace to spend more than $2.5 billion on support for DRM (see figure above). Of course, this is just a fraction of foreign assistance, amounting to less than 0.02% of total bilateral aid in 2016. Nevertheless, how these interventions are designed and implemented will have enormous implications for the trajectory of pro-poor development financing. Where DRM falls short, countries will have greater reliance on debt and private sector financed development. **So a vital question we must ask is: how will we use this estimated $2.5 billion?**

Oxfam calls on donors and governments to use these resources (and the political momentum) to support an increase in the quality, gender-responsiveness and equity of revenue mobilization by adopting pro-poor/equitable DRM strategies. Focusing on the *quality of* revenues, rather than solely the quantity, pro-poor DRM should reinforce the fiscal compact with citizens to fight poverty, empower women and girls, reduce inequality and enhance accountability of public finances.

DONOR TRACK RECORD SINCE ADDIS

In 2015, donors and partner countries made 3 commitments to DRM as part of the Addis Tax Initiative (ATI). The first commitment was for donors to double their support for DRM. The second was for partner countries to "step up" their commitment to DRM as means to achieve development objectives, particularly the SDGs. And the third commitment is for both donors and partner countries to increase policy coherence for development. At this stage, attention is focused on "how much" aid for DRM, less on the quality of aid and how that supports attaining ATI commitments 2 and 3 (See ATI box on page 16).

Reporting on aid for DRM has had some growing pains. Donors are reporting to both the OECD and ATI, but with some discrepancies between the two. In 2015, an additional $29 million and 43 projects were reported to the ATI. These differences widened in 2016, with an additional $45 million and 259 projects reported to ATI. **These discrepancies must be fixed. If they are not, then there cannot be proper accountability for ATI Commitment 1.**

This analysis below draws on the ATI dataset (*disbursed* aid). This brief looks at the 2016 data (an update to Oxfam's "State of DRM" report[9]), and is organized into three sections: i) quantity aspects of aid for DRM; ii) quality aspects of aid for DRM; and iii) brief review of multilateral support for DRM.

I. Quantity: How much aid for DRM?

Oxfam's aid effectiveness work demonstrates that the *quality* of aid is just as important as the *quantity*.[10] It is essential that donors make good on their promise to increase support for more equitable and effective revenue systems. In 2017, the Addis Tax Initiative published its first ATI Monitoring Report, which set the baseline on aid for DRM at $222.36 million (based on *disbursed aid* to DRM). And thus, donors are committed to increasing annual aid for DRM to 444.72 million USD by 2020.

In 2016, bilateral support for DRM increased to $365.13 million from baseline of $203.4 million in 2015.[11] However, this jump in aid is almost exclusively due to two loans from France: one to Armenia for $45 million and another to Indonesia for $110 million. This report excludes these 2 loans from its analysis, and focuses on the other 634 DRM projects (all grants) which amount to $210.5 million. This represents an increase from 2015 of about 5 percent, but **donors are not on a path to meet their ATI commitments.** Given the reality of budget cycles, the 2016 disbursements may not reflect donors' commitment to ATI. Thus disbursements to DRM in 2017 may provide the best barometer for the new political commitment to DRM.

Table 1. Top 5 Donors in Aid for DRM (2016)			
1	United States	$	45.96 m
2	United Kingdom	$	37.88 m
3	Germany	$	33.93 m
4	EU Institutions	$	28.12 m
5	Switzerland	$	16.17 m
All other donors		$	48.4 m
**two loans from France*		$	154.81

Who is Receiving Aid for DRM? Compared to 2015, twenty more countries have been reported as recipients of aid for DRM. Aid is becoming less concentrated in a few countries, but the majority (53%) of aid still remains focused on the top 20 countries. The "DRM darlings" did not change too dramatically. Mali and Mozambique dropped out of the top 10, displaced by Uganda and the Solomon Islands.

The number of DRM projects jumped from 418 to 634. But the average project size collapsed by 46 percent to $332,000. The ten countries with the largest average project size received about $1.6m per project – but for the other 96 countries, the average was just $170,000.

Sub-Saharan Africa is the biggest recipient of DRM aid (35%), receiving nearly 3 times as much as the second largest recipient of Asia (13%). And in Asia, projects in Afghanistan and the Philippines account for 92% of DRM aid in the region (Note: 41 percent of DRM aid does not have a regional focus or was not specified in the ATI dataset).

Table 2. *Top 10 Aid for DRM Recipients (2016)*			
1	Philippines	$	13.35 m
2	Afghanistan	$	11.75 m
3	Ghana	$	11.74 m
4	Pakistan	$	8.44 m
5	Kenya	$	8.19 m
6	Uganda	$	6.93 m
7	Tanzania	$	5.88 m
8	Zambia	$	5.05 m
9	Solomon Islands	$	4.63 m
10	Tunisia	$	4.26 m

Slightly more DRM aid is making its way to ATI partner countries. Despite the political commitment that ATI members have made, only one-third of aid for DRM is finding its way to partner countries. If you include the giant $110 million French loan to Indonesia (an ATI member), ATI countries still receive less than half (49%). While 6 of the top 10 recipients of aid for DRM are ATI partner countries, there are numerous ATI members that receive very little aid. Burkina Faso has committed to step up DRM, and has huge needs, yet it is receiving less DRM aid than 40 other countries. And Paraguay, for example, received less than $300,000 in 2016 – despite its low level of revenue collection (12.6 % tax-to-GDP) and disproportionate reliance on indirect taxes (79%).

Table 3. Quantity aspects of "Aid for DRM" in 2015-2016

	2015	2016*
Amount (USD)	**$203.4 million** 0.19% of total aid	**$210.5 million** 0.18% of total aid
Top 5 Bilateral Donors	**70 % of DRM aid from:** UK, US, Germany, EU Institutions, Norway	**77% of DRM aid from:** US, UK, Germany, EU Institutions, Switzerland
Projects	418	634
Average project size	$486,552 USD	$332,014 USD
Countries	86	106
Top Region	Sub-Saharan Africa	Sub-Saharan Africa (35%)
Top 10 DRM recipients	48% of aid	38% of aid to Top 10
ATI Partner Countries	30% of aid	33% to ATI members
Least Developed Countries (LDCs)	47% of aid	22% of aid
Upper Middle Income Countries	6% of aid	1.5% of aid

Source: *Addis Tax Initiative DRM dataset; revenue statistics from ICTD Government Revenue Database*

II. Quality: Are we increasing the right kind of support for DRM?

Aid for DRM should enhance country ownership, increase fairness in tax systems, enhance gender equity, and strengthen transparency and accountability of public finances at local and national levels. **Unfortunately, most aid for DRM is falling short.**

EQUITY CONTINUES TO BE ABSENT IN MOST DRM STRATEGIES.

A focus on equity is essential to support countries that want fairer and stronger revenue systems – which means more responsibility for those who are most able to pay (e.g. vertical equity), and that similar taxpayers are treated equally (e.g. horizontal equity). In 2016, the number of projects with clear goals to strengthen equity or fairness of revenue systems increased from 7 to 18 projects.[12] But this is just 2.8 percent of total projects (18 of 634 projects). And the amount of aid dedicated to projects with equity considerations actually declined - both as a percentage of DRM aid and total amount (from $8m to $6.7m).

It is important to note that some projects may still contribute to more equitable DRM, even if equity is not a prominent feature in project descriptions. For example, supporting revenue authorities and other institutions to improve auditing procedures is an important way to improve equity in revenue systems. For example, Norway supports a Mineral Value Chain Monitoring project in Zambia. The project description does not include any specific equity goals, but it does support Zambia Revenue Authority to strengthen its collection of direct taxes and revenues by ensuring that mining companies are reporting accurate costs and incomes – and thus, paying their fair share.

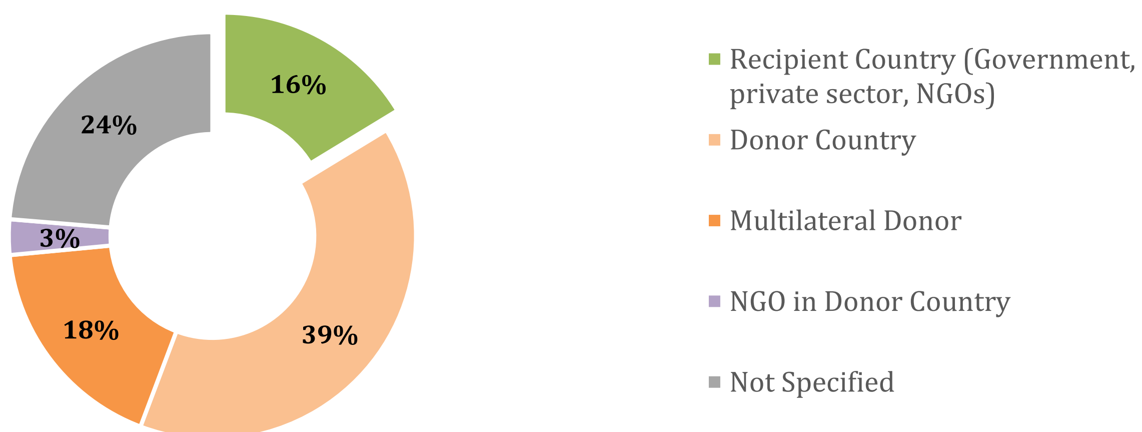
And donors and governments are working together to step up cooperation in this area. Donor support for projects aimed at strengthening auditing capacity tripled from $9.6 million in 2015 to $30.9 million in 2016. The needs here are huge, so this trend is positive. However, given that only 15 percent of aid for DRM is focused on auditing, there is still room to increase cooperation on strengthening auditing institutions (e.g. Supreme Audit Institutions) or fair tax dispute resolution processes. Donors could also increase support for partners to develop tools that estimate the distributional impact of DRM reforms. Overall, donors need clear DRM strategies (published online) that put them in a position to better support partner countries which have equitable DRM objectives.

GENDER EQUITY REMAINS ALMOST ENTIRELY NEGLECTED.

In 2016, only 0.5% (less than 1 percent) of DRM projects actually indicate any gender related focus.[13] Zero projects mention "gender" in their description and only three mention "women". While the project descriptions in the dataset do not reveal all the goals of each project, it is clear that donors and governments need to do more to prioritize gender in DRM strategies. Given the prevalence of biases in tax systems that entrench gender inequality, there is much that needs to be done.

Donors and governments should tackle gender inequity wherever it exists, but there may be some unique opportunities at the subnational level. In 2015, DRM projects with a subnational focus were three times more likely to include a gender component than national level projects. However, in 2016, there was not much difference between local and national DRM projects. So, while the number of subnational DRM projects increased from 2015 to 2016, gender considerations in local level projects declined from 73 percent of projects to just 24 percent. This trend must be reversed.

Figure 2. Who's in the DRM Driver Seat?



Source: Addis Tax Initiative DRM dataset; based on who is receiving aid directly (e.g. channel of aid)

COUNTRY OWNERSHIP OF AID FOR DRM IS TOO WEAK.

Development is most effective when it is led by countries in collaboration with their citizens. An essential part of ownership is the use of country systems, which allow countries to "flex their own muscles" and shape the agenda – whether it is government agencies and institutions (such as a tax administration) or domestic private sector firms and non-profit organizations. In the case of DRM, ownership is absolutely essential, especially as donors are asking more and more countries to finance more of their own development and be more "self-reliant".

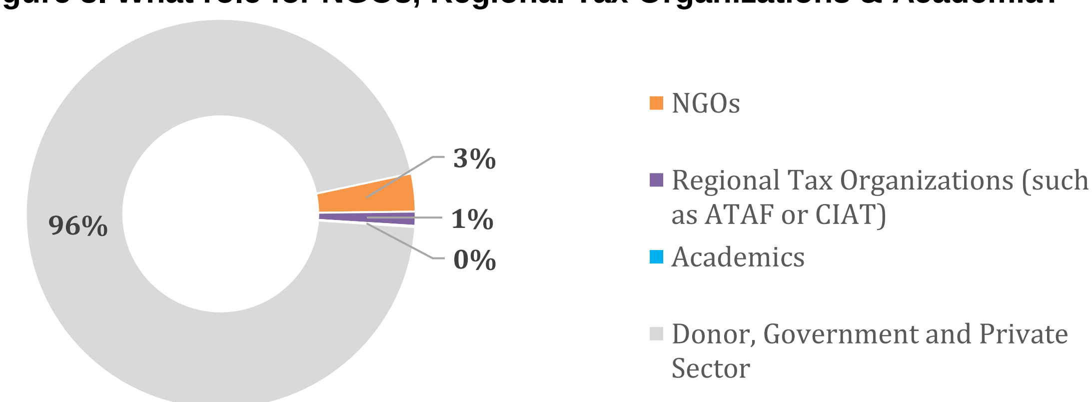
Excluding the two French loans to the governments of Armenia and Indonesia, **only 16 percent of DRM projects are directly "country owned"** – i.e. the aid is channeled through the recipient government, domestic private sector or a local NGO.[14] This is down from 19 percent in 2015. Passing the reins to national partners is an essential part of country ownership, but it ultimately requires full ownership of priority-setting, implementation and resources for foreign assistance. Donors must work with partner countries to significantly increase all components of country ownership in DRM projects.

A fundamental, and political, barrier to ownership in the DRM context is the limited voice and influence that developing countries have on the global tax agenda – which is largely shaped at the OECD, the Platform for Collaboration on Tax (PCT) and other international forums. As a result, some governments find themselves implementing a reform agenda driven largely by donors.

REGIONAL TAX BODIES, NGOs AND ACADEMIA STILL UNDERUTILIZED. Regional Tax Organizations (RTOs), such as the African Tax Administrators Forum (ATAF) and Inter-American Centre for Tax Administrators (CIAT), are key players in strengthening capacity and regional technical cooperation. RTOs add value in terms of improving regional coordination and "South-South" cooperation, and in offering cost-effective delivery models. For example, ATAF expenditures in 2016 were just under $4 million – yet ATAF member countries reported collecting more than $120 million in additional revenue from transfer pricing audit work alone.[15]

Yet support for RTOs actually declined from 2015 ($2.93 million) to 2016 ($2.5 million), and represents less than 1 percent of total aid for DRM. Despite the emergence of these RTOs as strong, demand-driven providers of technical cooperation, more aid is being channeled through the IMF, World Bank and OECD. While multilateral institutions offer value of their own, **this is one of the biggest mismatches in the DRM landscape.**

Figure 3. What role for NGOs, Regional Tax Organizations & Academia?



Source: Addis Tax Initiative DRM dataset

Strong civil society stakeholders are essential to accountability for how governments raise and allocate resources, and vital for the sustainability of country-owned reforms. While the number of DRM projects led by NGOs increased from 17 projects in 2015 to 40 in 2016, the average funds per project led by NGOs decreased by 53 percent**.** And of the nearly $33.6 million that donors channeled through country systems (central government, private sector and NGOs) in 2016, only 2 percent went to local NGOs. Support for academic institutions – which contribute to DRM through valuable research, surveys and data collection – has also weakened**.** It is positive to see more projects being led by NGOs, but it is clear that donors need to make NGOs and academia more central to their DRM strategies.

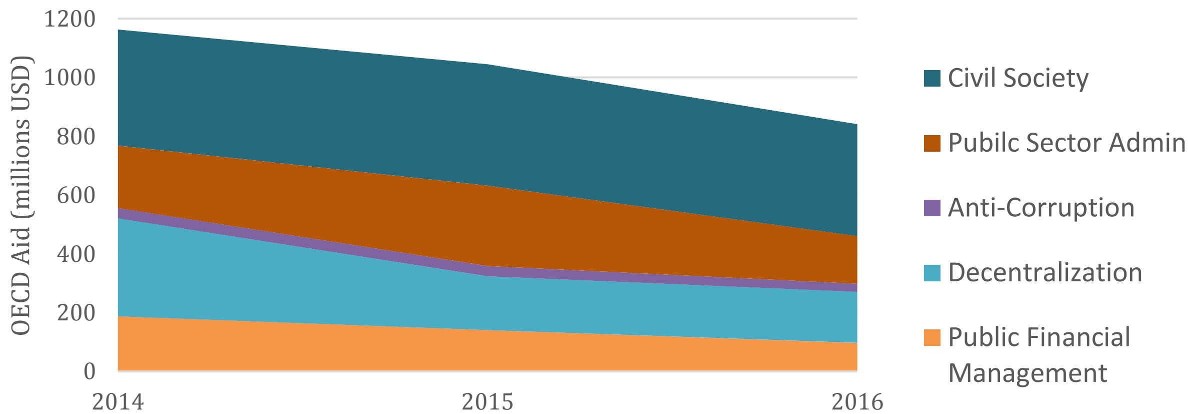
LOCAL PARTNERS IN DRM PROJECTS

The US and UK cooperate to support the Uganda Governance, Accountability, Participation and Performance (GAPP) Program – implemented by a contractor based in the United States.[16] Funds were not disbursed directly to local partners, civil society has been a key participant. In 2017, the program supported the Civil Society Budget Advocacy Group (CSBAG) to conduct an assessment of the Uganda tax system, with a focus on "why" DRM is so low in Uganda.[17] One conclusion was that "tax incentives and exemptions can lead to significant revenue leakages". But this report (a short-term result) is only the foundation for much more important work over the long-term, such as: socializing the problems with tax systems, galvanizing citizen engagement and elevating political commitment to reform. For this work to succeed, the US and UK should continue to increase their investments in local partners – but in order for programs to be sustainable and effective, civil society stakeholders will need to be more than a short-term partner on a report.

AID FOR ACCOUNTABLE PUBLIC FINANCE CONITUES TO DECLINE. Overall aid for civil society and democratic participation has been declining. The top 10 "DRM darlings" have been receiving less aid for the "civil society and democratic participation" sector – which fell by $487 million from 2014 to 2016. But it's not only donor support for civil society that has been waning. Aid for other sectors that fortify domestic accountability – such as public financial management, anti-corruption, decentralization and public sector administration – is also declining.

In Sub-Saharan Africa, the region that received the most aid for DRM, support for these complementary sectors has fallen by 20 percent. We cannot forget that managing and spending revenues is just as important as raising them. The severity of this concern is punctuated by the findings from the International Budget Partnership's most recent Open Budget Survey (2017): for the first time since 2006, progress in budget transparency has stalled.

Figure 4. Foundation for DRM Sinking?
Aid for "complementary sectors" to DRM in Sub-Saharan Africa



Source: OECD Creditor Reporting System, based aid reported by respective sector codes

Table 4. Quality aspects of "Aid for DRM" in 2015-2016			
Equity	**2015**	**2016**	Change
DRM projects with equity goals	7	18	^
DRM aid with equity goals	4.6%	3.2%	v
Gender marker "ticked"	26%	17%	v
Gender focus in project description	1%	0.5%	v
Ownership			
Aid directly to recipient government, local private sector or NGOs	19%	16%	v
Civil Society and academic institutions			
Percentage of aid channeled through NGOs and academia	4.5%	3.25%	v
Number of projects led by NGOs	17	40	^
Audit Support			
Projects	25	81	^
Amount of aid supporting stronger audit processes	$9.6 m	$30.9 m	^
Subnational DRM			

Subnational (percent of DRM aid)	4.2%	10.8%	^
Subnational projects	16	63	^
Local DRM projects with gender component	73 %	24%	v
Coherence for Accountable Public Finance			
Aid for Public Finance Management in (top 10 DRM aid countries)	$112 m	$124 m	^
Broader Accountable Public Finance (Sub-Saharan Africa)	$1.04 b	$841 m	v

Source: Addis Tax Initiative DRM dataset; revenue statistics from ICTD Government Revenue Database
**excludes the two loans from France to Armenia and Indonesia*

III. Multilateral Support for DRM

Multilateral institutions have played an enormous role in DRM, and this role is increasing. Few institutions have more regular communication, and influence, with revenue authorities and finance ministries in developing countries than International Financial Institutions. So it should be no surprise that IFIs are playing a big role in DRM. In 2016, nearly one-fifth of all aid for DRM was channeled through multilateral institutions (IMF, World Bank, OECD, UN and Asian Development Bank). This is addition to the $300-500 million that the World Bank spends on DRM annually or the IMF's regular policy advice associated with lending programs and its growing capacity development programs (which has been the IMF's largest single output since 2012[18]).

Donors are channeling an increasing amount of aid for DRM through multilateral institutions, particularly the IMF and World Bank. In 2016, donors sent $7.5 million more in aid for DRM through multilaterals (note that total aid for DRM only increased by $7.1 million). Unlike bilateral donors, the DRM projects, capacity development programs and technical assistance provided by multilateral institutions are not reported in a coordinated way, and not yet incorporated into the Addis Tax Initiative's *DRM Database* at drm.taxcompact.net (still in its beta version).

Table 5. Aid for DRM going through Multilateral Institutions

	2015	2016
Projects	52	113
Aid for DRM	$29.83m	$37.33m

The World Bank has established a new Global Tax Program within its Governance Global Practice, which is managing tax modernization projects and other DRM related programs. Given the Bank's mandate to promote shared prosperity, there should be a strong commitment to integrating gender and equity into its DRM strategy. But this requires a shift from its past programming. According to the Bank's Independent Evaluation Group (IEG), equity was not a significant factor in DRM projects over the past 15 years, finding that *"tax policy and administration [projects] do not refer to improving equity of the tax system. As for tax efficiency, very few operations had equity as an explicit or implicit tax objective. The exceptions are a Jamaica stand-alone DPO (FY2005) and a Colombia stand-alone DPO (FY2014), and these provide little insight."*

In 2017, the Bank published a DRM report that proposed three pillars for a new DRM strategy. The first pillar is enhancing the quality of tax systems, with a focus on reducing inequality; the second is stronger tax administrations; and the third pillar is fostering social acceptance, which includes civil society engagement. This "proposed" strategy could take the Bank's DRM work in the right direction. Given that no other donor invests as much as the World Bank in DRM – around $500 million annually (according to the IEG), it will be vital for the Bank to adopt a more pro-poor DRM strategy, especially for the use International Development Association (IDA) funds.

The International Monetary Fund provides technical assistance and policy advice that can greatly influence how countries pursue DRM. The IMF developed positions on "Revenue Mobilization in Developing Countries" in 2011, which include policy considerations for equity and poverty - but a recent report found that these pro-poor positions were not translating to better policy advice or lending conditions.[19] Similar to the World Bank, the IMF has also elevated its focus on inequality. Moving from rhetoric to reality remains the biggest challenge.

Many donors are channeling more and more aid for DRM through the IMF, particularly its multidonor trust funds: Revenue Mobilization Trust Fund (formerly Tax Policy and Administration) and Managing Natural Resource Wealth (MNRW) Trust Fund, which in now in its second phase. The Trust Funds are governed by steering committees made up of supporting donors. In addition, donors provide direct funding for the 10 IMF Regional Technical Assistance Centers (RTACs), which coordinate technical assistance (TA) for regional member countries. RTAC steering committees include both donors and governments. Donors have increased the use of these IMF vehicles, jumping from $2.5m (2015) to $17.3 m (2016).

Multidonor trust funds can be an effective way to pool and harmonize aid resources, but only if trust funds uphold the principles of aid effectiveness. This may be difficult, especially for IMF trust funds because technical assistance is kept completely confidential unless explicit consent is given by recipient governments. The IMF is starting to publish some TA documents, which might indicate a positive culture shift (where staff might actively pursue consent more often). Even in these limited circumstances however, the disclosure is not very timely. For example, the IMF provided TA to Uganda on its fiscal regime for its growing oil sector in March 2015, but the documents were published more than two years later, in December 2017.[20]

As aid dollars for DRM are increasingly channeled through multilateral institutions, these institutions will need to step up to strengthen donor cooperation, transparency and country ownership. In February 2018, the Platform for Collaboration on Tax (PCT), a forum consisting of the IMF, OECD, World Bank and United Nations, made two commitments on this front:

- "On a regular basis, working with others including the Addis Tax Initiative, we will help to give a comprehensive picture of the total effort of international, regional and bilateral partners in supporting developing countries on tax matters."

- "We will integrate, and aim for the highest possible standards of transparency in the provision of information about our capacity development activities in developing countries through the Platform website."[21]

The four PCT institutions should demonstrate how they plan to make good on these commitments by the end of 2018.

MEDIUM TERM REVNUE STRATEGIES

In 2016, the PCT recommended to the G20 that countries adopt Medium-Term Revenue Strategies (MTRS). While the MTRS was conceived by international institutions, the concept of forward-looking revenue strategies is already part of some countries' development strategies. For example, the Government of Liberia (which has been collaborating with USAID[22]) is developing a medium-term DRM strategy on its own.[23] The MTRS is a natural complement to the "medium-term fiscal frameworks" and "medium-term expenditure frameworks" that increasingly form the basis of many countries multiyear budget planning efforts. Furthermore, the MTRS represents an opportunity for governments to make tax policy a citizen-driven and country-owned process, and to ensure that revenue mobilization efforts seek to reduce poverty, gender inequities and economic inequality.

The PCT has proposed that countries develop medium-term revenue strategies (MTRS) that set revenue goals and strategies to raise revenue over a four-to-six-year period. Such strategies will be successful only if there is broad consensus, through extensive citizen engagement and public communication, that revenue targets adequately fund key social sectors; and if the revenue mobilization strategy accounts for its impact on both men and women, inequality, and poverty. The MTRS could prove to be a good coordinating mechanism for donors supporting DRM—not only for ATI signatories but also for Southern aid providers, multilateral institutions, and others.

This will be tested soon, as Uganda and other countries have recently decided to implement an MTRS. The most important issue from the onset will be *who* sets the reform priorities. There will be competing influences – as western donors (DFID, USAID and EU), international financial institutions (IMF and World Bank) and China have all been investing in Uganda's capacity to mobilize revenues. With such strong external influences, it will more important than ever to harmonize the vast array of donor driven projects on DRM and strengthen the voice of domestic actors - especially internal and external accountability stakeholders.

While an MTRS will look different in every country, Oxfam believes an MTRS will only be successful if the *process* includes the following principles:

1. **The MTRS is a social contract**, **country-owned and centered on broad-based consensus** among civil society, women's rights organizations, parliamentarians, key government ministries (e.g. health) and institutions (e.g. supreme audit institution), and other stakeholders such as subnational governments and local leaders.

2. **An MTRS begins with a public dialogue (and consensus building) on revenue objectives**, which are sufficient to fund key public programs and services that effectively reduce poverty and inequality. These targets, and the effectiveness of this spending, should be jointly monitored by internal and external stakeholders.

3. **Revenue objectives are pursued (and achieved) through pro-poor DRM,** where all reforms – tax policy, legal, and administrative – aim to increase fairness, gender equity and effectiveness of domestic revenue collection.

4. **Civil society, accountability organizations and media are not *only* considered stakeholders for consultation, but are incorporated into the implementation strategy** (e.g. building taxpayer awareness and trust) and have the space to monitor reforms at all levels.

5. **Meaningful cooperation, including alignment with national development plans and the revenue strategies, and genuine transparency from donors and others providing support for implementation –** where development partners, governments and citizens have access to the same information. This means public and accessible data on projects, technical cooperation and advice to governments (including IMF Technical Assistance).

CONCLUSION

While it doesn't tell the whole story, the above data helps highlight some key shortcomings in how donors and governments are pursuing DRM: limited attention to fairness of revenue mobilization, as well as on gender equity. It also indicates some opportunities, for example, to expand investments in accountability stakeholders and subnational DRM. There may indeed be some DRM projects that are supporting fairer revenue systems even where equity is not the explicitly stated goal in the documents that Oxfam interrogated. Similarly, there may be some projects where civil society and other accountability stakeholders are actively being brought into the discussions even where they are not receiving aid directly. However, this paper aims to take a step back to look at the trends of aid for DRM and make the case that significantly more can, and needs, to be done to prioritize equity and participation as essential elements of a successful DRM strategy.

Oxfam is committed to working with the ATI, donors, governments and other partners to strengthen the reporting, monitoring and ultimate outcomes of DRM activities. Most importantly, the imperative of DRM is not to increase domestic revenue by any means necessary. DRM must be a tool to fight inequality and strengthen the social contract between citizens and states. If donors and governments cooperate toward these ends, DRM has great potential.

Addis Tax Initiative (ATI)

The Addis Tax Initiative (ATI) has elevated the conversation on domestic revenue mobilization (DRM) among donors and governments, but **we must turn these commitments into actions that result in fairer tax systems**. Oxfam views all 3 ATI commitments as equally important, but sees an urgent need to bolster actions on commitment 2 (DRM for attainment of SDGs) and commitment 3 (policy coherence). To achieve its goals, members of the Addis Tax Initiative are compelled to do more than increase technical cooperation and coordinate capacity building efforts. Making good on commitment 1 (double donor support for DRM) alone will not deliver the DRM outcomes that billions of people need. What is most important is *how* we use these resources, and the political momentum, to strengthen the effectiveness and equity of DRM.

ATI donors and partner countries must recognize civic space as a necessary means to achieve fiscal space, and increase their investments in women's rights organizations, civil society, independent media outlets, academia and other accountability stakeholders. Some donors already value the role of these stakeholders, but overall investment in them is far too low. While the data may not fully capture all the ways that NGOs and RTOs are engaged, it is clear that there is room for improvement.

Fairness and transparency are part of the ATI declaration, but donor reporting on DRM reveal that just 3 percent of DRM projects included fairness or equity objectives in project descriptions. And only 1 percent have a focus on gender. **ATI donors and partners countries must put fairness and gender front and center**. Ensuring space for women's rights organizations in the dialogue on tax reform would be a smart place to start.

ATI donors and governments must start taking action on policy coherence. This should start by acknowledging - and reporting to the ATI - any policies, practices, treaties or agreements that undermine the equity and effectiveness of DRM. For governments, this means reviewing and assessing their use of tax incentives. For donors, they must step up efforts to reduce their own negative spillovers (e.g. reviewing tax treaties) and champion global tax transparency rules.

Furthermore, donors should also commit to reducing tax exemptions for donor-financed **projects and operations**. This contradicts the efforts to simplify tax systems and creates administrative burdens for tax administrations. Belgium, Denmark, Norway, Netherlands and Sweden have demonstrated early leadership on this. All ATI donors should follow.

[1] This analysis focuses on grant-based projects, and thus excludes these two large French loans in 2016. These two loans are effectively outliers given their size: to Armenia ($45 million) and Indonesia ($110 million). In addition, there was insufficient information to know if these are strictly DRM projects, or contain support for other sectors. Excluding these two projects, the analysis is based on 634 grant-based DRM projects. Both 2015 and 2016 ATI datasets can be accessed here: https://drm.taxcompact.net/user-guide

[2] Addis Tax Initiative. *ATI Monitoring Report 2015*. June 2017. Accessed at: https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Monitoring-Report_2015_EN.pdf

[3] IMF. **"**Revenue Mobilization and International Taxation: Key Ingredients of 21st-Century Economies by IMF Managing Director Christine Lagarde". February 2016. Accessed at: https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp022216

[4] OECD. Enhancing the Effectiveness of External Support in building Tax Capacity in Developing Countries. 2016 Accessed at: http://www.oecd.org/ctp/enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries.pdf

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

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

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

[8] IMF Medium-Term Budget FY2018-2020. Accessed at: https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/05/12/pp032917fy2018fy2020-mediumterm-budget

[9] Oxfam America. State of DRM. December 2017. Accessed at: https://www.oxfamamerica.org/explore/research-publications/the-state-of-drm/

[10] Transparency, accountability, local ownership, and flexibility are essential features of quality aid. More on quality of foreign aid can be found here:https://www.oxfamamerica.org/explore/research-publications/foreign-aid-101/

[11] These figures are slightly different from what ATI reports in its Monitoring Brief, including the baseline of $222.36 million. This analysis draws directly from the data in the ATI datasets, accessed in February 2018 at: drm.taxcompact.net/user-guide. Some donors have updated and adjusted reporting on DRM to ATI, which has led to some differences in figures published by ATI.

[12] DRM projects were assessed to have clear equity goals or consideration if the project descriptions contained any language on: "equity", "inequality", "progressive", "fair" or "distribution"

[13] DRM projects were assessed to have a gender focus if the project descriptions contained language on: "women", "girls" or "gender"

[14] In this case, the "channel of aid" is a proxy measure for country ownership. For more information about country ownership, see Oxfam and Save the Children's "Power of Ownership" report and case studies, available at: https://www.powerofownership.org/

[15] ATAF. Annual Report. 2016. Accessed at: https://www.ataftax.org/en/component/jdownloads/send/11-annual-reports/15-annual-report-2016?option=com_jdownloads

[16] More information about the Uganda Governance, Accountability, Participation and Performance (GAPP) program can be access at: https://www.rti.org/impact/uganda-governance-accountability-participation-and-performance-gapp

[17] Civil Society Budget Advocacy Group (CSBAG). Widening Uganda's Tax Base. September 2017. Accessed at: http://csbag.org/wp-content/uploads/2018/02/Tax-research-book.pdf

[18] IMF Medium-Term Budget, FY2018-2020 (pg 13). Accessed at: https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/05/12/pp032917fy2018fy2020-mediumterm-budget

[19] Development Finance International and New Rules for Global Finance. Is IMF Tax Practice Progressive? https://policy-practice.oxfam.org.uk/publications/is-imf-tax-policy-progressive-620350

[20] International Monetary Fund. TECHNICAL ASSISTANCE REPORT—FISCAL REGIMES FOR EXTRACTIVE INDUSTRIES: NEXT PHASE. December 2017. http://www.imf.org/en/Publications/CR/Issues/2017/12/13/Uganda-Technical-Assistance-Report-Fiscal-Regimes-for-Extractive-Industries-Next-Phase-45462

[21] Platform Partners' Statement at the Closing of the Conference. February 2018. Accessed at: http://www.worldbank.org/en/news/statement/2018/02/16/platform-for-collaboration-on-tax-first-global-conference-on-taxation-and-sdgs

[22] USAID. Liberia Domestic Resource Mobilization (DRM) report. Accessed at: https://pdf.usaid.gov/pdf_docs/PA00SW1W.pdf

[23] FrontPage Africa. Liberia Revenue Authority validates draft domestic resource mobilization strategy. Accessed at: http://www.frontpageafricaonline.com/index.php/news/7508-liberia-revenue-authority-validates-draft-domestic-resource-mobilizations-strategy

Oxfam is a global movement of people working together to end the injustice of poverty. With 70 years of experience in more than 90 countries, Oxfam takes on the big issues that keep people poor: inequality, discrimination, and unequal access to resources including food, water, and land. We help people save lives in disasters, build stronger futures for themselves, and hold the powerful accountable. Join us. **www.oxfamamerica.org.**

US HEADQUARTERS
226 CAUSEWAY STREET, 5TH FLOOR
BOSTON, MA 02114-2206
(800) 77-OXFAM

US POLICY & ADVOCACY OFFICE
1101 17TH STREET, NW, SUITE 1300
WASHINGTON, DC 20036
(202) 496-1180

www.oxfamamerica.org