



Building Revenue Capacity

FEBRUARY 11, 2025

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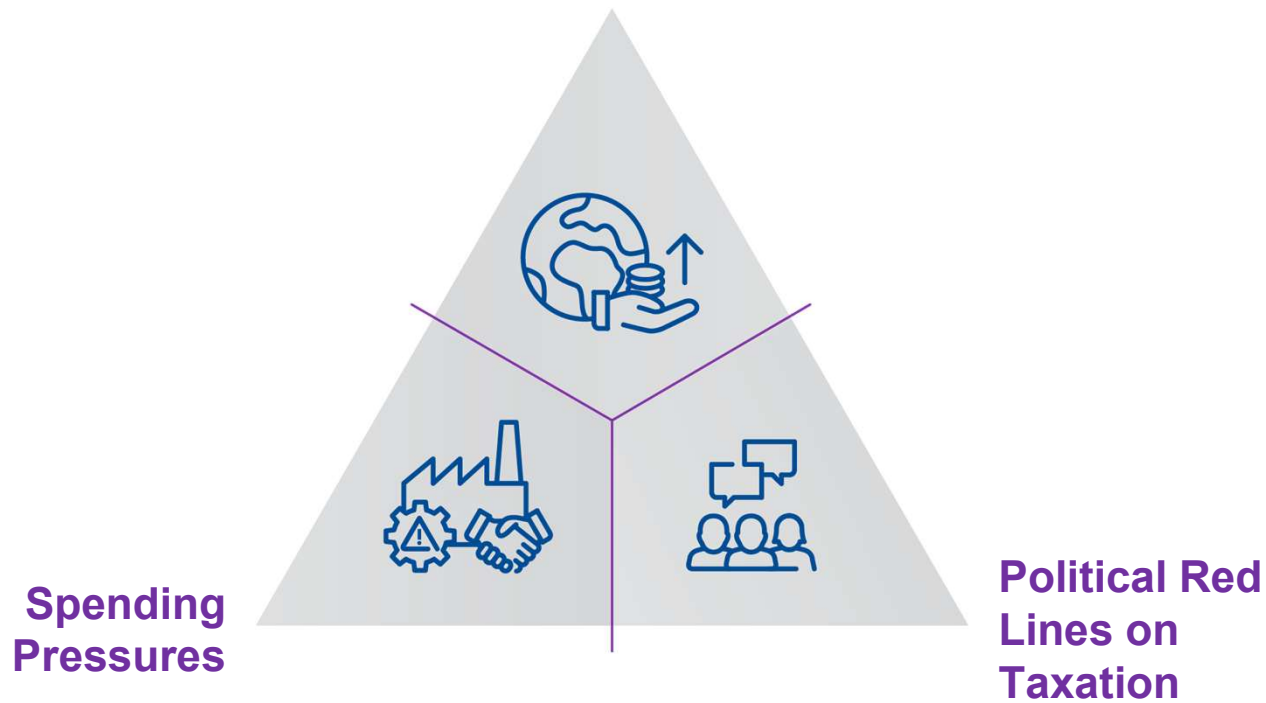
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Governments Face a Difficult Trilemma



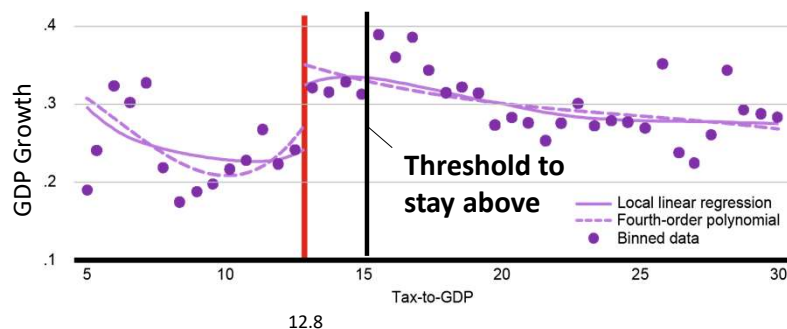
Debt Sustainability
Monetary Stability and Financial Stability



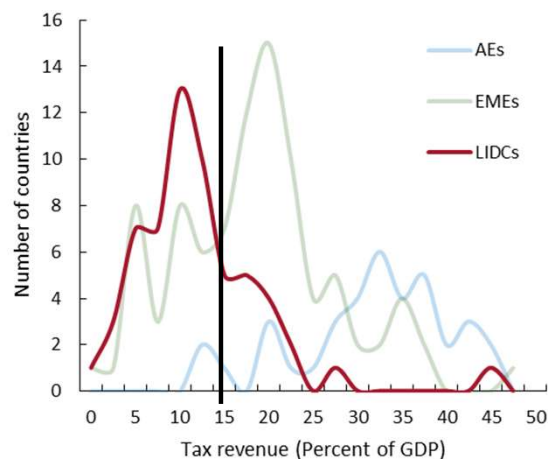
Revenue Mobilization is vital. And difficult.



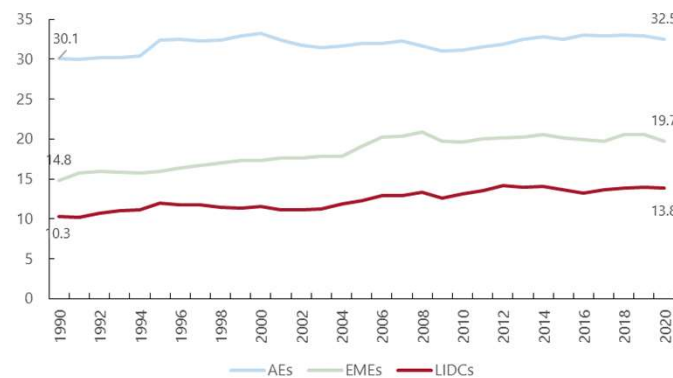
Tax capacity, by enabling state capacity, boosts growth



Too many countries still below the 15% threshold

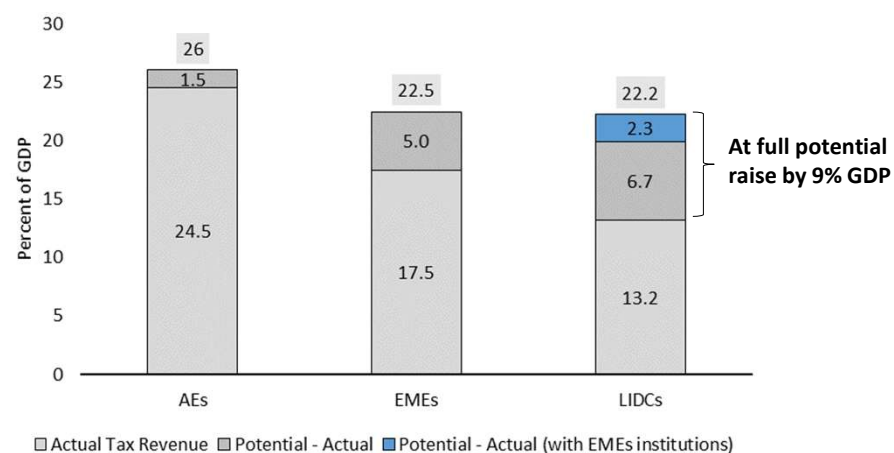


Progress has been achieved, but limited during last decade



Progress in 1/3rd of countries, e.g. Armenia, The Gambia, Jamaica, Kyrgyz, Maldives, Mauritania, Nepal, Rwanda, Senegal, Uganda

Significant potential to do better (SDN September 2023)

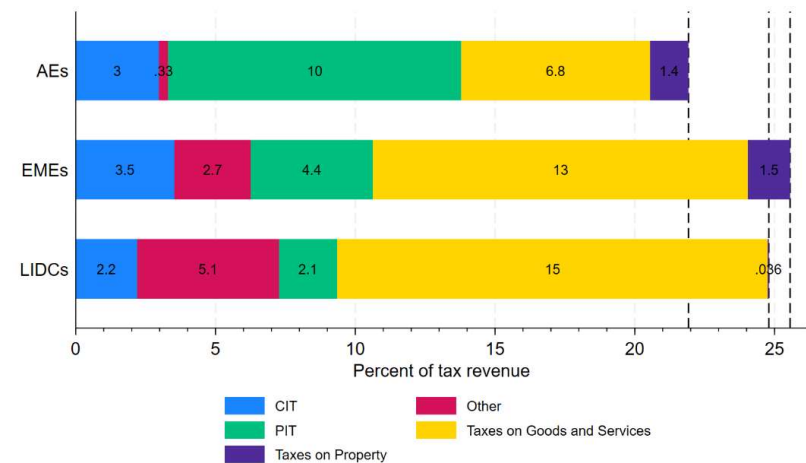


Key Revenue-Raising Options

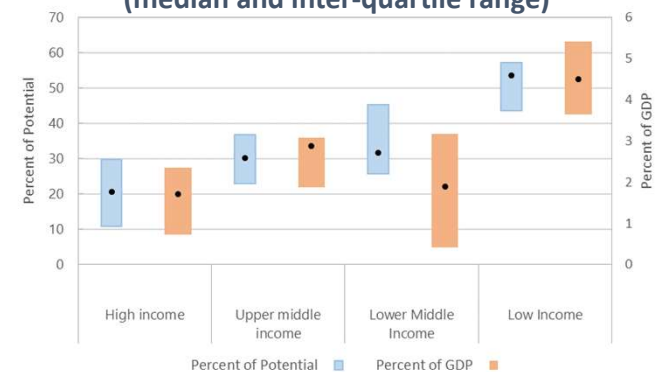


- **Reconsidering tax expenditures**
 - Occur in all taxes and can be regressive
 - About $\frac{1}{4}$ of tax revenue in EMDEs – or between 2 – 5% GDP
 - VAT tax expenditures are particularly large
- **Addressing tax compliance gaps**
 - VAT compliance gaps alone can be 4% GDP in LIDCs – compared to 2% GDP in high income
- **Excise and property taxes** have untapped potential.
- **Digital transformation** of revenue administration
 - IMF estimates suggest that e-invoicing and electronic fiscal devices can yield, respectively, 0.7 and 0.5% GDP (on average)

Estimates of Tax Expenditures – average 2012-21



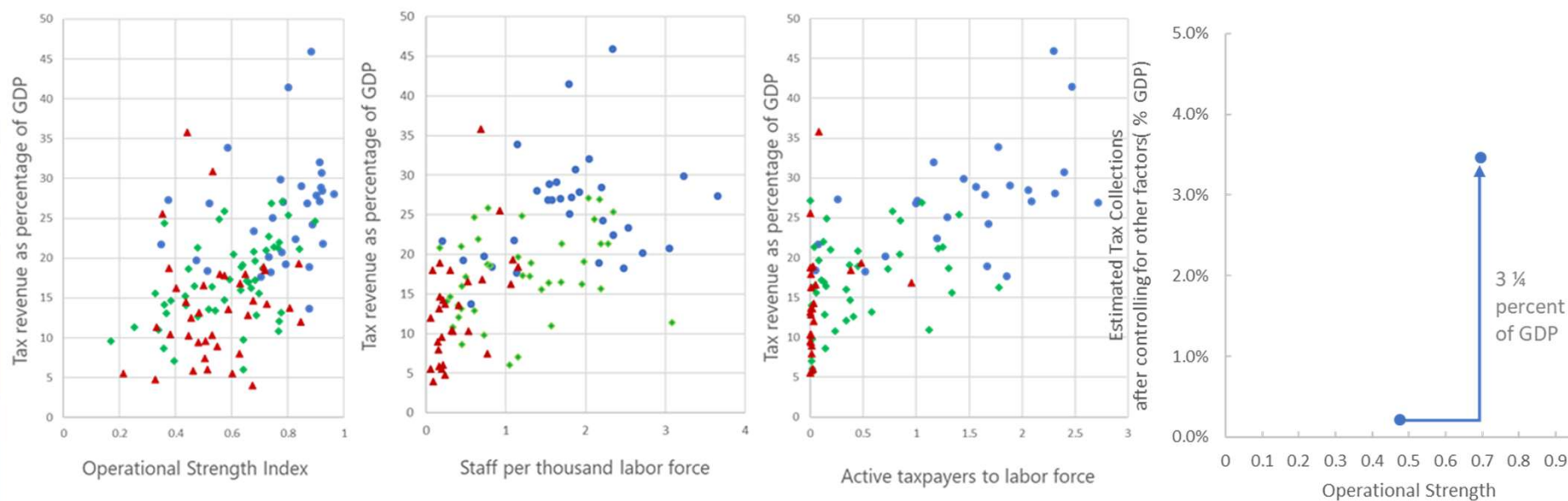
VAT compliance gaps by income level (median and inter-quartile range)



Tax Capacity Matters



- Advanced Economies
- Emerging Markets
- Low Income Developing Countries



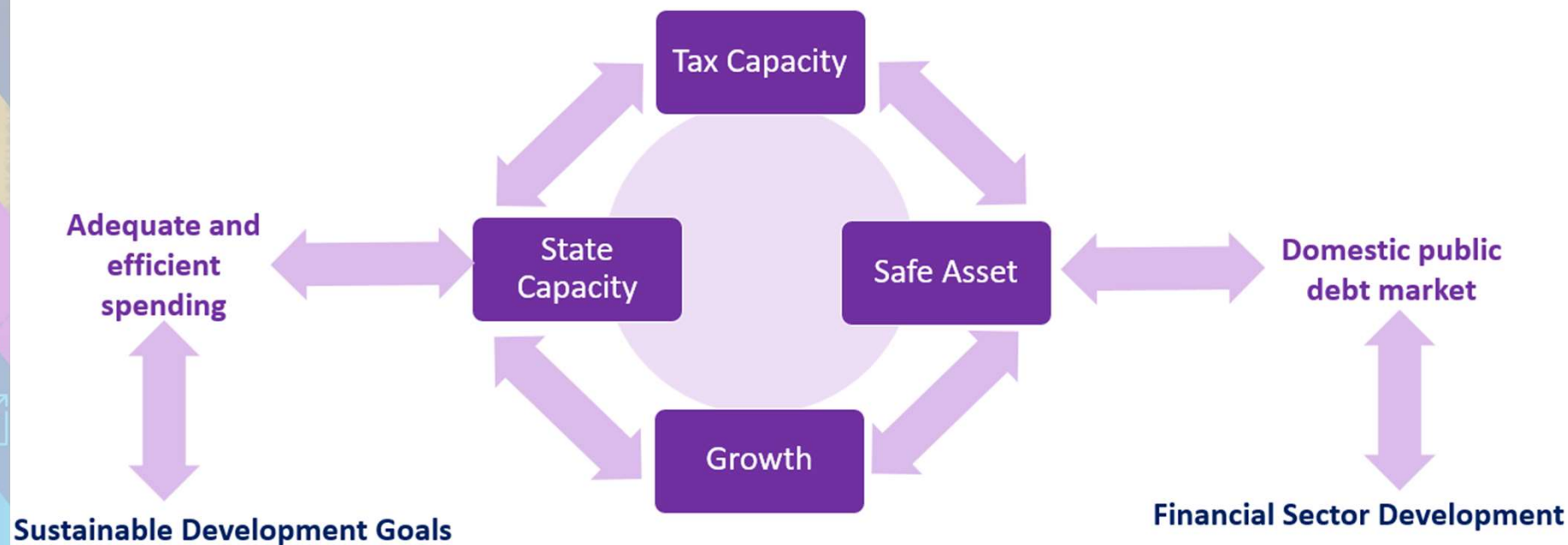
Countries with a stronger tax operational capacity collect more tax, after controlling for tax policy and macro-economic factors

Source: IMF Working Paper WP/20/142, using ISORA data

Domestic **Resource** Mobilization is critical for success



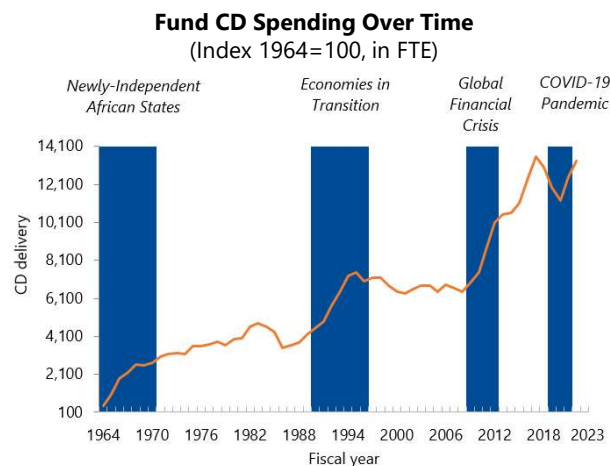
Domestic Revenue Mobilization



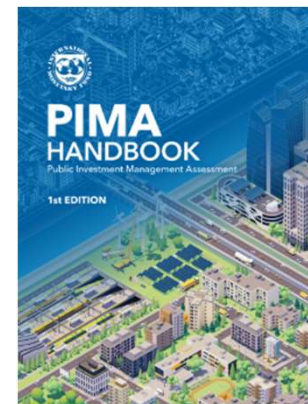
DRM is central to IMF Capacity Development(CD) GPF

Revenue Tools

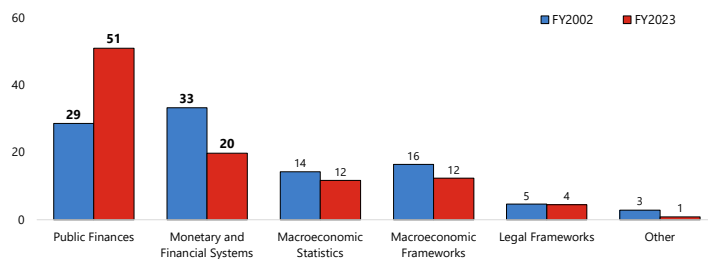
Infrastructure Governance



International Survey on Revenue Administration (ISORA)
Powered by RA-FIT



Topical Composition of Fund CD, FY2002–FY2023
(In percent of total delivery)



Analytical work



Online Training

The GPFP is key to IMF Capacity Development



Will become the **primary vehicle for fiscal CD** to developing countries

- Builds on successful revenue partnerships

Global coverage; **comprehensive** fiscal focus

Programmatic country-centered approach **emphasizes integration and tailoring.**

Integrates critical cross cutting themes

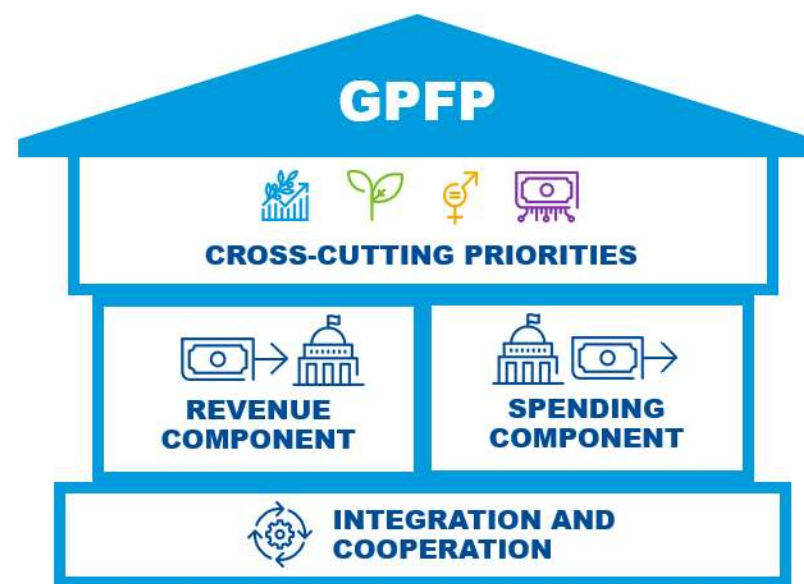
- Climate, Digital, Gender and Inclusion.

Results-focused approach

- At both strategic and country level.

Strong emphasis **on partner coordination**

- including via the Fund/Bank Joint DRM Initiative





THANK YOU

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