DOES AID TO DOMESTIC REVENUE MOBILIZATION SUPPORT TAX FAIRNESS? A SYNTHESIS OF OXFAM RESEARCH

ATI Consultative Group 2

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OUTLINE

AIMS AND APPROACH OF THE SYNTHESIS REPORT

QUANTITATIVE DEVELOPMENTS OF ODA FLOWS TO DRM

EQUITY AND TECHNOCRATIC APPROACH TO DEVELOPMENT

RECOMMENDATIONS

PAPER'S AIMS AND APPROACH

- Examines a large body of work and draws out key themes and lessons learned.
- Begins with a review of progress on donors' promise to double the volume of aid-to-DRM between 2015 and 2020
- It also examines the question of whether the aid conforms with the development effectiveness principle of country ownership
- Whether donors help recipient govts to make explicit links between increased revenues and "inequality-busting" public investments and expenditures
- Lastly, the report discusses the lack of systematic attention to gender in aid-to-DRM

FINDINGS: QUANTITATIVE DEVELOPMENTS OF ODA FLOWS TO DRM

- **Two parts to the puzzle:**
  - Volume of aid
  - Support for equitable DRM – raising revenue in a way that curbs inequalities and improves state-citizen compact to achieve sustainable development

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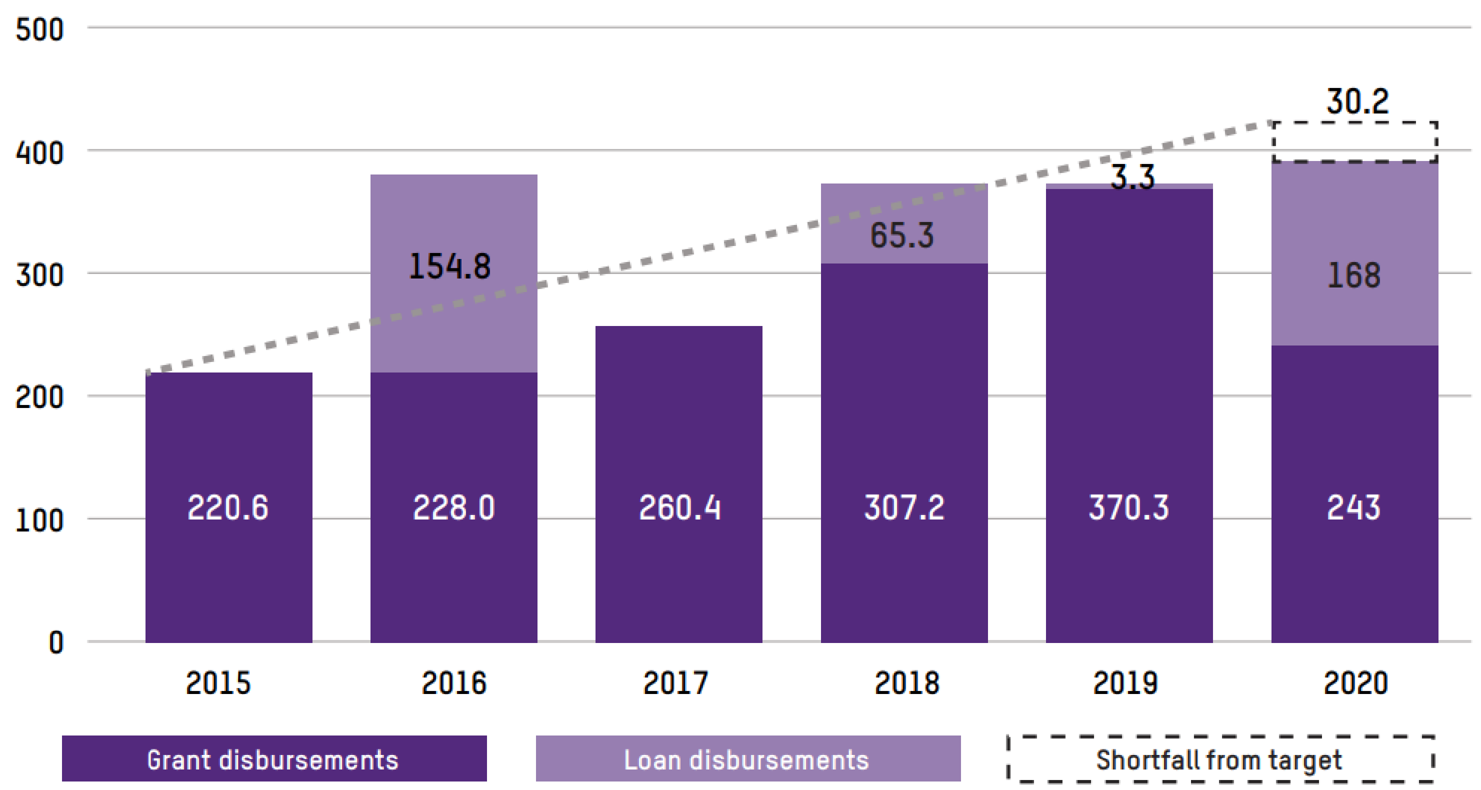
- Donors raised their levels of aid-to-DRM with disbursements exceeding those of 2015 in every successive year through 2020, according to ATI’s monitoring reports
- After a dramatic surge in 2016, ODA to DRM remained flat in 2018–2019, and despite a rise in 2020, donors fell short of meeting their pledge to double aid by 2020.
- Development partners pledged to double their aid in support of DRM from $220.6m to $441.2m in 2020.

GROSS ODA DISBURSEMENTS FOR DRM, 2015-2020 (US$M)



Sources: ATI (2021); OECD (2023).
Note: 2015 total includes 2014 disbursements for Sweden and UK (which apply a 2014 baseline).

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AID-TO-DRM & DEBT LEVELS IN LOW/MEDIUM INCOME COUNTRIES

- In some years, donors provided a substantial share of their aid-to-DRM in the form of loans rather than grants:

– 40% in 2016, 17% in 2018, 41% in 2020 **– contributing to unsustainable debt levels**

- At the end of 2021, the external debt stocks of low- and middle-income countries stood at US$11.1 trillion
- A majority (60%) of low-income countries now face or are at risk of debt distress.
- **ODA loans for DRM may contribute to a treadmill effect**

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INSIGHTS CONNECTED TO COUNTRY OWNERSHIP OF ODA TO DRM

- Country ownership is a core principle of an effective development co-op
- In too many instances, however, donors provide aid-to-DRM according to their favoured approaches and contractors -- *without regard to recipient country's national plans and priorities*.
- - For e.g., French aid to Mali
- - In Uganda, donors have not always aligned aid with the country's DRM strategy
- Donors frequently fail to channel resources to local actors.

EQUITY AND TECHNOCRATIC APPROACH TO DEVELOPMENT

- Technocratic approach miscasts the problem of low DRM vis-à-vis capacity of revenue authorities.
- The technocratic approach to DRM also tends to ignore **issues of equity.**
- Although according to the latest ATI monitoring report, about 40% of DRM aid had some equity focus in 2020.
- Need for a balanced approach to DRM: This requires going beyond the purely technocratic focus of capacity building of tax administrations and **involves a recognition that improving DRM requires difficult conversations between state and citizens** on:
- what constitutes a **fair tax system**, as well as **political negotiations between the global north and south to reform international taxation**.

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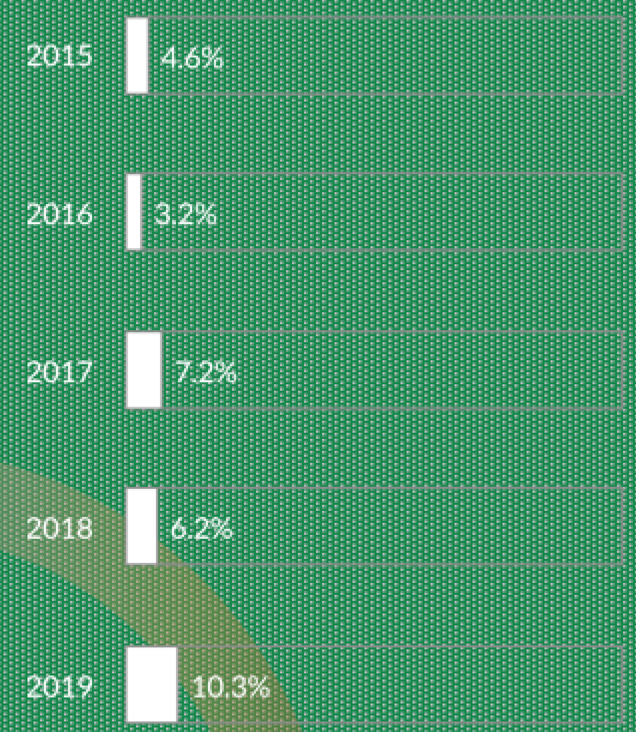
First Glimpse | Tier 1 (2015-19)

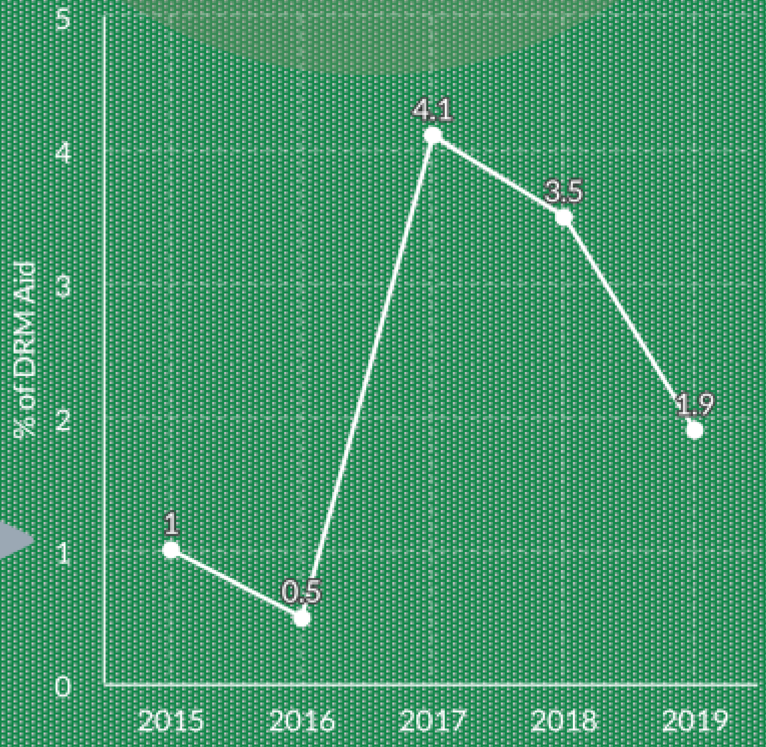
DRM Aid with Equity Goals



Gradual increase in the share of DRM cooperation with equity considerations

Decreasingly small percentage of DRM cooperation with considerations of gender equity

Gender Focus



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RECOMMENDATIONS

1. Increase aid-to-DRM, achieve the goal set to double aid-to-DRM
2. Scale up support for DRM that is clearly linked to reducing inequality
3. Significantly increase support for nationally led efforts to strengthen progressive taxes on wealth, property, corporate income, personal income, and EI.
4. Enhance country ownership of DRM reforms, design, and implementation
5. Increase financial support for CSOs, including WROs, and accountability bodies such as the media, parliamentarians, and judiciaries.
6. Ensure policy coherence by eliminating donor-country policies that encourage IFFs from low- and middle-income countries

Thank you!

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