

The Effective Institutions Platform at Mexico – What's next on Domestic Resource Mobilization?

1. DRM at the High-Level Forum of the Global Partnership

Domestic resource mobilization (DRM) was one of five substantive issues discussed during [the High Level meeting of the Global Partnership for Effective Development Cooperation](#) held in Mexico last April. Current issues around DRM were debated during the plenary on [Partnering for Effective Taxation and Domestic Resource Mobilisation for Development](#), reflecting the importance of DRM for reaching the development goals and the post-2015 agenda, as well as in several focus sessions: [Linking DRM to public expenditure](#); [Tax evasion and Illicit Financial Flows](#); and [More and better development cooperation for DRM](#).

In the [HLM Communique](#), participants committed to further support the strengthening of taxation systems, and reaffirmed their commitment to combat corruption, money laundering, and illicit financial flows. The HLM Communique also contains several voluntary initiatives related to DRM.

VOLUNTARY INITIATIVE (NO. IN COMMUNIQUE ANNEX)	CHAMPIONS AND CONTACT
1. Active support to “Tax Inspectors Without Borders”	OECD Task Force on Tax and Development, Belgium, France, Netherlands, UK Contact: TaxandDevelopment@oecd.org
8. Commitment to increase aid to tax matters, and to refine ways to measure aid going to tax system development	OECD Task Force on Tax and Development, Australia Contact: TaxandDevelopment@oecd.org
9. Commitment to perform risk analyses against exposure to illicit financial flows	OECD Task Force on Tax and Development, Belgium, Netherlands, WB Contact: OECD TaxandDevelopment@oecd.org ; World Bank Kuntay Celik kcelik@worldbank.org and Emile Willebois evanderdoes@worldbank.org
13. Development Impact Bonds	UK (overlaps with private sector initiatives) Contact: Tim Stern T-Stern@dfid.gov.uk
16. Endorsement of the “Principles for International Engagement in Supporting Developing Countries in Revenue Matters”	OECD Task Force on Tax and Development, Australia, Belgium, France, Germany, UK, WB Contact point: TaxandDevelopment@oecd.org
26. Launch of Coalition for Sustainably Resourced Public Service Delivery	OECD Task Force on Tax and Development, US, WB Contact: David Dod, USAID ddod@usaid.gov and OECD TaxandDevelopment@oecd.org
36. Welcome the development of the “Tax Administration Diagnostic Assessment Tool” (TADAT)	IMF, TADAT Steering Committee and Belgium More information can be found at: www.tadat.org .
38. Strengthening comparable tax statistical indicators (added on 12 May 2014)	OECD Task Force on Tax and Development, ATAF Contact point: Dr. Nara Monkam, Director: Research, African Tax Administration Forum (ATAF) Tel: +27 12 451 8811 Email: mailto:nmonkam@ataftax.org

2. The EIP and DRM

a. First results

A number of priorities were identified during EIP meetings in South Africa and in South Korea in 2013 as they relate to DRM. ATAF and the OECD put forward a proposal on *Linking revenues and expenditures*, the results of which are presented below. Germany, as one of the main champions in this area developed a proposal on *strengthening the capacities of tax administration to raise domestic resource mobilization (DRM) in partner countries* which contributed to the preparations of the High Level Meeting of the Global Partnership in 2014. During the High Level Meeting, partners came together to promote an increased political commitment for more and better development assistance in the area of tax.

A more in-depth focus session was also organised by Germany, Belgium and the EIP. Representatives from the OECD, Bangladesh, the African Tax Administration Forum (ATAF), TradeMark East Africa and Transparency International stressed the fact that investment of ODA in building tax systems can yield impressive returns. In addition, the importance of a holistic and systemic approach to DRM was highlighted, taking into account the expenditure side, with the aim of achieving good financial governance. A framework developed by Germany's Development Cooperation in this area and the IMF's Tax Administration Diagnostic Assessment Tool (TADAT) were also presented.

Linking revenues and expenditures: At the Mexico Global Partnership Meeting, some attention was given to what in practice would promote actions to better link revenues with expenditures. The EIP has explored ways of linking revenues and expenditures, including earmarking of taxes; natural resource management tools; strategic planning on revenue targets to meet social development objectives; further work to strengthen transparency through civil society scrutiny. Looking ahead, questions include whether more work should be undertaken to explore these and other mechanisms and whether there is value in gathering and dissemination country level practice (please refer to second room document on *Linking revenues and expenditures* for more information).

b. Next steps?

The EIP Annual Meeting presents a first opportunity for EIP members following the Mexico meeting to:

- i) take stock of how the EIP can contribute to take forward the DRM agenda;
- ii) consider practical steps to ensure EIP members address issues related to DRM, in close cooperation with other fora, such as the Task Force on Tax and Development; and
- iii) develop practical guidelines in the area of linking revenues and expenditures.