



FISCAL AFFAIRS

Key issues for domestic resource mobilization in developing countries

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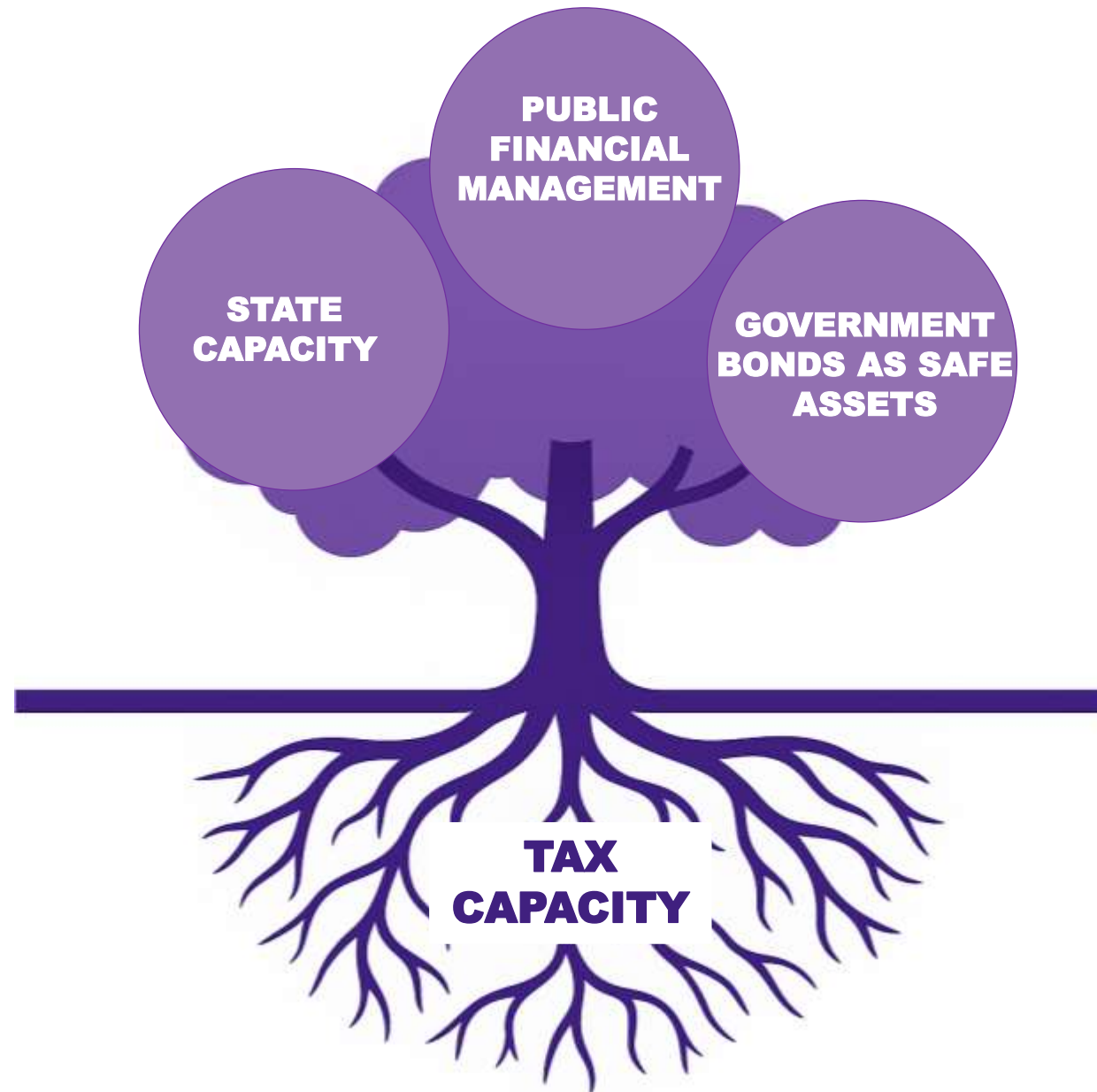
FERDI AND WAEMU FFD4 SIDE EVENT: KEY ISSUES FOR DOMESTIC RESOURCE MOBILIZATION IN DEVELOPING COUNTRIES

JULY 2, 2025

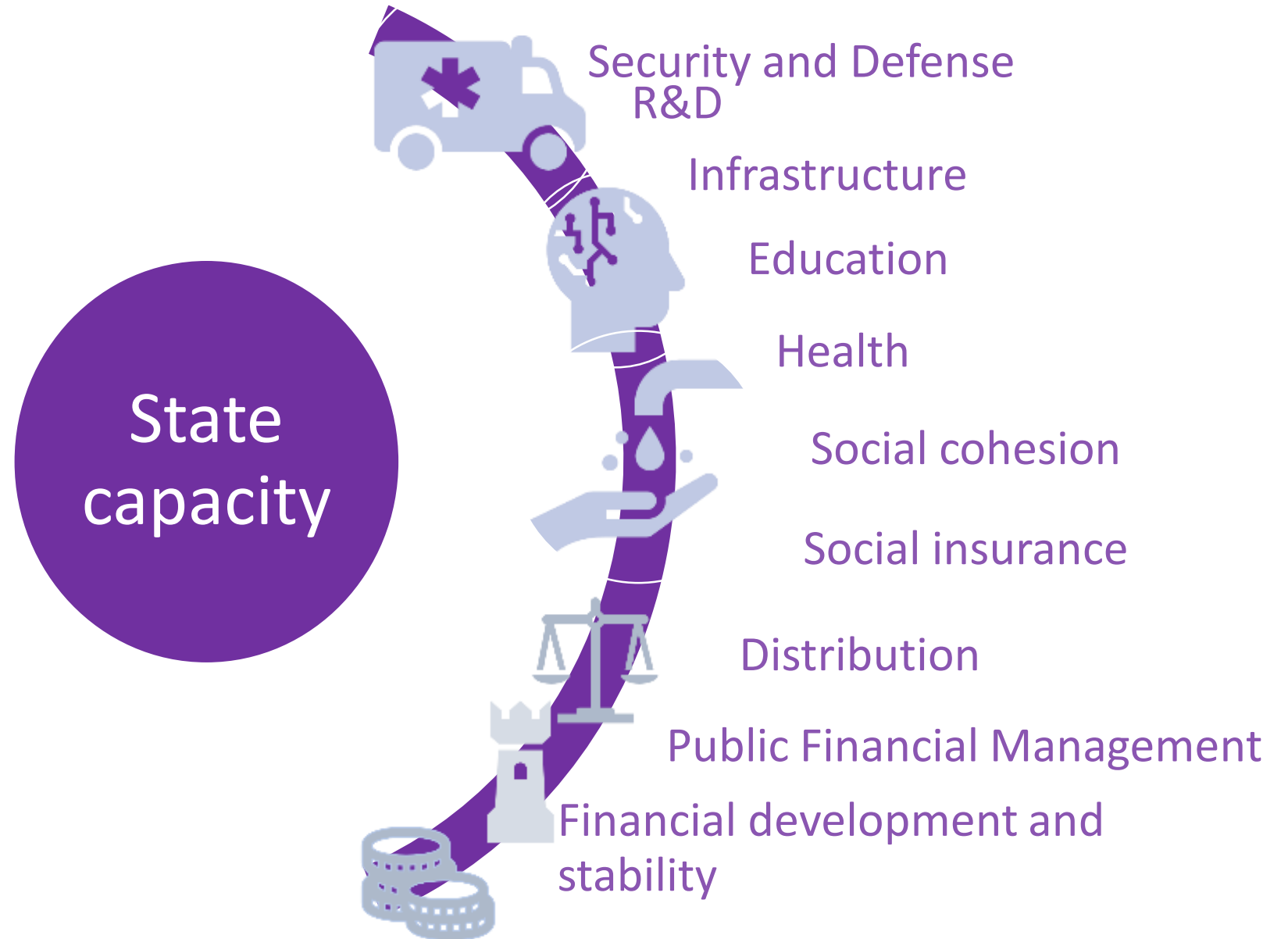
SEVILLE, SPAIN

The presentation was prepared by Mario Mansour, Misa Takebe, Fayçal Sawadogo, Saraf Nawar, and Maëlle Hélène Pierre-Denis.

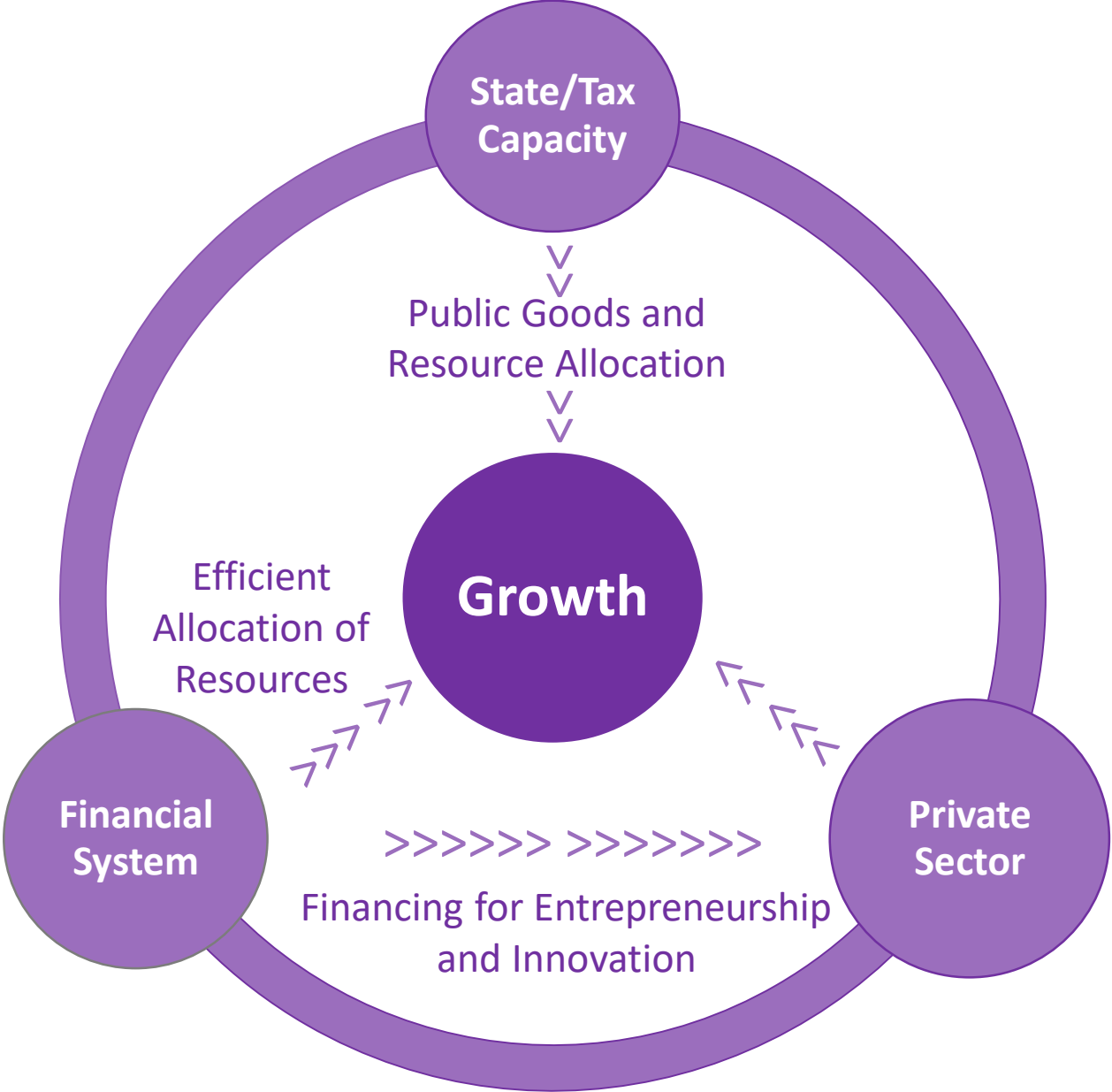
Two Ideas from Schumpeter



Two Ideas from Schumpeter

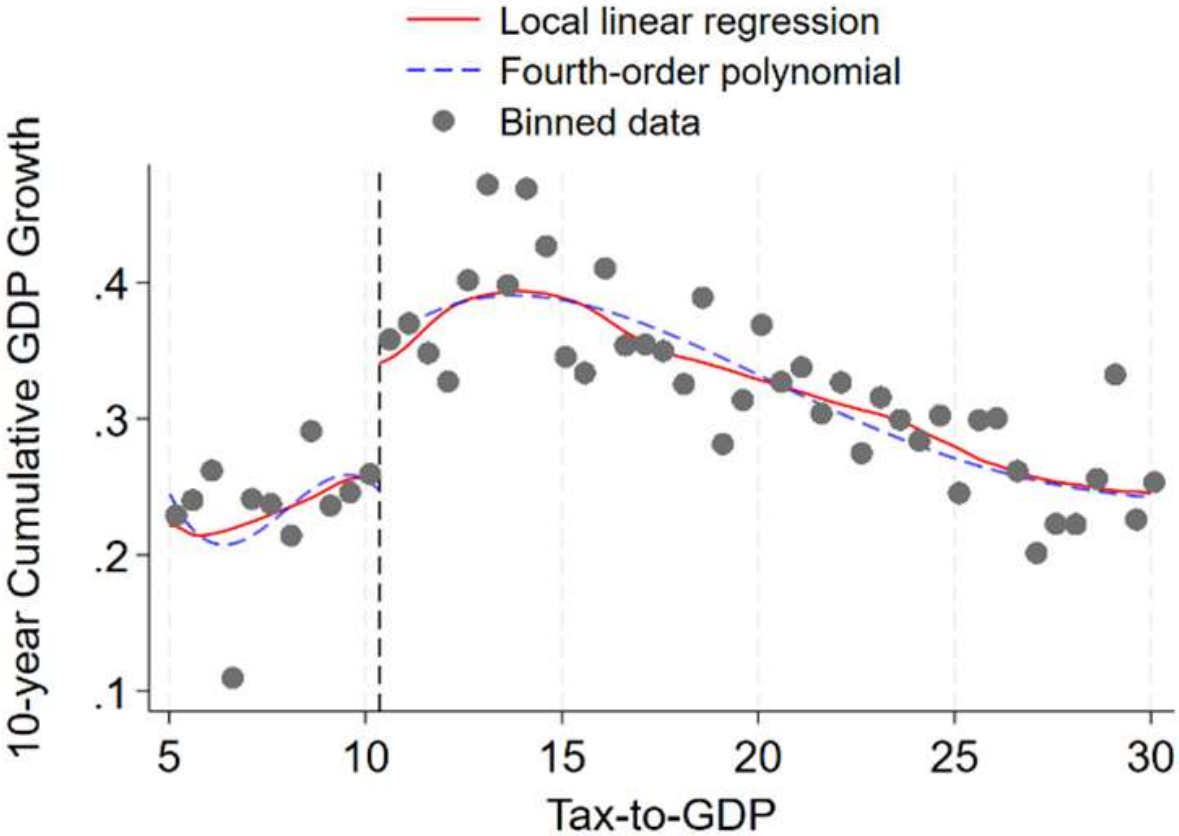


Two Ideas from Schumpeter



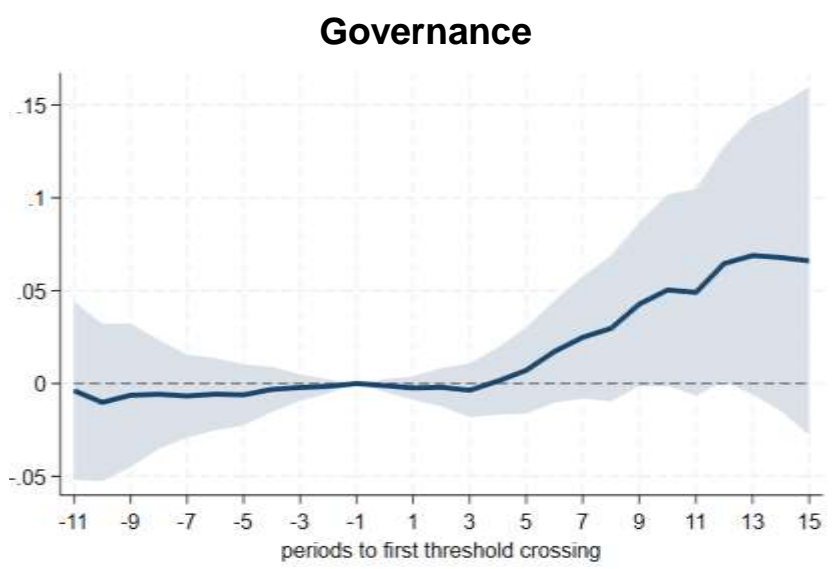
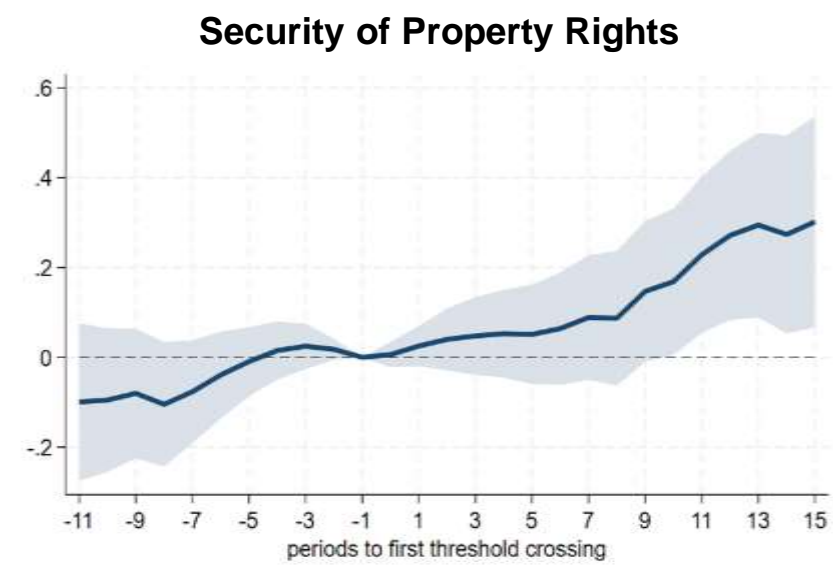
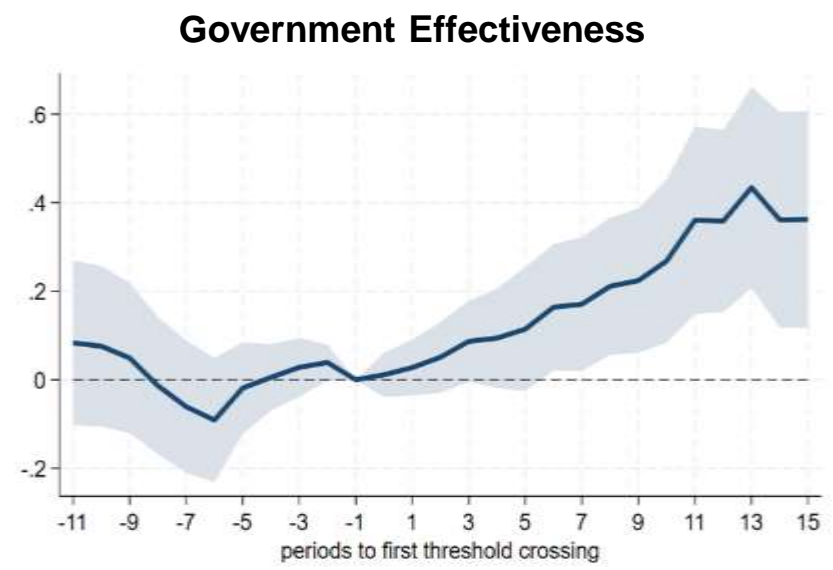
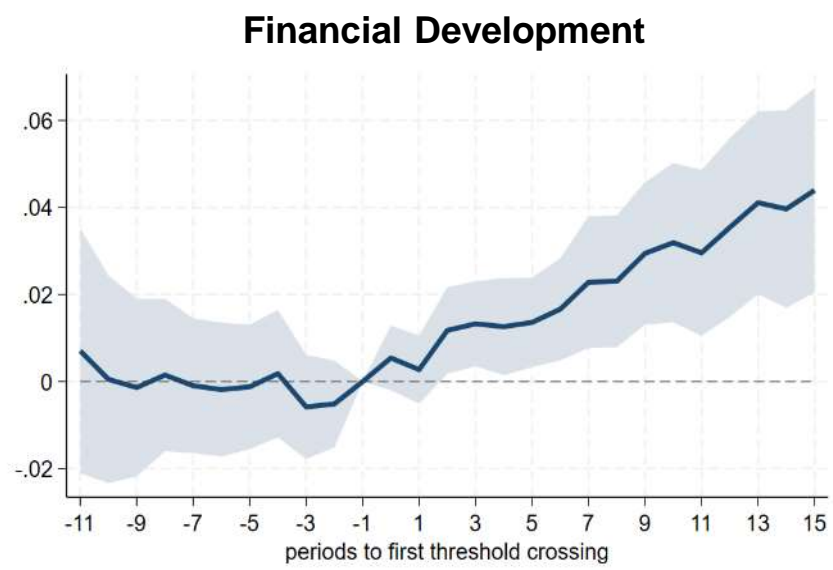
Tax Tipping Point

Growth Effect from Crossing the Tipping Point



Source: Baer Katherine, Bellon, Matthieu et al, 2025 “Tax Capacity and Growth: 2025 Update,” forthcoming.
Note: The figure illustrates the cumulative growth effect from crossing the tipping point. It uses a Regression Discontinuity Design and estimates the impact of crossing the tipping point on subsequent economic growth.

Dynamic Effects of Crossing the Tipping Point



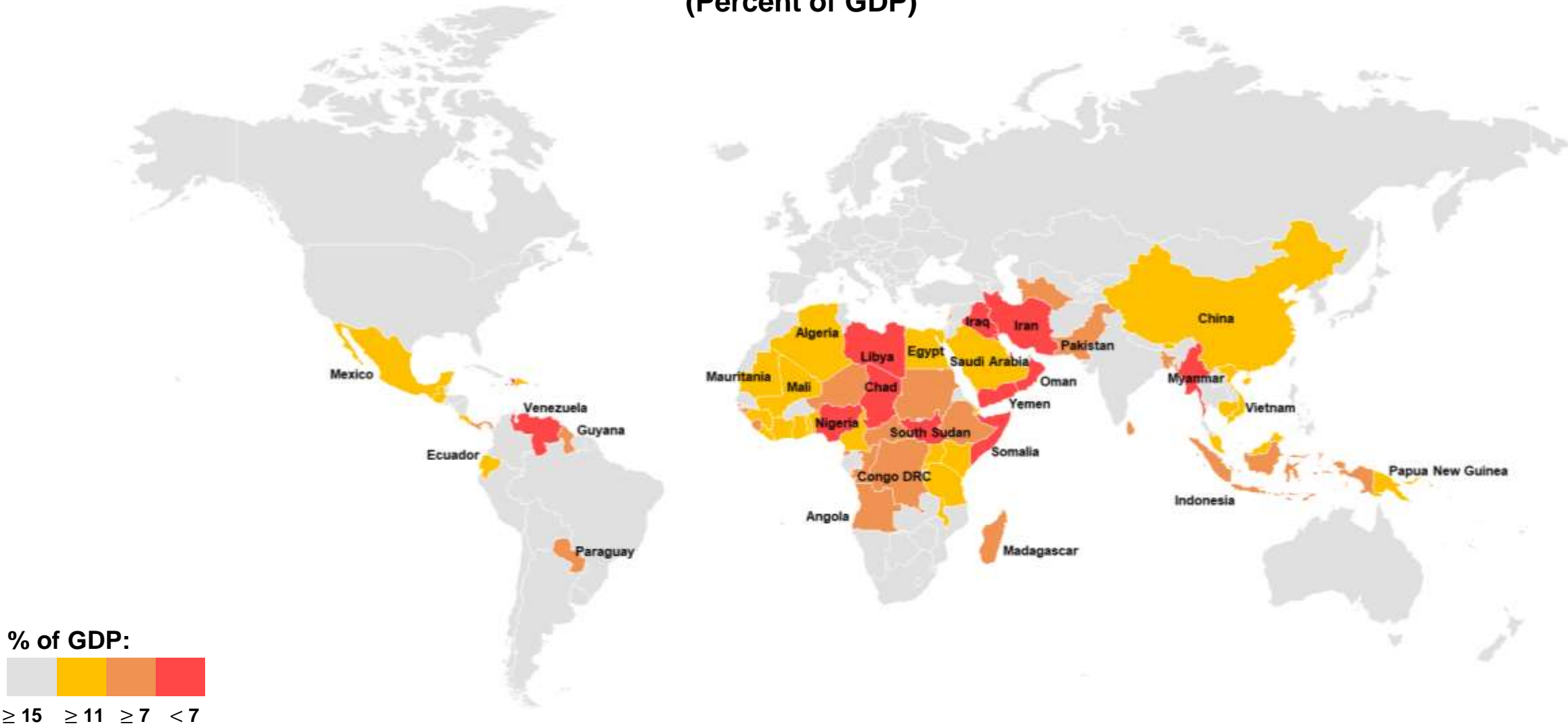
Source: Baer Katherine, Bellon, Matthieu et al, 2025 “Tax Capacity and Growth: 2025 Update,” forthcoming.

Note: The analysis was conducted using the Financial Development Index from Svirydzienka (2016), the Government Effectiveness index from the World Bank’s World Governance Indicators (Kaufman and Kraay, 2024), Fraser Institute’s index of Legal Structure and Security of Property Rights (Gwartney, Lawson, and Murphy, 2024), the Sherppa Ghent University’s Bayesian Corruption Indicator (BCI) (Standaert 2015). The analysis does not include resource-rich countries.

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The World Tax Capacity Landscape as of 2022

Tax Revenue
(Percent of GDP)



Source: World Revenue Longitudinal (WoRLD) database, World Economic Outlook (WEO) April 2024 Vintage and IMF staff calculations.
Note: Tax Revenue is the total taxes paid to the government, which includes taxes on profits of companies operating in the oil and gas and mining sectors. It excludes revenues from profit-sharing agreements, other revenue from natural resources (royalties, dividends), and hydrocarbon export revenue. GDP excludes oil revenues. All data is as of 2022, except for Russia, South Africa, Sweden, Türkiye and Argentina (2021), and Venezuela (2017).

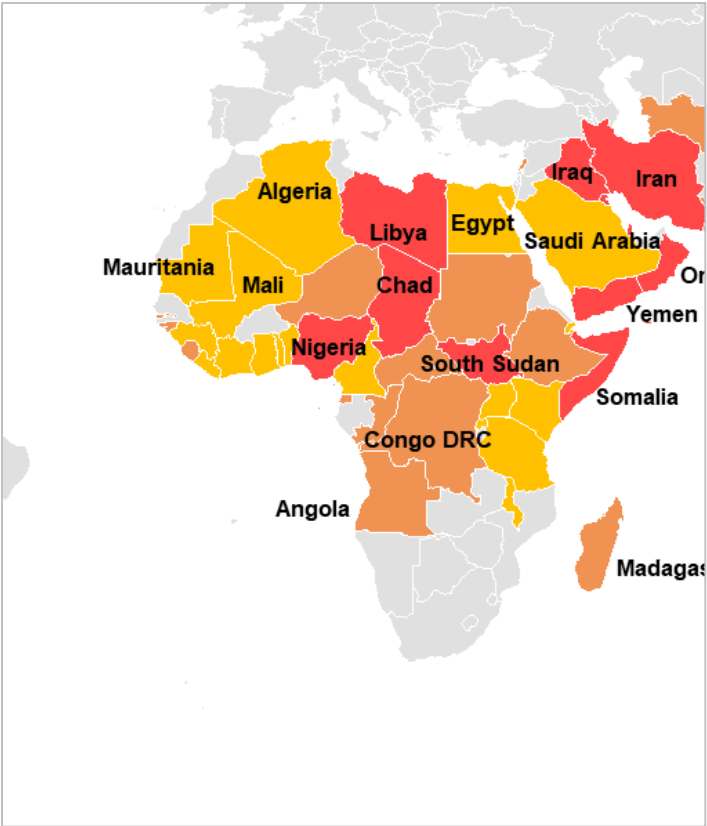
The Tax Capacity Landscape as of 2022

Tax Revenue
(Percent of GDP)

Americas



MENA and Sub-Saharan Africa



Asia



% of GDP:

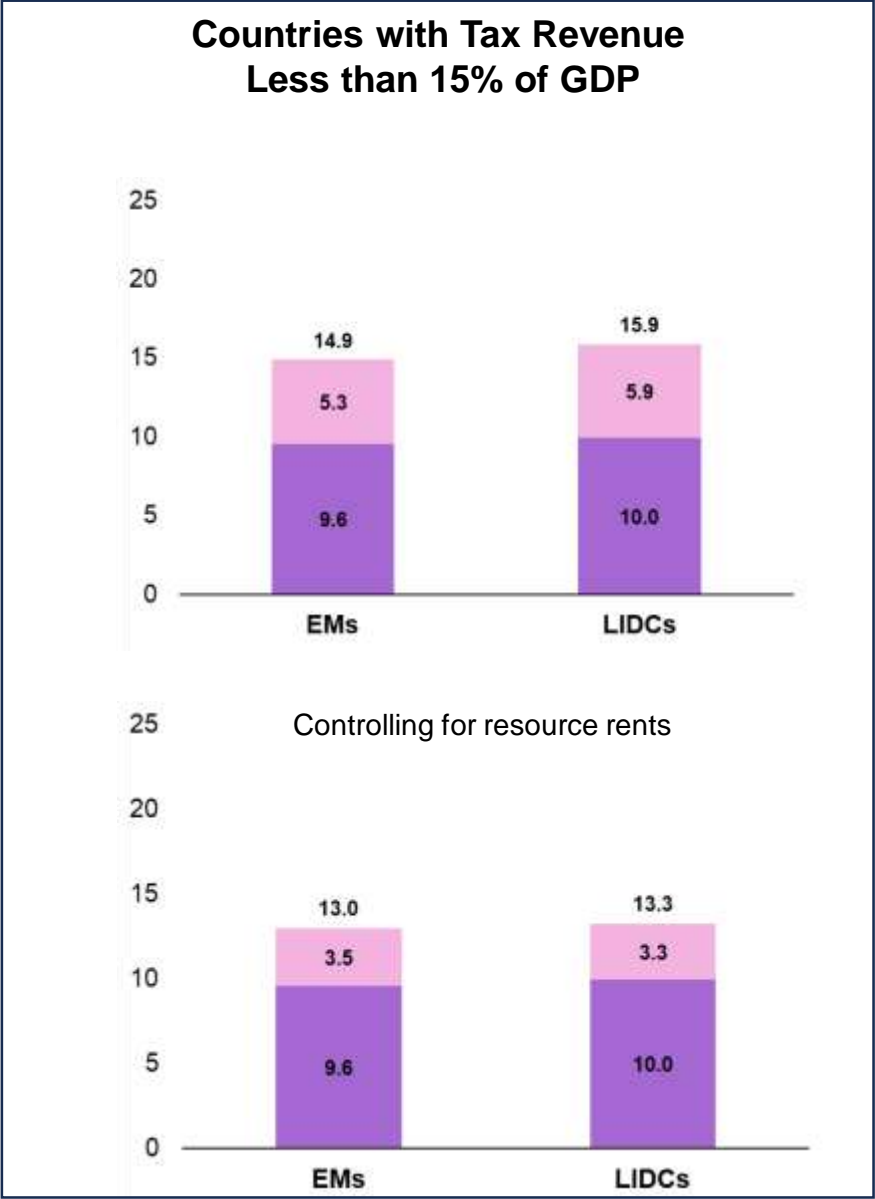
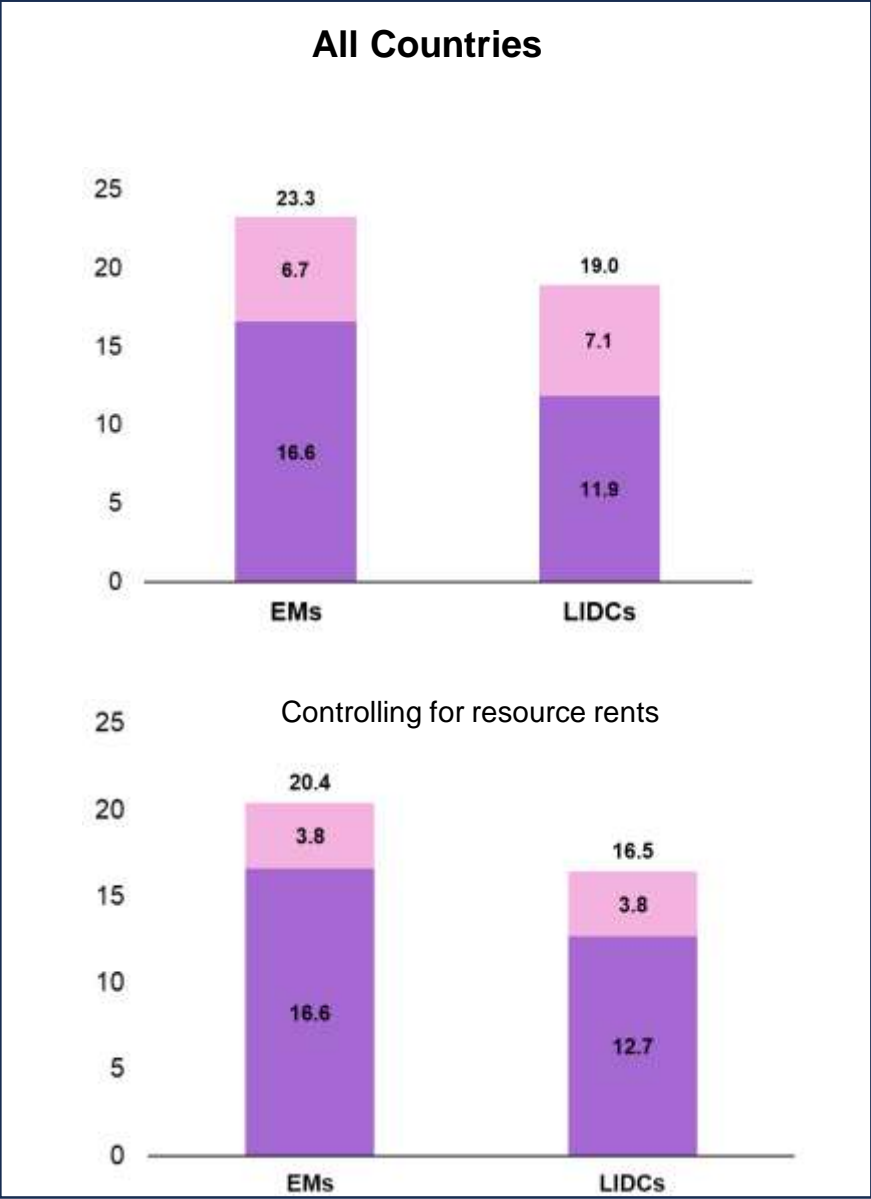


≥ 15 ≥ 11 ≥ 7 < 7

Source: World Revenue Longitudinal (WoRLD) database, World Economic Outlook (WEO) April 2024 Vintage and IMF staff calculations.
Note: Tax Revenue is the total taxes paid to the government, which includes taxes on profits of companies operating in the oil and gas and mining sectors. It excludes revenues from profit-sharing agreements, other revenue from natural resources (royalties, dividends), and hydrocarbon export revenue. GDP excludes oil revenues. All data is as of 2022, except for Russia, South Africa, Sweden, Türkiye and Argentina (2021), and Venezuela (2017).

Tax Potential in EMs and LICs

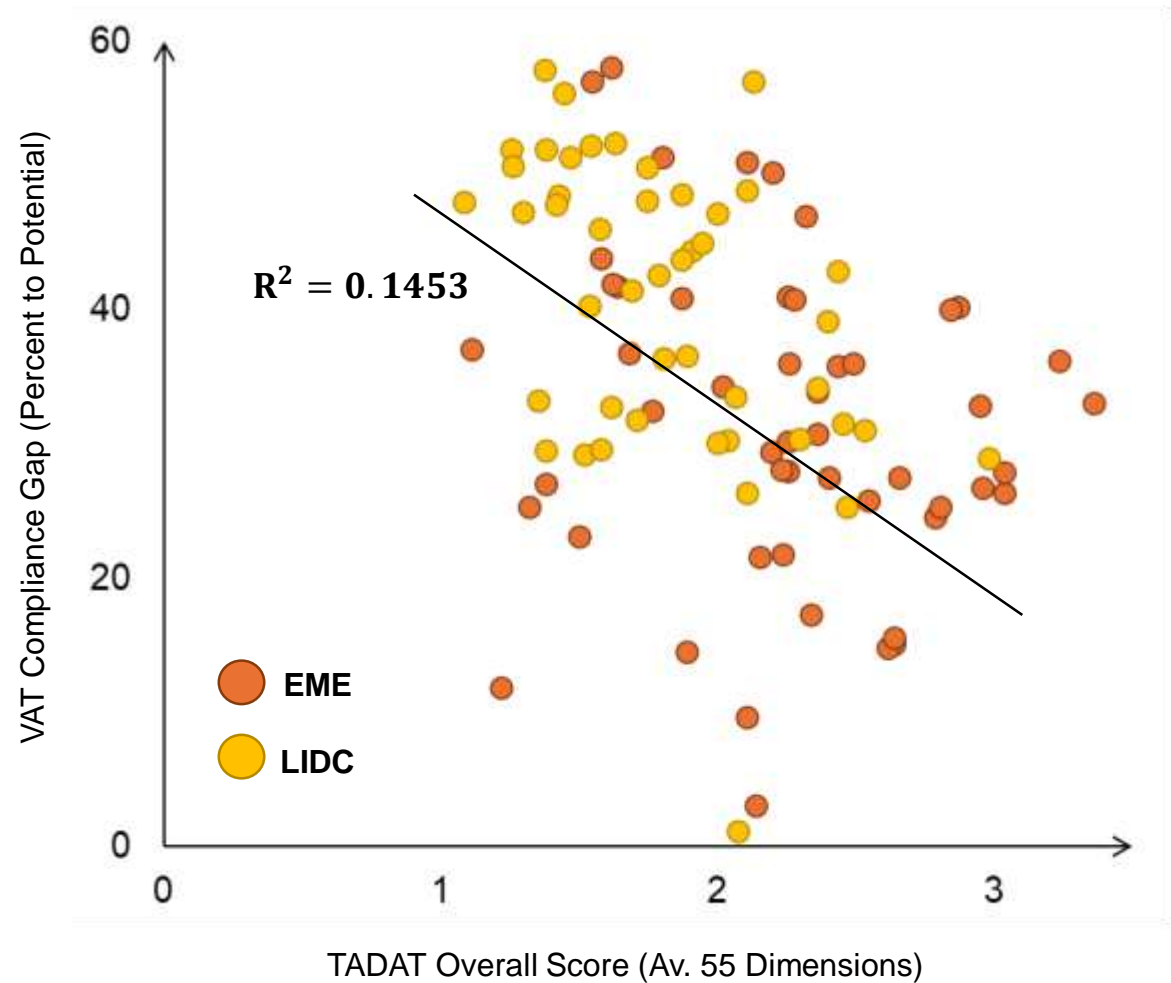
Tax Gap (% of GDP)
Tax Revenue (% of GDP)



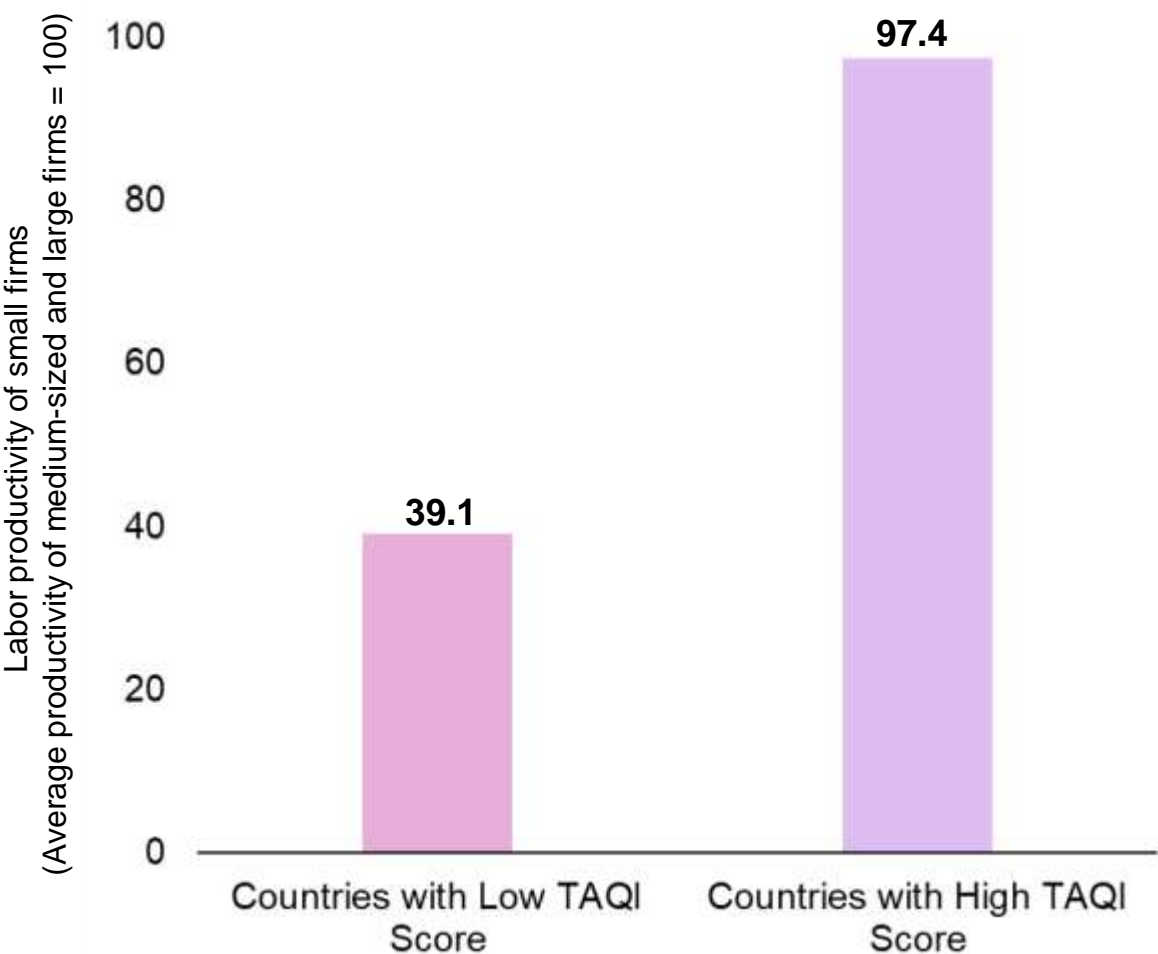
Source: IMF Technical Note “Methodology and Overview of the IMF’s World Revenue Longitudinal Database (WoRLD)” March 2025.
Note: The income group levels are calculated using simple averages of countries in each income group. The top two charts use the methodology described in the paper above. The bottom two charts use the same methodology but replacing the dummy variable for oil producers with a controlling variable for resource rents (i.e., [total natural resources rents in % of GDP by the World Bank](#)) to reduce the influence of resource rents on the estimates.

Tax System Approach

VAT Compliance Gap and TADAT Score

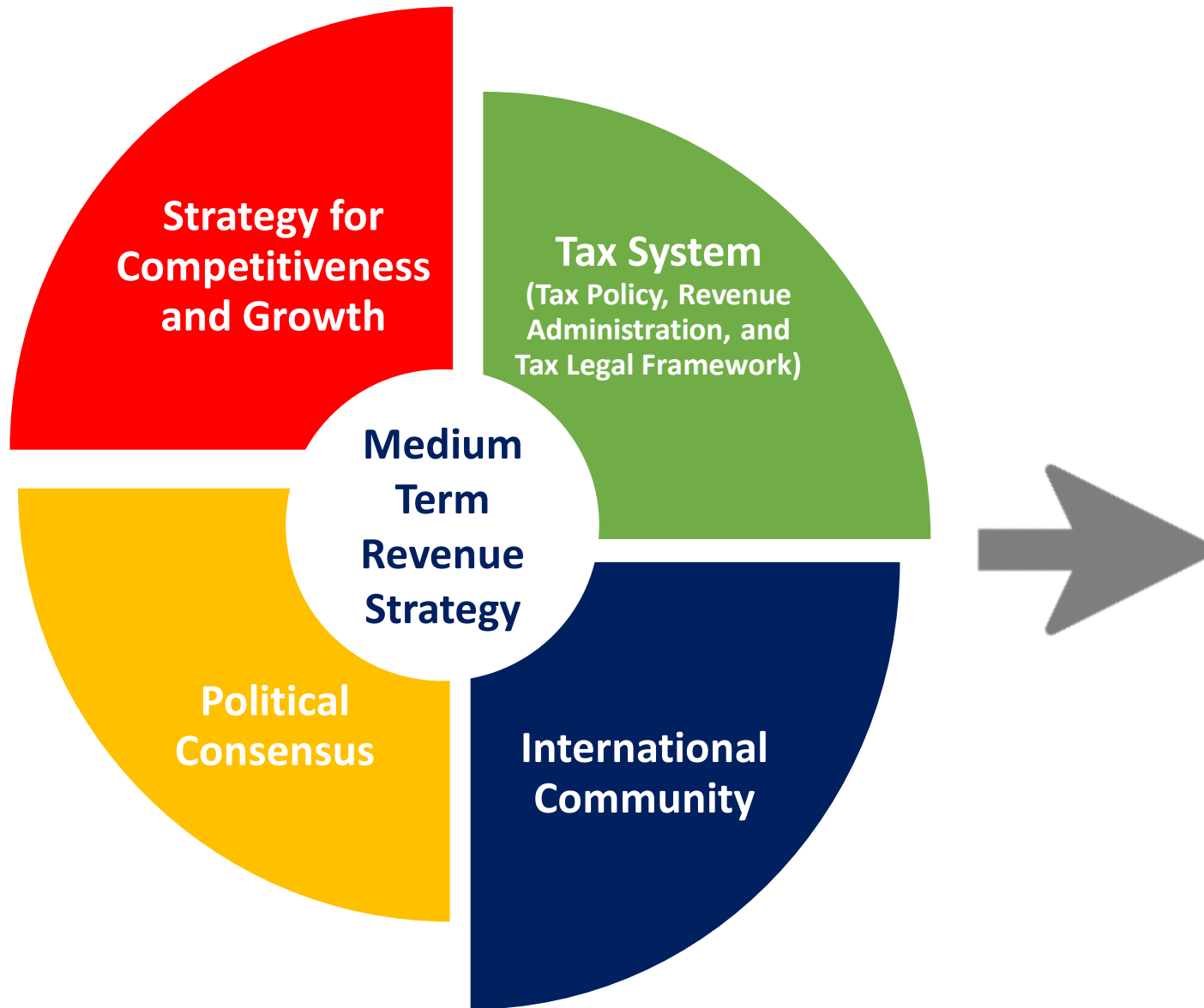


Labor Productivity by Tax Administration Quality (TAQI)



Source: (LHS) Baer Katherine, Patricio Barra, and Juan Carlos Benitez, “Does Tax Administration Performance Matter for Tax Compliance?,” FAD seminar presentation, April 28, 2025. (RHS) “Quality of Tax Administration and Firm Performance: Evidence from Developing Countries,” 2020, Dabla-Norris Era, Florian Misch, Duncan Cleary, Munawer Khwaja, International Tax and Public Finance, 27514-551
Note: (LHS) Reverse RAGAP estimates and TADAT reports (repeat TADAT are not included). Advanced Economies were excluded from the chart but included in the sample which produced the measure of model fit.

Medium Term Revenue Strategy



- For the success of the **Medium-Term Revenue Strategy (MTRS)**, “Political Consensus and support” are decisive.
- We are reviewing the experience of the last decade with the MTRS in order **to improve the framework further**.
- The international community plays an **important but subordinated and subsidiary role**. MTRS facilitates coordinated capacity building.