

Exploring Domestic Revenue Mobilization: The Current Landscape of DRM Efforts with ODA Implications

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Acronyms/Abbreviation

AAAA	Addis Ababa Action Agenda
ADB	Asian Development Bank
ATI	Addis Tax Initiative
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DRM	Domestic Revenue/Resource Mobilization
DPL	Development Policy Loan
ECOSOC	Economic and Social Council
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
IADB	Inter-American Development Bank
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
ICT	Information and Communication Technology
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KOICA	Korean International Cooperation Agency
KSP	Knowledge Sharing Program
LAC	Latin America and Caribbean
LDCs	Least Developed Countries
LICs	Low-Income Countries
LMICs	Lower Middle-Income Countries
MADCTs	More Advanced Developing Countries
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PFM	Public Finance Management
SDGs	Sustainable Development Goals
USAID	United States Agency for International Development

UMIC	Upper Middle-Income Countries
PEPFAR	President's Emergency Plan for ADIS Relief
PDOs	Program Development Objectives
VAT	Value-added taxes

I

Introduction

1 Background

The importance of addressing the issue of development financing remains significant, as the availability of sufficient resources directly ensures the stability of public investment and promotes sustainable economic growth of all countries. In this context, the international community has consistently recognized the significance of tackling this issue through discussions on development financing.

The discussions on development resources and financing have been ongoing for many years, with major milestones including the Monterey Declaration in 2002, the Doha Development Finance Conference in 2008, and the Addis Ababa Action Agenda (AAAA) in 2015. These successive discourses have consistently emphasized the crucial nature of allocating and mobilizing development resources as a means to achieve economic development.

The AAAA represents a comprehensive global framework primarily focused on development financing. Within the AAAA, there is a strong emphasis on Domestic Revenue Mobilization (DRM), which encompasses the process by which countries generate financial resources, including tax revenues, non-tax revenues, and other internal means. The AAAA recognizes the critical role of strengthening DRM in promoting countries' self-reliance and reducing their dependence on external financing sources.

The adoption of the Sustainable Development Goals (SDGs) has highlighted the critical role of DRM in promoting self-reliance and reducing dependence on external financing. The SDGs identify DRM as essential for sustainable development in developing countries, addressing financial cooperation, governance, inequality reduction, economic growth, and poverty eradication. SDG 17, in particular, emphasizes strengthening the means for sustainable development through effective partnerships.

In the context of the COVID-19 pandemic, DRM becomes even more crucial as countries strive to recover, rebuild, and prepare for future challenges. The pandemic has emphasized the vulnerabilities of countries heavily reliant on external financing and underscored the importance of mobilizing domestic resources effectively. By enhancing DRM capacities and effectively utilizing domestic resources, countries can better respond to crises, promote inclusive growth, reduce inequalities, and achieve their development goals in the post-COVID-19 era.

From the Monterrey Declaration to the Addis Ababa Action Agenda, the global discourse on development financing has witnessed pivotal moments. Central to this dialogue is the recognition of Domestic Revenue Mobilization (DRM) as fundamental to sustainable economic growth. Embedded within the AAAA and underscored by the Sustainable Development Goals (SDGs), DRM emerges as a cornerstone of self-sufficiency, guiding nations toward prosperity. However, amidst the challenges posed by the COVID-19 pandemic, the importance of DRM is accentuated. As nations strive to recover and fortify their economies, the effective mobilization of domestic resources becomes imperative. In this context, DRM assumes heightened significance, offering a pathway to resilience, inclusivity, and sustainable development in a post-pandemic world.

2 Research Objective

The primary objective of this research is to examine the role of Official Development Assistance (ODA) in supporting Domestic Revenue Mobilization (DRM) efforts within recipient countries. Despite the increased attention towards development financing and international initiatives for DRM, there remains a notable gap in understanding how ODA influences DRM outcomes. This study aims to address this gap by examining contrasting perspectives on the impact of aid on DRM and analyzing empirical evidence to discern patterns and trends.

The study first explains the concept of development financing and DRM. Afterwards, we will explore divergent viewpoints on the influence of aid on DRM, considering arguments that suggest aid may deter taxation efforts due to perceived political costs, and counter arguments proposing that aid can finance reforms aimed at enhancing revenue generation.

Moreover, the study will investigate how the introduction of the CRS code "15114" has affected DRM reporting practices. By examining challenges and discrepancies in DRM reporting across various platforms, the research aims to shed light on the complexities of data integration and highlight the urgent need for enhanced coordination among stakeholders to ensure transparent and coherent DRM reporting practices.

Furthermore, the study will comprehensively analyze the impact of ODA inflows on DRM outcomes, particularly focusing on how ODA funding can address the resource gap in recipient countries with limited capacity for mobilizing domestic resources. This part of the research will particularly delve into the analysis of the CRS code "15114" and Indonesia's DRM project as a case study to thoroughly examine the implications. Given the complexity and incompleteness of DRM reporting practices, our research will integrate insights from the works of Oxfam and Development Initiatives (DI) to provide an updated perspective on the current trends of ODA for DRM.

By addressing these research objectives, this study seeks to contribute to the existing literature on aid effectiveness, DRM, tax policy, and sustainable development, ultimately providing valuable insights for policy-makers, development practitioners, and researchers in supporting recipient countries' DRM efforts.

II

Understanding DRM and its Global Status

1 Definition and Classification of Financing for Development

The first section establishes a fundamental understanding of financing for development and domestic revenue mobilization (DRM). Exploring the comprehensive nature of financing for development and the various sources of funding encourages the reader to expand their understanding of how DRM operates in global context. This groundwork of DRM will reveal its pivotal role as a primary source of finance for sustainable development goals (SDGs) and highlight its importance within international development agendas.

There is no universally agreed-upon definition of financing for development. However, it can be broadly defined as the mobilization and allocation of financial resources to support sustainable development initiatives at both national and global levels (Park and Oh, 2015). This includes domestic resources, international public finance, private investments, ODA, remittances, and innovative financing mechanisms. These capital formations are crucial for stable governance and development.

Development finance can be categorized based on the origin of funds and whether they are from the public or private sector: domestic public resources (revenues), international public resources, domestic private resources, and international private resources (KOICA 2016; von Haldenwang and Laudage,

2019). Specifically, domestic resources include all revenues from both public and private sectors, encompassing taxation and other funds such as fees on natural resource extraction, rent, tariffs, and trade levies.

〈Table II-1〉 **Categorization of Development Finance**

	Domestic	International
Public	Tax and Non-Tax Revenue	ODA and other Development Assistance
Private	Business Activities, Savings	FDI, Donation, Transfer

Source: KOICA (2016)

Furthermore, various international communities including the OECD, G20, USAID, recognize DRM as a vital source of finance for sustainable growth. The UN member countries have agreed to raise tax revenue to fund the SDGs by 2030, making DRM a specific target (SDG 17.1). Consequently, improving DRM has become a priority in donor countries' development policies.

In this context, DRM refers to generating revenue from internal sources, such as taxes and non-tax revenues, to fund government operations, public expenditures, and development initiatives. This includes implementing strategies and policies to enhance fund collection within the country, aiming to reduce dependence on external finance and strengthen the nation's ability to provide essential public services, infrastructure, and social programs. The concept encompasses activities such as tax reforms, budget management, revenue enhancement, and the establishment of transparent and efficient revenue collection systems.

2 Clarifying DRM

Before delving into an in-depth analysis, let's clarify the term 'DRM'. In development financing, 'Domestic Resource Mobilization' and 'Domestic Revenue Mobilization' are often used interchangeably, but have subtle differences. 'Domestic Resource Mobilization' broadly includes all efforts to mobilize and manage domestic resources for development, such as savings, private investments, remittances, insurance premiums and natural resource revenues. 'Domestic Revenue Mobilization' specifically focuses on increasing tax revenue within a country, including income taxes, value-added taxes (VAT), corporate taxes, and others.

While 'Domestic Revenue Mobilization' is part of 'Domestic Resource Mobilization,' the latter encompasses various funding sources beyond tax revenue. In this study, we primarily use the term 'Domestic Revenue Mobilization' to align with our research objectives.

Tax and non-tax revenue are vital components of DRM, supporting the government's role in providing public services, redistributing income and implementing other fiscal policies for sustained growth desirable socio-economic behavior (Wahrig and Gancedo Vallina, 2011). Compared to non-tax revenues, tax revenues are typically larger, more stable and less vulnerable to external shocks (OECD/AfDB/UNECA, 2010; Te Velde, 2014; European Parliament, 2014; OECD, 2014). Thus, taxes are a crucial for governance and development. How government choose to raise tax revenues has social and economic implications, making the mobilization of tax revenue a central concern for developing countries.

3 Literature Review

In development financing and Domestic Revenue Mobilization (DRM), scholars examine the relationship between aid and DRM efforts. Some argue that aid may impede taxation due to political implications, while others suggest it can drive reforms for improved revenue generation.

Major reports from CSIS, OECD, Development Initiatives (DI), and Oxfam underscore the importance of aid for DRM but call for strategic restructuring. They highlight challenges and opportunities in DRM reporting and implementation, stressing the significance of political commitment, community involvement, and international collaboration.

The literature on the effects of foreign aid on (DRM is well-established. Some studies indicate a negative correlation between aid and DRM, particularly in countries with weaker institutional frameworks (Gupta et al., 2003). Authors such as Pack and Pack (1990), Azam et al. (1999), and Benedek et al. (2012) argue that foreign aid undermines domestic revenue collection by discouraging government tax efforts and the motivation to undertake tax reforms.

Conversely, other studies by Morrissey et al. (2014) and Brun et al. (2011a) suggest a positive impact of aid on revenue mobilization, finding no negative effects on tax performance. Certain scholars have further differentiated between grants and official loans, with some asserting that the composition of aid matters. For example, Clist and Morrissey (2011) maintain that when tied to the implementation of sound policies and structural reforms, foreign aid can lead to positive outcomes in revenue mobilization.

The CSIS (Center for Strategic and International Studies) report by Runde and Savoy (2016) highlights the positive impact of aid on DRM, emphasizing its critical role in development financing. It underscores the importance of tax reform and public financial management (PFM) while advocating for political will, community engagement, and international cooperation to drive effective DRM implementation. The report offers three key recommendations to leverage

DRM resources: 1) Replicating successful initiatives like the Sustainable Financing Initiative of the U.S. President's Emergency Plan for ADIS Relief (PEPFAR) across various budget allocations to leverage DRM resources, 2) Prioritizing initiatives that facilitate countries' generation and utilization of domestic resources, and 3) Renewing focus on DRM and Public Financial Management (PFM) to advance good governance and accountability.

The OECD's 2015 discussion paper thoroughly examines the complex realm of tax policy and administration, as well as the challenges and opportunities associated with domestic resource mobilization. It emphasizes the crucial role of taxation in funding development initiatives, poverty alleviation, and public service provision, stressing the importance of efficient tax systems for achieving sustainable growth and social progress. Tackling issues such as weak tax administration, low taxpayer compliance, and corruption, the OECD seeks to assist countries in enhancing their revenue mobilization efforts. Through collaborative initiatives like the OECD Tax and Development Programme, policy-makers and practitioners are provided with insights and best practices to guide their efforts in reforming tax policy and administration.

The report by Development Initiatives (DI, 2018) provides an in-depth analysis of DRM reporting complexities, regarding the implementation challenges associated with the CRS code "15114" introduced in 2015. Despite the passage of over eight years since the inception of the Addis Ababa Action Agenda (AAAA), achieving standardization and coherence in DRM reporting practices remains elusive. The report underscores the persistent discrepancies in DRM reporting across key platforms such as the International Aid Transparency Initiative (IATI) and the Organization for Economic Co-operation and Development Creditor Reporting System (CRS). Furthermore, it exacerbates the consistency of the monitoring figures in the Addis Tax Initiative (ATI) database and the OECD CRS, complicating efforts to track and analyze financial flows accurately. By incorporating the CRS code "15114" into their research framework, the report aims to navigate the complexities of data integration and provide insights into challenges hindering transparent and coherent DRM reporting practices.

Similarly, Oxfam's (2017) report scrutinizes the intricacies surrounding DRM reporting, highlighting disparities and challenges within the landscape. Notably, while the Addis Tax Initiative (ATI) has facilitated additional reporting among its members, significant gaps exist between reported aid amounts and projects captured by the OECD database. These disparities, compounded by the absence of standardized reporting codes, obscure information transparency and impede effective development cooperation. Moreover, the report emphasizes the decline in aid support for critical sectors like public financial management (PFM), underscoring the urgent need for donors, particularly those committed to the ATI, to align aid investments with development priorities and foster accountability in DRM initiatives.

Furthermore, both reports emphasize the importance of collecting accurate and comprehensive data in DRM endeavors, particularly through proper registration and distinction of relevant codes. While the introduction of the CRS code "15114" provides a framework for DRM reporting, the existence of numerous related codes complicates the identification of DRM and DRM-related activities. This complexity underscores the importance of establishing clear protocols for code allocation to ensure transparency and facilitate accurate analysis of DRM initiatives. Addressing these challenges will enable stakeholders to enhance the effectiveness of development cooperation and resource allocation, thereby advancing progress towards sustainable development goals.

4 Current Landscape of DRM Efforts

4.1 SDGs and DRM in the Context of Developing Countries

In September 2015, global leaders endorsed the 2030 Agenda for Sustainable Development, comprising 17 goals aimed at social, economic, and environmental development. The SDGs provide a framework for shared action “for people, planet and prosperity,” to be implemented by “all countries and all stakeholders, acting in collaborative partnership.”

Among these 17 goals, the SDG 17 affirms the importance of global partnerships to “strengthen the means of implementation and revitalize the global partnership for sustainable development.” DRM is a crucial component of SDG 17 and is addressed under target 17.1 (Strengthen DRM, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection). It is clear that effective public finance and tax collection are key sources of investment in the SDGs for most countries. Robust tax policy and its effective administration will therefore determine the success of the development agendas.

By doing so, in many developing countries, governments have strengthened their tax collection capabilities, coinciding with the rise of a burgeoning middle class, urbanization, and sustained economic growth. In spite of the progress and increased global attention, they face structural challenges in implementing the SDGs and the rapid socio-economic changes. With the cost of implementing the SDGs estimated to require tremendous investments, developing countries will need to rely more on their own resources. Moreover, they face significant pressure on national budgets and bigger public debt as results of the large-scale expenditure programs and tax relief measures that have been adopted for pandemic response and recovery (OECD, 2021).

Given these circumstances, developing countries have huge unmet needs in various sectors and face significant financing gaps. Thus, DRM has become an even more crucial factor for developing countries, ensuring that their recovery from the COVID-19 crisis is sustainable, inclusive, and resilient.

4.2 Donor Approaches in DRM

The international donor has shown keen attention towards DRM reform, giving rise to various new tools, organizations, and initiatives. These encompass bilateral donor programs as well as a series of new multilateral initiatives launched by the IMF, the OECD, and UNDP. Due to these engagements, there has been important progress on coordinating DRM support in recent years from the creation of international forums to the development of joint initiatives.

There are several international initiatives for DRM Efforts that has been working in support of the SDG 17, including: the Monterrey Consensus, Doha Declaration, the Addis Ababa Action Agenda, the Addis Tax Initiative (ATI) and its Declaration, ATI Monitoring System. After all, after over a decade of endeavors aimed at enhancing development financing, the international donor community and partner countries reached a consensus on the ATI, particularly prioritizing DRM and pledging donors to double their investments in DRM in low- and middle-income countries.

4.2.1 The Monterrey Consensus (2002) and Doha Declaration (2008)

The issue of development financing was primarily dominated by the increase of ODA until the early 2000s. However, in 2002, the first International Conference on Financing for Development took place in Monterrey, Mexico, becoming the first high-level meeting on development financing. The conference adopted the Monterrey Consensus, which addressed the issue of DRM in developing countries. The Monterrey Consensus emphasized the importance of national ownership in mobilizing domestic resources for development and the responsibility of developing countries to mobilize resources for poverty eradication and economic development.

In 2008, a conference called the Follow-up International Conference on Financing for Development was held in Doha, Qatar, to assess the progress made in implementing the Monterrey Consensus. However, the resulting Doha Declaration on Financing for Development lacked enforceability and received criticism for being vague, indicating the need for more specific and actionable measures.

4.2.2 The Addis Ababa Action Agenda (AAAA, 2015)

The Addis Ababa Action Agenda (AAAA), adopted in 2015, identical year as the adoption of the 2030 Agenda for Sustainable Development, builds upon the previous milestones and provides a comprehensive global framework primarily focused on development financing. The AAAA consists of an action plan, seven action areas, and monitoring mechanisms. It addresses the issue of DRM in developing countries and recognizes the critical role of strengthening DRM in promoting countries' self-reliance and reducing their dependence on external financing sources.

The AAAA emphasizes the importance of the mobilization and effective use of domestic resources, as a means to strengthen countries' capacity for public investment. It highlights the need for countries to prioritize the efficient collection and effective utilization of tax revenue. The AAAA includes content on preventing tax evasion and corruption, combating illicit financial flows, and promoting international cooperation on tax matters.

Compared to the Monterrey Consensus, the AAAA provides more specific monitoring mechanisms and designates the annual forum of the United Nations Economic and Social Council (ECOSOC) as the platform for comprehensive monitoring and continuous jurisdiction. By doing so, it aims to increase the frequency of meetings and enhance involvement between the ECOSOC and the Committee of Experts on International Cooperation in Tax Matters.

Furthermore, the AAAA recognizes the importance of international aid efforts in supporting countries' DRM for development. It emphasizes the significance of national ownership and the support provided through international cooperation.

The discussions on development financing, as reflected in major milestones like the Monterrey Consensus, the Doha Declaration, and the AAAA, have highlighted the importance of addressing the issue of development financing and strengthening DRM in recipient countries. The Monterrey Consensus and the Doha Declaration set the stage for recognizing the importance of domestic resource mobilization, while the AAAA provides a comprehensive framework

and specific measures to promote countries' self-reliance and reduce their dependence on external financing sources. By prioritizing DRM and effectively utilizing domestic resources, countries can enhance their capacity for public investment and foster sustainable economic growth.

4.2.3 The Addis Tax Initiative (ATI, 2015)

Emerging from the Third International Conference on Financing for Development in Addis Ababa in July 2015, the Addis Tax Initiative (ATI) has made substantial contributions towards implementing the AAAA and is deeply rooted in the Financing for Development process. Since its inception, the ATI has played a significant role in augmenting available financing for development through various activities, including setting agendas, coordinating donors, facilitating peer learning, and bolstering political commitment. Operating as a multi-stakeholder alliance, the ATI plays a pivotal role in cultivating joint efforts to enhance tax systems and bridge gaps in development funding.

The ATI undertakes diverse initiatives to promote DRM reforms. It produces annual progress reports to monitor advancements in meeting ATI commitments and maintains an extensive database and project map of official development assistance for DRM. Additionally, the ATI offers an online platform for matching support requirements with available resources and engages in collaborative ventures. It also organizes conferences and workshops to facilitate knowledge exchange and identify innovative avenues for DRM reform.

4.2.4 The Addis Tax Initiative Declaration 2025 (2020)

The outbreak of COVID-19 has triggered the need of strengthen equitable and effective DRM to foster social and economic development. Building on the initial ATI Declaration of 2015, ATI members crafted a fresh declaration in 2020 to reaffirm their dedication to implementing the AAAA and address evolving priorities in the international tax and development landscape.

The ATI Declaration 2025 is a commitment to implementing the AAAA and the 2030 Agenda for sustainable development. It emphasizes the importance of strengthening DRM through transparent, accountable, and equitable tax collection methods. The declaration recognizes that domestic revenues, both from taxes and non-tax sources, are the most reliable and sustainable way to finance the 2030 Agenda. In connection, it emphasizes collective actions, capacity building, and long-term partnerships as essentials for sustainable tax system reform in the context of the global response to COVID-19. Due to these priorities, the Mission Statement of the new ATI focuses on promoting fair and effective DRM, policy coherence, and the social contract through partnerships and knowledge building.

4.2.5 ATI Monitoring System

The ATI Secretariat operates under the facilitation of the International Tax Compact (ITC), overseeing all ATI activities. The ATI Steering Committee, composed of representatives from development partners and partner countries, ensures effective coordination and collaboration in advancing DRM and achieving the ATI's objectives.

Monitoring progress is a crucial aspect of the ATI's commitments. ATI members will regularly assess their progress qualitatively and quantitatively in achieving the commitments. They will work collectively to improve data collection, transparency, and accessibility to identify opportunities and obstacles in aligning their efforts. The monitoring exercise will inform decision-makers and the international sustainable development financing community, providing recommendations for adjusting actions or the partnership to achieve collective goals. The monitoring framework will be developed in a participatory manner by a designated expert group of representatives from ATI members. An evaluation of results will serve as the basis for extending the partnership beyond 2025 to 2030, supporting the complete Decade of Action.

Through its collaborative endeavors and inclusive approach, the ATI assumes a crucial role in fortifying DRM, promoting policy coherence, and facilitating

partnerships. It contributes to the collective endeavor of enhancing DRM and supporting sustainable development financing.

In summary, these collaborative efforts and initiatives at global, regional, and independent levels underscore the importance of DRM in achieving SDGs. They emphasize the need for international cooperation, capacity development, and transparency to foster effective tax systems and good governance for inclusive growth and poverty reduction.

DRM has become a prominent focus on the international agenda, with donors consistently offering assistance for tax reform initiatives in developing countries. In this context, our aim is to examine a variety set of instruments for DRM capacity support and analyze the trends in its implementation. In the following chapter, we will delve into the OECD database in order to examine the changes in DRM-related efforts by analyzing the figures on the amount of ODA in developing countries.

III

ODA Impact on DRM: CRS Code Analysis & Updated Trends

In Chapter III, we will explore changes in DRM-related trends using the OECD database. The OECD maintains various code lists that donors use to report their aid flows to the DAC database, which contains detailed information on individual aid activities, including their purposes, classified by the purpose codes in the Credit Reporting System (CRS). This exploration will provide a comprehensive understanding of the donor behavior and dynamic trends in disbursements in the context of domestic revenue mobilization (DRM).

1 Methodology

1.1 Credit Reporting System (CRS) and Purpose Codes

In order to proceed analysis on aid flows and its purposes for all DAC members, the analysis utilizes the OECD's Credit Reporting System (CRS) codes. The CRS data are collected on individual projects and programs, and these data on the sector of destination are recorded using 5-digit purpose codes.

Illustrated as below [Table III-1] and [Table III-2], sector coding identifies the specific areas of the recipient's economic or social development that transfer intends to foster. The first three digits of the code refer to the corresponding DAC sector or category, while the last two digits of the code indicate the specific functions of the aid.

⟨Table III-1⟩ First Three Digits of the Purpose Codes in CRS

Digits	DAC Sector and Related Code
100	– Social Infrastructures and Services, such as education, reproductive health, water and sanity, public administration and civil society, etc. 110, 111, 112, 113, 114, 130, 140, 150, 151, 152, 160
200	– Economic Infrastructures and Services, such as transportation and warehouse, communication, energy development and its supply, financial services, other businesses 210, 220, 230, 240, 250
300	Productivity of the industry, such as agriculture, forestry, fishing, minerals and mining, construction, trading, tourism, etc. 311, 312, 313, 321, 322, 323, 331, 332
400	Environment protection and others 410, 430
500	Consumer goods and others 510, 520, 530
600	Debt assistance

Source: OECD (2023), Creditor Reporting System (database)

〈Table III-2〉 Last Two Digits of the Purpose Codes in CRS

Digits	DAC Sectors
10	– General activities related to policy, planning, administration, etc.
20, 30, 40, 50	– Principal activities such as, policy and administrative management, industrial development, etc.
61–79	– Sector specific activities such as, transport equipment industry, tuberculosis control, etc.
81–89	– Particular sectors: education, capacity building, research, etc.
91–99	– Other services that does not match precisely the activity being reported

Source: OECD (2023), Creditor Reporting System (database)

Building on the operational definition of DRM outlined earlier, this study adopts CRS code “15114” which indicates activities supporting DRM, including tax policy, analysis, and administration, as well as non-tax public revenue. This involves work with ministries of finance, line ministries, revenue authorities, or other local, regional or national public bodies (OECD Database, 2023).

Additionally, other relevant codes will be used to capture extended activities closely aligned with DRM. Through this examination, the research will display disbursement amounts tied to these CRS codes, offering insights into the extent of donor support directed towards various facets of DRM, encompassing tax reforms, revenue generation, and resource management.

By scrutinizing disbursement patterns and amounts across different CRS codes, this study aims to reveal valuable information about the allocation of Official Development Assistance (ODA) for DRM-related activities, contributing to a more comprehensive understanding of how international assistance can enhance DRM efforts within recipient countries.

1.2 Systematic Approach to Analyzing ODA Disbursements

The research employs a methodical approach to trace the flow of ODA disbursements, linking them to a range of DRM activities. Our exploration spans the years 2015 to 2021, aiming to uncover the close relationship between ODA and DRM. Our methodology follows the below steps:

1) Explicit Purpose Code Inclusion: Projects under the 'Domestic Revenue Mobilization' code (15114) are directly incorporated into the results, requiring no additional keyword analysis.

2) Expanded Sector Identification: We extend our analysis to sectors like 'Public Sector Policy and Administrative Management' (15110), 'Public Finance Management' (15111), 'Decentralisation and Support to Subnational Government' (15112), 'Financial Policy and Administrative Management' (24010), and 'Trade Facilitation' that are closely align with DRM activities.

3) Short Description Search: The screening involves keyword searches like 'Tax' and 'Revenue' in short project descriptions within the relevant purpose codes. This helps pinpoint projects focused on taxation or revenue-related goals.

4) Detailed Long Description Analysis: We thoroughly examine longer project descriptions for the same keywords mentioned above 'Tax' and 'Revenue.' This helps us find relevant projects that might not have been identified in the title or short description searches.

5) Refined Secondary Search: A more specific search is conducted using the term, 'Domestic Revenue Mobilization.' This helps identify projects where DRM is either a primary objective or an essential part of a broader initiative.

6) Further Exploration: Targeted searches use precise terms such as 'Taxation,' 'Fiscalité' (French for taxation, considering multilingual CRS reporting), 'Fiscal Policy,' 'Monetary Policy,' 'DRM,' 'Resource Mobilization,' 'Basket,' and 'Budgeting.' This comprehensive approach ensures the identification

of projects closely tied to DRM activities.

By integrating these systematic steps, our methodology aims to comprehensively examine ODA disbursements, covering both DRM activities explicitly classified under purpose code 15114 and those extending beyond its scope. This process prevents the unintentional omission of projects with significant DRM elements, ensuring a complete and accurate analysis of ODA's role in promoting sustainable domestic resource mobilization.

Furthermore, tracking the assessment of support for DRM is often constrained by inadequate reporting that does not fully comply with the International Aid Transparency Initiative data standard. Therefore, this study relies on the latest data extracted from the OECD CRS spanning the period from 2015 to 2021.

Even though each project varies and is often incomplete in nature, a total of 5,200 projects falling under the "Aid for DRM" classification, identified by the 15114 code, were implemented across 38 countries and multilateral institutions within the time frame. Despite the variability and incompleteness of project information, we believe that this analysis provides valuable insights into the patterns and trends of aid distribution aimed at enhancing domestic resource mobilization efforts.

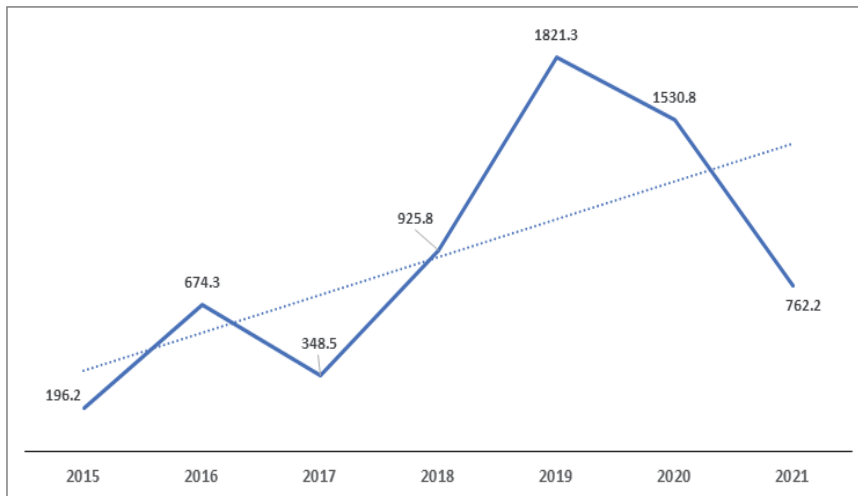
2 Results of the Analysis

2.1 Leading Donors in DRM-related Efforts

First of all, [Figure III-1] presents a significant narrative of disbursement trends under purpose code “15114” over the course of seven years. It began in 2015 with a disbursement of 196.2 million USD and saw a significant surge in subsequent years, reaching its peak at 1821.3 million USD in 2019. However, there was a slight dip in disbursement between 2020 and 2021 compared to the peak in 2019, which could be attributed to various global factors, including the COVID-19 pandemic.

[Figure III-1] DRM Activities under Purpose Code 15114 (2015-2021)

(Unit: USD million)



Source: OECD (2023), Creditor Reporting System (database)

The progression from 2015 to 2021 displays a dynamic pattern, with a particularly notable increase from 2015 to 2019. This surge underscores the growing recognition of the importance of DRM and the evolving priorities of donors toward DRM-related activities.

The UN-hosted third Financing for Development (FFD) conference in July 2015 and establishment of Addis Tax Initiative (ATI) played a pivotal role in this shift. More than previous conferences, it reflected the changing reality of development finance (Runde and Savoy, 2016). The primary aim of the conference was to identify how the international community would finance the new SDGs.

As noted in Chapter II, DRM was a major focus of the Addis Ababa conference. We believe that increased domestic resource mobilization, more ODA grants, and various types of development finance directly contributed to the significant increase in DRM activities under code 15114. On the contrary, the subsequent years' decline may be indicative of a shift in attention to other areas of development due to the COVID-19 and the following collapse of economic activity in many countries.

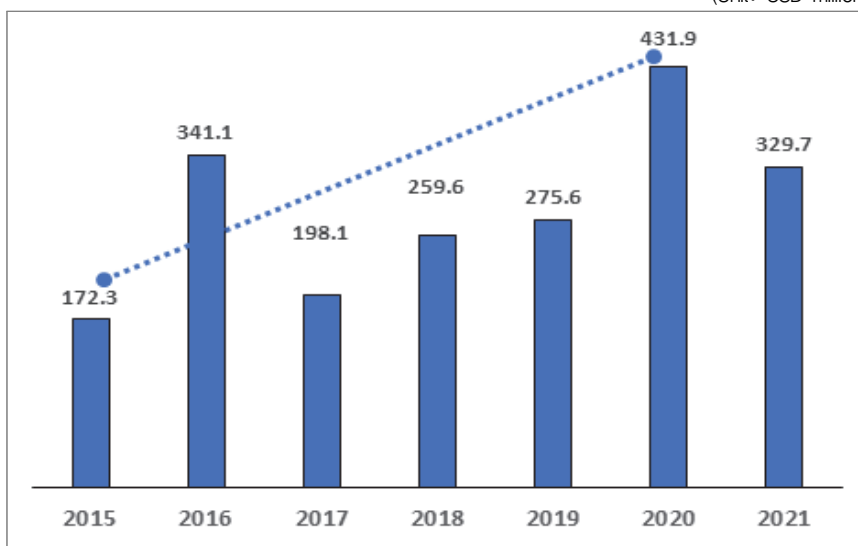
Within the CRS code analysis, we can also find evidence of increased DRM activities by analyzing the level of ODA disbursements from ATI member countries¹). They pledge to uphold key commitments that promote fair, equitable and effective DRM, effectively encouraging the active participation of leading donors.

1. ATI partner countries commit to enhance DRM on the basis of equitable tax policies as well as efficient, effective and transparent revenue administrations. ATI development partners commit to support such reforms.
2. ATI development partners collectively commit to maintain or surpass the 2020 global target level (USD 441.1 million) of DRM cooperation for country-owned tax reforms.
3. ATI members commit to apply coherent and coordinated policies that foster DRM and combat tax-related illicit financial flows.
4. ATI members commit to enhance space and capacity for accountability stakeholders in partner countries to engage in tax and revenue matters.

1) ATI development partners Australia, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Ireland, Italy, South Korea, Luxembourg, Netherlands, Norway, Slovakia, Slovenia, Sweden, Switzerland, United Kingdom, United States

[Figure III-2] DRM ODA Disbursements by ATI Members (2015-2021)

(Unit: USD million)



Source: (1) Addis Tax Initiative Website (ATI 2020 Target)
 (2) OECD (2023), Creditor Reporting System (database)

In connection, with the support for the implementation of the ATI, more than 60 developing countries, providers of development cooperation, and supporting organizations have joined the initiative. **Figure III-2** clearly shows that ATI member countries have increased their technical assistance in developing countries and successfully engaged in activities for more and better DRM.

Specifically, these leading donors, comprising development partners, had almost been achieved the global target of USD 441.1 million by 2020 for country-owned tax reforms. There was a substantial impact on ODA disbursements by ATI development partner members, with a noteworthy increase to USD 431.9 million in 2021, which is an impressive rise during the 2015-2021 period.

<Table III-3> ODA Achievement for ATI Member Countries

(Unit: USD million)

Category	2015	2016	2017	2018	2019	2020	2020 Target	2021
Australia	0.0	2.9	13.9	20.5	17.4	14.6	15.3	19.5
Belgium	2.2	1.1	1.6	2.4	1.7	1.7	5.3	0.6
Canada	7.3	7.4	11.5	12.7	8.9	12.9	14.6	9.8
Denmark	7.1	5.1	4.7	7.6	7.2	1.2	14.2	–
EU Institutions	1.7	19.4	14.2	18.3	13.4	29.7	74.5	35.9
Finland	4.5	3.0	1.1	1.8	2.4	3.1	8.6	3.2
France	5.7	157.2	0.1	0.1	12.4	128.4	11.4	21.9
Germany	29.8	34.5	36.3	43.8	51.9	107.8	65.6	93.6
Ireland	–	–	0.5	0.5	0.7	0.7	0.7	0.5
Italy	0.6	0.2	0.3	0.6	0.1	0.1	1.2	0.1
Korea	3.5	2.2	0.8	22.1	6.9	6.9	7.0	3.0
Luxembourg	0.5	0.8	2.6	1.5	1.4	1.4	1.0	1.5
Netherlands	2.2	1.4	3.7	4.7	4.9	4.9	6.3	8.7
Norway	13.7	6.5	8.1	25.6	26.2	26.2	27.5	36.9
Slovak Republic	0.0	0.0	0.1	0.0	0.2	0.2	0.05	0.3
Slovenia	–	0.0	0.0	0.0	0.1	0.0	–	0.0
Sweden	8.8	7.0	5.8	13.5	19.1	19.1	3.5	7.7
Switzerland	5.8	16.2	7.2	12.5	13.3	13.3	11.5	16.0
U.K.	41.5	302	37.1	36.2	34.3	34.3	82.4	26.9
U.S.	37.2	46.0	48.5	35.2	36.0	25.3	73.6	43.7

Source (1): OECD (2023), Creditor Reporting System (database)

Source (2): ATI (2015), ATI Monitoring Report

Although there has been a general rise, the expansion of ODA for DRM has not been consistent among all development partners. The overall surge in ODA from ATI members conceals these variations, as detailed in <Table III-3> above.

A key contributor to DRM were Germany and France which escalated the ODA disbursements exponentially by 2020. Additionally, both Sweden and Switzerland surpassed their commitment to double support by 2020, achieving this goal four years ahead of schedule.

The contrasting performance of certain countries in 2020, where they fell short of the target, suggests that the progress in ODA for DRM is not consistent. However, the encouraging development is that these countries not only met but also surpassed the target in 2021. This indicates a dynamic landscape where some nations may face challenges in a particular timeframe but exhibit resilience and improvement in subsequent years.

The overall implication is a complex and varied landscape of ODA for DRM, where individual country performance plays a crucial role in shaping the overall trajectory.

⟨Table III-4⟩ **Leading Donors in DRM Activities (2015-2021)**

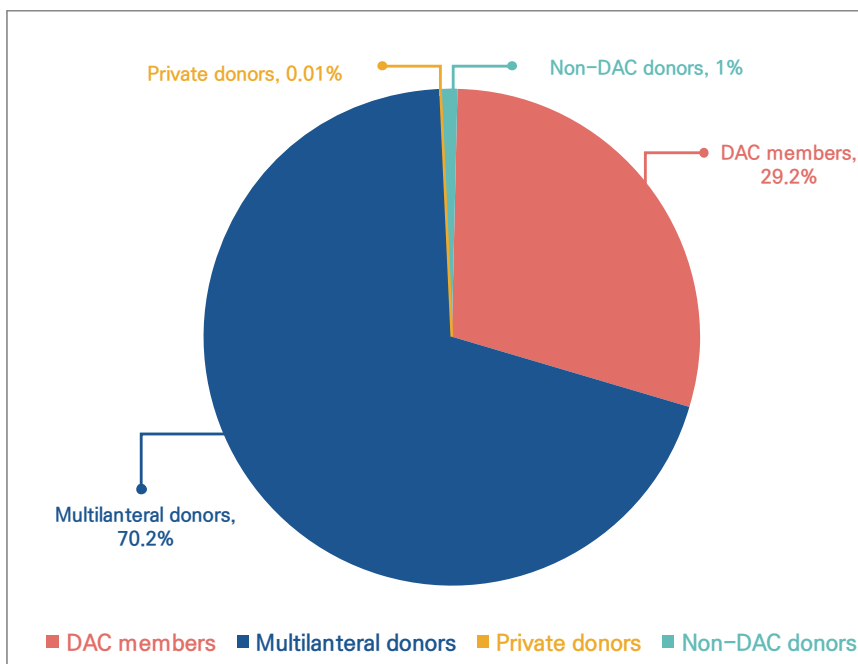
(Unit: USD million)

	Donor	Disbursement
1	Germany	397,5
2	France	325,8
3	United States	271,9
4	United Kingdom	249,3
5	Norway	153,9
6	Australia	88,8
7	Switzerland	85,6
8	Sweden	75,1
9	Canada	70,5
10	Japan	66,5

Source: OECD (2023), Creditor Reporting System (database)

This distribution of contributions underscores the collaborative global effort towards enhancing DRM. <Table III-4> displays the total amount of contributions of leading donors between 2015-2021. The data shows that Germany and France are positioned as the foremost donor toward DRM-related endeavors. Along with the results in <Table III-3>, other countries, such as, Norway, Switzerland, Sweden, the U.S., and the U.K. demonstrate their consistent level of engagement in supporting DRM initiatives. By doing so, these leading donors are collectively playing a vital role, effectively showing their commitment to bolstering DRM in recipient countries.

We assume that each donor nation may have certain motivations and strategies aligned with their respective foreign aid policies and development priorities. However, we can confirm that these donors are playing a pivotal role in DRM activities based on the above results. Moving forward, the next DRM dataset will elaborate on how those leading donors are composed, their level of contributions, and specific types of funding allocation under the purpose code 15114.

[Figure III-3] Donor Composition and Contribution (2015-2021)

Source: OECD (2023), Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>. (reported under DRM code 15114)

The ATI expands the opportunity to draw together the collective experience of a number of leading donors. Different donors use different approaches to DRM efforts, so it is essential to check the engagement of multilateral donors and the OECD Development Assistance Committee (DAC) members.

Multilateral donors are organizations or institutions that pool funding from multiple countries and distribute it to support development projects and initiatives. Some of the major multilateral donors include the World Bank, IMF, UN, regional development banks like the Asian Development Bank (ADB), and others.

They emerge as significant contributors, with a remarkable disbursement of 9,067 million USD, making them to the top donor position in 2023. A number of multilateral actors have scaled up their project or launched new initiatives to leverage the momentum generated by the FFD conference. Their engagement is primarily a collaborative approach to advancing DRM goals, with multilateral actors pooling resources from the synergy between nations and organizations to tackle complex challenges.

The second largest donor is the DAC, a unique international forum comprising many of the largest providers of aid, including 32 countries that are mostly part of the ATI as well. They provide essential resources, knowledge, and policy support to enhance DRM capabilities of developing countries, such as, financial support, capacity building, technical assistance etc. The DAC contributes a substantial amount of 3,776 million USD, also reflecting their policy coherence in facilitating DRM-related initiatives.

In contrast, both the non-DAC donors and private donors, contributing 1.6 million USD and 66.2 million USD respectively, demonstrates a smaller involvement in supporting DRM activities. However, their involvement reveals the increasing role of non-DAC donors and private sector engagement in development initiatives, reflecting a shift towards more diverse and inclusive approaches to resource mobilization. This contribution could stem from emerging economies or countries with specific geopolitical interests, addressing the diverse motivations behind international assistance.

Overall, the results show that the implementation of ATI and such cooperative mechanisms effectively lead to cultivating a diverse donor base and highlight the improving international cooperation and progress in policy coherence in driving DRM efforts. It provides insights into the collective commitment of countries, organizations, and private entities to enhance domestic resource mobilization for sustainable development.

〈Table III-5〉 List of Donors and Disbursement

(Unit: USD million)

Category	Donor	Disbursement
DAC Members	Germany	397.5
	France	325.8
	United States	271.9
	United Kingdom	249.3
	Norway	153.9
	EU Institutions	132.7
	Australia	88.8
	Switzerland	85.6
	Sweden	75.1
	Canada	70.5
	Japan	66.5
	Korea	46.0
	Denmark	32.8
	Netherlands	31.4
	Finland	19.2
	Belgium	11.3
	Luxembourg	10.6
	New Zealand	9.4
	Ireland	2.8
	Italy	2.3
Spain	0.9	
Slovak Republic	0.6	
Austria	0.6	
Slovenia	0.1	
Hungary	0.1	
Czech Republic	0.0	

〈Table III-5〉 continued

Category	Donor	Disbursement
Multilateral Donors	International Bank for Reconstruction and Development	2573.1
	International Development Association	1557.4
	Inter-American Development Bank	6.9
	African Development Fund	0.8
	Arab Fund (AFESD)	0.7
	Center of Excellence in Finance	0.3
Non-DAC Donors	Türkiye	1.6
Private Donors	Bill & Melinda Gates Foundation	13.3
	William & Flora Hewlett Foundation	7.7
	Ford Foundation	5.9
	Open Society Foundations	3.4
	John D. & Catherine T. MacArthur Foundation	2.3

Source: OECD (2023), Creditor Reporting System (database)

〈Table III-6〉 List of Cooperation Modalities of Purpose Code 15114

(Unit: USD million)

Aid Type Code	Title	Disbursement
A02	Sector budget support	3623.0
B01	Core support to NGOs, other private bodies, PPPs and research institutes	13.6
B03	Contributions to specific-purpose programmes and funds managed by implementing partners	363.7

〈Table III-6〉 continued

Aid Type Code	Title	Disbursement
B031	Contributions to multi-donor/multi-entity funding mechanisms	12.1
B032	Contributions to multi-donor/single-entity funding mechanisms	29.5
B033	Contributions to single-donor funding mechanisms and contributions earmarked for a specific funding window or geographical location	2.7
B04	Basket funds/Pooled funding	64.9
C01	Project-type interventions	1986.4
D01	Donor country personnel	73.7
D02	Other technical assistance	87.4
E01	Scholarships/training in donor country	2.2
G01	Administrative costs not included elsewhere	0.0
H01	Development awareness	0.1
		6259.1

Source: OECD (2023), Creditor Reporting System (database)

The list of cooperation modalities for purpose code “15114” provides insights into the diverse approaches by which donors channel aid to support DRM initiatives. Based on the results of the categorized disbursement, the breakdown reveals that the largest share of aid is directed towards sector budget support (A02), which is a form of aid that focuses on providing financial assistance to specific sectors within recipient countries.

The predominance of aid to the sector budget support (A02) can be attributed to several strategic considerations. This type of approach is favored due to its capacity to directly bolster DRM-related areas, such as finance, taxation, and revenue administration. The budget support comprehensively facilitates institutional strengthening, promoting more efficient tax collection, improved fiscal policies, and enhanced governance in revenue management. By focusing on these systemic changes and country ownership of development priorities, A02 aims to address root causes, tackle challenges, and fosters sustainable improvements in revenue generation and management. Ultimately, this strategic allocation aligns with long-term goals, as enhanced DRM capacities pave the way for increased domestic revenue, reduced aid dependency, and heightened fiscal sustainability.

Contributions to various specific-purpose programs (B01-B033), basket funds, and pooled funding (B04) also highlight collaborative efforts among donors to support DRM projects as well. In further, project-type interventions (C01) and technical assistance (D01-D02) reflect the multifaceted approach to enhancing DRM capacities. Scholarships and training (E01) contribute to capacity building, while administrative costs (G01) and development awareness (H01) represent additional aspects of aid allocation. As a result, these cooperation modalities clearly reflect various methods of ongoing DRM aid allocation and a comprehensive strategy to drive sustainable domestic resource mobilization.

2.2 Recipients of DRM Aids

〈Table III-7〉 Top 10 “Aid for DRM” Recipients (2015-2021)

(Unit: USD million)

	Recipient	Disbursement	%
1	Indonesia	1207,6	19,3
2	Colombia	519,8	8,3
3	Nigeria	417,4	6,7
4	Philippines	416,2	6,6
5	Bilateral, unspecified	415,2	6,6
6	Pakistan	238,2	3,8
7	Kenya	229,3	3,7
8	Egypt	207,4	3,3
9	Afghanistan	142,5	2,3
10	Somalia	107,9	1,7

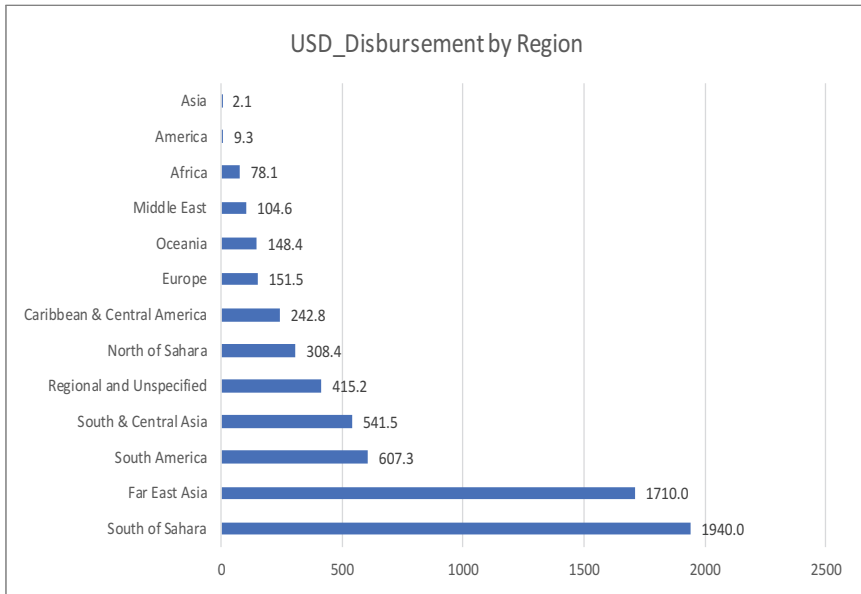
Source: OECD (2023), Creditor Reporting System (database)

The top 10 recipients of "Aid for DRM" from 2015 to 2021 provide further insights into targeted efforts to enhance revenue management and mobilization. Indonesia received the largest amount, 1,207.6 million USD, displaying substantial commitment to fostering effective domestic revenue utilization. Colombia is the second largest recipient, with 519.8 million USD, and Nigeria follows as the third largest, with an allocation of 417.4 million USD, reflecting their efforts to optimize revenue generation for economic advancement.

Moreover, the presence of Philippines, Kenya, Pakistan, Egypt, Afghanistan, and Somalia among the top recipients, alongside the "Bilateral, unspecified" category, indicates significant global engagement to bolster revenue-related initiatives. Aligned with ATI partner countries, this distribution of aid underscores the international endeavor to strengthen DRM. The selection of these recipients reflects a strategic approach to aid allocation, aiming to empower nations in optimizing revenue streams and ensuring long-term financial stability and self-reliance.

[Figure III-4] DRM Inflow by Region (2015-2021)

(Unit: USD million)



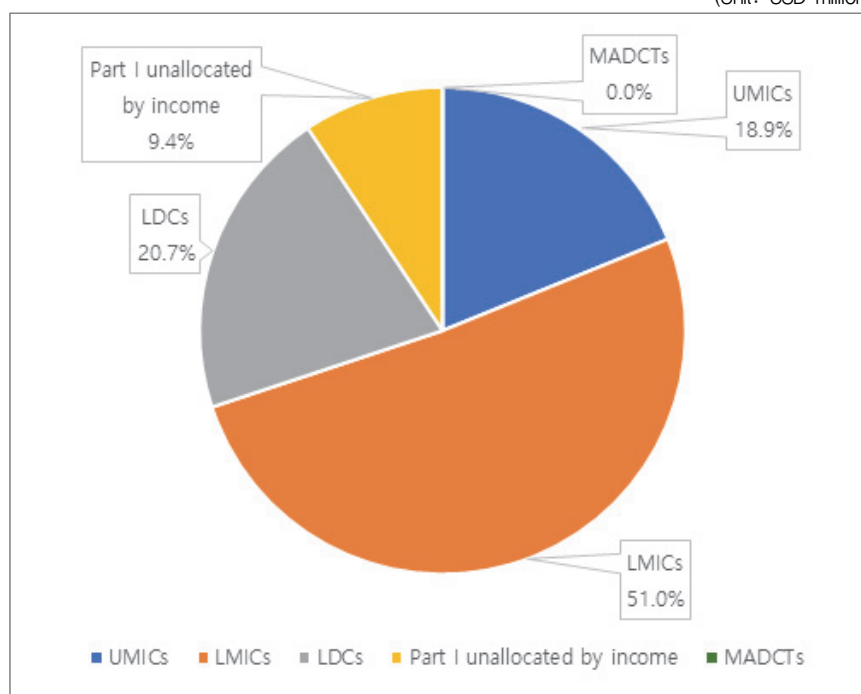
Source: OECD (2023), Creditor Reporting System (database)

The distribution of DRM disbursements across different regions tells us where aid is primarily directed. According to **[Figure III-4]**, with 31% of disbursements allocated to the South of Sahara region, it appears that sub-Saharan African countries are a significant focus for DRM-related aid. The Far East Asia region follows closely with 27%, underlining the importance of aiding countries in this area for their domestic resource mobilization efforts. South America and South & Central Asia account for 10% and 9% respectively, indicating ongoing support for DRM activities in these regions as well.

Interestingly, regions like Europe, Oceania, and the Middle East each receive 2% of DRM disbursements, despite their comparatively developed economies. This suggests that even in more developed regions, aid is being directed towards enhancing domestic resource mobilization. However, North of Sahara and Caribbean & Central America appear to receive relatively smaller shares of 5% and 4% respectively. This distribution indicates that these regions are not the primary recipients of DRM-related assistance.

[Figure III-5] Disbursement by Income group (2015-2021)

(Unit: USD million)



Source: OECD (2023), Creditor Reporting System (database)

Moreover, [Figure III-5] reveals a disbursement allocation based on income groups, the analysis reveals intriguing patterns.²⁾ Upper Middle-Income Countries (UMICs) received the highest disbursement amount, indicating a considerable focus on supporting their DRM efforts.³⁾ This could suggest that donors recognize the importance of assisting these countries, where there is a political will to receive a support to optimize their revenue generation for sustainable development.

Lower Middle-Income Countries (LMICs) closely follow in disbursement allocation, addressing a continued emphasis on supporting their DRM activities. Least Developed Countries (LDCs) exhibit a notably lower disbursement amount, potentially due to their unique development challenges, which might require a more comprehensive range of assistance beyond DRM alone.⁴⁾

Additionally, Part I unallocated by income might represent funds that have been allocated for certain purposes but are not yet specifically categorized within a particular income group. This allocation could be utilized for certain projects and could involve multiple countries simultaneously.

According to our expectations, More Advanced Developing Countries (MADCTs)⁵⁾ have the lowest disbursement, implying that their emphasis might be shifting toward broader developmental activities, possibly reflecting their relative maturity in DRM. In sum, these variations suggest the

2) Income group distributions: Income groups are determined using gross national income (GNI) per capita, converted to U.S. dollars through the World Bank Atlas method.

3) UMICs are countries with a gross national income (GNI) per capita falling between the thresholds for lower-middle-income and high-income countries, typically ranging from around \$4,046 to \$12,535 (in current US dollars). These countries typically have relatively higher levels of economic development compared to lower-income countries but may still face developmental challenges. Examples of UMICs include countries like China, Brazil, and South Africa

4) Least Developed Countries (LDCs) and Low-Income Countries (LICs) are distinct classifications: LDCs designated by the United Nations based on socioeconomic development indicators, while LICs primarily refer to countries with low GNI per capita. Examples of LDCs include countries like Afghanistan, Haiti, and Malawi.

5) More advanced developing countries and territories (MADCTs) classified as World Bank high income (at around \$12,535 (in current US dollars)) or higher are included in the High Income Group. Examples of MADCTs include countries like Singapore, United Arab Emirates, and South Korea.

importance of customized approaches for each income group, ensuring that assistance aligns with their specific developmental needs in different types of economies.

<Table III-8> ATI Partnerships and USD Disbursement for DRM

	ATI Partner	Non-ATI Partner	Total
Country	32	128	160
Percentage of Total	20%	80%	100%
Total USD Disbursement (USD million)	3,205	3,054	6259.1
Percentage of Total	51.2%	48.8%	100%

Source (1): OECD (2023), Creditor Reporting System (database)

Source (2): ATI (2015), ATI Monitoring Report

Out of the 160 recipient countries analyzed for the period 2015-2021, 32 (20%) are ATI partner countries, while the remaining 128 (80%) are non-ATI partner countries. The total disbursement for ATI partner countries amounts to 3205.1 USD million, accounting for 51.2% of the total disbursement, while non-ATI partner countries received 3054.0 USD million, comprising 48.8% of the total disbursement of 6259.1 USD million.

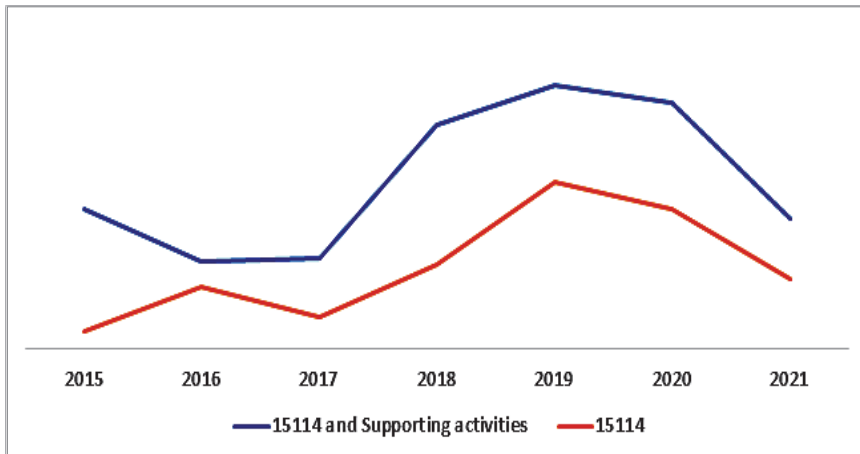
The breakdown addresses a slight difference in the amount of funding between ATI and non-ATI partner countries, which may indicate the effects of ATI partnerships. ATI partner countries received 51.2% of the total disbursement, suggesting that these countries have demonstrated their commitment to accountability through the initiative to some degree. On the other hand, non-ATI partner countries, while receiving a slightly lower percentage of disbursements, still account for a substantial portion of the aid. This suggests that factors beyond the commitments, such as developmental needs, strategic priorities, and diplomatic relations, also play a role in determining aid allocation.

2.3 Analysis on Purpose Code “15114” and Others

The [Figure III-6] below provides the disbursements under purpose code "15114" and its supporting activities, encompassing additional purpose codes, from 2015 to 2021. The disbursement figures reveal the financial commitment solely to "15114" and the cumulative disbursements, incorporating supplementary purpose codes. This scrutiny aims to identify any notable distinctions in financial allocations and developmental priorities when broader purpose code categories are integrated.

The yearly breakdown of disbursements facilitates a comprehensive understanding of the trends and variations in DRM-supporting activities. The graph illustrates a similar pattern, despite a slight discrepancy between 2015 and 2017. Since 2017, these DRM-supporting activities have shown a rapidly increasing trend, which may be affected by the ATI partnerships and countries' commitments attributable to purpose codes, "15114" and "15111," both related to Public Finance Management.

[Figure III-6] DRM-supporting Activities by Purpose Code 15114 and Others (2015-2021)



Source: OECD (2023), Creditor Reporting System (database)

<Table III-9> Disbursement of Funds for DRM-supporting Activities

Code Number	Purpose Code	Disbursement (Million USD)
15110	Public sector policy and administrative management	448,0
15111	Public finance management	5531,4
15112	Decentralization and support to subnational government	494,7
15113	Anti-corruption organizations and institutions	49,2
15114	Domestic Revenue Mobilization	6259,1
24010	Financial policy and administrative management	73,3
33120	Trade facilitation	53,7
Total		12909,4

Source: OECD (2023), Creditor Reporting System (database)

In connection, <Table III-9> reveals the various specific DRM-supporting activities, reflecting the combined financial resources allocated out of a total disbursement of 12,909.4 million USD. Although projects coded with the purpose code “15114” have the largest level of disbursement, other projects with major or minor DRM component, such as “15111,” “15110,” “15112,” “24010” also received attention, possibly indicating a broader focus of supporting DRM.

<Table III-10> Top 10 Donors in DRM-supporting Activities

(Unit: USD million)

Donor	15114 and supporting activities	Donor	15114
Inter-American Development Bank	3584	International Bank for Reconstruction and Development	2573.1
International Bank for Reconstruction and Development	2574.3	International Development Association	1557.4
International Development Association	1588.7	Germany	397.5
Asian Development Bank	1309.3	France	325.8
United Kingdom	571.1	United States	271.9
EU Institutions	567.7	United Kingdom	249.3
United States	507.1	Norway	153.9
Germany	491.9	EU Institutions	132.7
France	326.1	Australia	88.8
Sweden	213.6	Switzerland	85.6

Source: OECD (2023), Creditor Reporting System (database)

As previously mentioned, the multilateral donors are major contributors to DRM efforts. Referring to <Table III-10>, under the categorization of DRM-supporting activities, using purpose code "15114," the International Bank for Reconstruction and Development (IBRD) prominently stands out, indicating a crucial role in disbursements. However, when considering "15114 and supporting activities," the Inter-American Development Bank (IADB) emerges as a major contributor, disbursing a total of 3,584 million USD. This suggests an emphasis on the Latin America and Caribbean (LAC) countries as primary recipients. The IBRD and International Development Association (IDA) continue to play pivotal roles as significant donors. An intriguing observation is the appearance of the Asian

Development Bank (ADB) within the top 10 donors, disbursing 1,309.3 million USD. This underscores the prominence of multilateral donors, comprising the top four, with substantial financial contributions. Notably, single-country donors like the UK and Sweden provide more compared to those solely contributing under the purpose code "15114." The overall landscape of top donors remains relatively stable, reflecting the diverse and multilateral nature of financial support within this developmental framework.

<Table III-11> Top 10 Recipients in DRM-Supporting Activities and Comparison

(Unit: USD million)

	Recipient	15114 and others	Recipient	15114
1	Indonesia	1739.4	Indonesia	1207.6
2	Colombia	1523.2	Colombia	519.8
3	Philippines	722.6	Nigeria	417.4
4	Pakistan	533.3	Philippines	416.2
5	Nigeria	500.3	Bilateral, unspecified	415.2
6	Bilateral, unspecified	488.3	Pakistan	238.2
7	Mexico	472.6	Kenya	229.3
8	Tanzania	456	Egypt	207.4
9	Costa Rica	441.5	Afghanistan	142.5
10	Brazil	357.5	Somalia	107.9

Source: OECD (2021)

According to **<Table III-11>**, Indonesia and Colombia remain the top recipients. In these expanded categories, Mexico, Costa Rica, and Brazil, as members of the Latin America and the Caribbean (LAC) region, stand out. However, when analyzing only under "15114," the African group takes priority, with Kenya, Egypt, Afghanistan, and Somalia included in the top 10 recipient countries. While not explicitly featured in this table, it is

noteworthy that Paraguay, Ecuador, Jamaica, and Guatemala are consecutively listed after Brazil. This interesting pattern is attributed to the “15111” code, with the primary donor identified as the Inter-American Development Bank.

2.4 Case Study: The World Bank’s Fiscal Reform Project in Indonesia

Before the Pandemic, many Southeast Asian countries faced taxation challenges that worsened even after the unexpected crisis. According to the OECD (2022), the tax-to-GDP ratio in the Southeast Asian region fell from 14.7% in 2019 to 13.6% in 2020. Having explored the current landscape of DRM efforts in various levels and data on related activities, it is evident that DRM has been an integral part of fiscal challenges.

Through ODA on DRM, Southeast Asian countries have initiated a diverse range of tax policy and administration reforms aimed at establishing fair, efficient, and transparent tax systems that support their long-term development objectives (ADB, 2023). The overall trend indicates a general increase, reaching its peak in 2019. Notably, activities supporting DRM have been dynamic in Southeast Asia, with Indonesia emerging as the top recipient country.

During that year, the highest disbursement, totaling 571.2 million USD from the IBRD, constituted 31.3% of the total disbursement in 2019. This disbursement was allocated for Indonesia and is associated with the project titled "Indonesia Fiscal Reform Development Policy Loan (DPL) 3,"⁶⁾ conducted by the World Bank. Delving further into the specifics, the project falls under the purpose code “15114” that is directly related to the data analysis of this paper.

The reason for providing such a substantial disbursement is that tax revenue in Indonesia, as a percentage of GDP, stood at 9.09%. (World Bank, 2021). Indonesia ranks 19th out of 24 regions in terms of tax revenue percentage, and ranks 40th out of 43 in the income group of Upper Middle

6) World Bank. "Indonesia Fiscal Reform DPL 3"
<https://projects.worldbank.org/en/projects-operations/project-detail/P167297>

Income Countries. Furthermore, it stands at 135th out of 156 countries globally, addressing the need for DRM-related assistance.

In this context, the World Bank proceeds with a reform program that outlines the initiative's objectives, aiming to assist the Government of Indonesia (GOI) in achieving the National Medium-term Development Plan (2015-2019) as part of the Country Partnership Framework (2016-2020) through fiscal reforms. The program, structured as a series of DPL, is built on three pillars, each with its respective Program Development Objectives (PDOs):

5. Pillar A: Improving Quality of Spending
 - PDO: Enhancing the composition, execution, and efficiency of spending
6. Pillar B: Strengthening Revenue Administration
 - PDO: Improving tax administration efficiency, compliance management, audit capability, and reducing the cost of tax payments
7. Pillar C: Enhancing Tax Policy
 - PDO: Boosting revenue potential and economic efficiency of tax policy

Specifically, DPL 3 introduced measures to address climate change and disaster risk financing, while DPL 2 focused on sub-national spending and international tax reform aspects. Throughout implementation, the series maintained its focus on these objectives, with minor adjustments made to accommodate evolving priorities of national development, such as public infrastructure, social assistance, and health sectors

The success of the DPL series can be attributed in part to the relevance of prior actions undertaken. Measures to improve tax administration efficiency, such as reducing compliance costs of e-filing and tax return validation for individuals and corporations, aimed to enhance overall effectiveness. Despite certain limitations, including political economy constraints and challenges related to the election cycle, these investments played a crucial role in

achieving the series' objectives.

Assessment of the DPL series' outcomes reveals moderately satisfactory results, mostly achieved improvements in PDOs for Pillars A and B. In contrast, Pillar C's PDO was partially achieved, indicating room for improvement. The impact of various prior actions, particularly those targeting budget allocation and tax administration efficiency, has been significant. Despite falling slightly short of set targets, the share of the central government budget allocated to infrastructure, social assistance, and health sectors witnessed positive trends, reflecting progress in key development areas.

The DPL series encountered internal challenges, such as the COVID-19 pandemic and policy reversals on energy subsidies, which posed risks to sustained progress. However, collaborative efforts and effective engagement with development partners strengthened policy dialogue and implementation. Lessons learned from the series underscore the importance of strategic sequencing, political economy considerations, and flexible approaches to reform implementation. Ongoing monitoring and evaluation are essential to assess progress and ensure the long-term sustainability of reforms.

In conclusion, Indonesia's Fiscal Reform DPL series serves as a model for effective fiscal management and development-oriented reforms. Despite challenges, the series has made significant strides towards achieving its objectives related to the DRM efforts, with tangible improvements observed in key areas. Moving forward, continued collaboration, adaptive strategies, and a focus on long-term sustainability will be crucial for further advancing Indonesia's fiscal management and development agenda.

In addition to its broader impact on fiscal management and development outcomes, this case study brings an interesting observation. While reported under the code "15114" category, the Indonesia Fiscal Reform DPL series exhibits characteristics that is closely aligned with the objectives of "15111" as well, focusing on PFM. This nuanced distinction highlights the complexity of categorizing multifaceted projects and underscores the importance of precision in project classification for accurate reporting and analysis.

Understanding such discrepancies in the information is essential for researchers, policy-makers, and practitioners alike, as it enables more accurate decision-making and facilitates a deeper understanding of the intricacies of development projects. This case study not only provides the discourse on the effects of DRM activities in developing countries and their complex relationship with PFM but also emphasizes the significance of clear project classification frameworks for stable monitoring in international development.

IV

Conclusion

1 Summary of Findings and Implications

Throughout the research, we discovered that DRM-related activity is recognized as the essential foundation for self-sustaining development. Achieving the Sustainable Development Goals (SDGs) by 2030, formulating global frameworks like the Addis Tax Initiative (ATI), and responding to the COVID-19 crisis have provided a cue for all countries to adhere Domestic Revenue Mobilization (DRM) efforts.

The DRM, known as a long-term process for sustainable development finance, encompasses more than just taxation. It include various sources of revenue, such as fees on natural resource extraction, rent, tariffs, and levies on the trade of goods. Developing deeper local capital markets is also a critical aspect of DRM, facilitating lower lending rates and greater access to local currency-denominated bonds. By diversifying revenue sources, governments can significantly enhance their financial capacity to fund development projects aligned with their priorities.

However, taxes are considered the most stable input for governance and development. As governments aim to mobilize additional resources to fund public expenditures for economic and social growth, the importance of crafting efficient

tax and its administration system has become crucial for the achievement of the SDGs. By doing so, DRM has become a key concept in the global context, and DRM-related cooperation between development partners and partner countries has actively continued. It is essential to adhere to the principles for international engagement in supporting developing countries in revenue matters, as those principles provide a comprehensive framework for responsible and impactful engagement. These principles emphasize following government leadership, adopting a whole-of-government approach, promoting transparency, and striking a balance between revenue collection imperatives and considerations of fairness, equity, and governance.

Based on the results of analysis using the OECD Credit Reporting System (CRS), there was a definite progression from 2015 to 2019 that highlights the increasing recognition of the importance of DRM following the establishment of ATI. When tracking the disbursement data by ATI member countries, they pledged to achieve the 2020 global target level (USD 441.1 million) of DRM cooperation for country-owned tax reforms.

They commit to undertaking DRM reforms at the highest level, ensuring political buy-in and ownership. Clearly, being an ATI member signals a strong interest in receiving technical and financial support for DRM reforms, encouraging development partners to offer assistance proactively. In other words, ATI membership empowers partner countries to strengthen their voices and needs in the global tax debate, leading to increased grant ODA for DRM compared to non-ATI partner countries.

Moreover, it is important for us to consider not only the allocation of disbursements but also the actual outcomes in DRM sectors in developing countries. Therefore, we have examined the World Bank's project in Indonesia, titled "Indonesia Fiscal Reform DPL 3," which received the highest amount of assistance, reaching its peak in 2019. Each pillars of the project - 1) Improving Quality of Spending, 2) Strengthening Revenue Administration, and 3) Enhancing Tax Policy - displays positive outcomes. The final report indicates various improvements. For instance, the reform moderately achieved a harmonization of government spending, reduced tax compliance costs, and increased the general

income tax base. Additionally, a major step towards fiscal transparency was taken by releasing all tax expenditures of major taxes and their statements, and by conducting a strategy for broadening tax base.

The SDGs and their 169 sub-indicators require prioritization and careful planning. While Foreign Direct Investment (FDI) and Official Development Assistance (ODA) may partially finance these goals, it is crucial to establish a stable and long-term internal source of financing. Mobilizing domestic resources through DRM strategies can serve above issue and enable governments to independently fund development projects and reduce their dependence on external financing. As a result, the project has made significant impacts on achieving its objectives related to the DRM efforts in Indonesia and it acknowledges the positive relations between DRM-supporting activities and fiscal governance.

By leveraging their own resources through effective DRM, countries can make significant strides in achieving the SDGs. Strengthening revenue and expenditure linkages, promoting sustainability in revenue collection systems, and encouraging broad-based dialogue involving civil society, business stakeholders, and other relevant parties are instrumental in fostering inclusive and contextually appropriate reform strategies.

To conclude, achieving meaningful tax reform in developing countries necessitates political will, coordinated efforts aligned with the principles for international engagement, and the establishment of robust monitoring and evaluation systems. By embracing responsible engagement, mobilizing domestic resources, and diversifying revenue sources, governments can foster sustainable development, address their development priorities, and contribute to the attainment of the SDGs. It is through these concerted efforts that lasting change can be realized, benefiting both the governments and the communities they serve.

2 Limitation in Data Analysis and Future Research

During our research, it is pertinent to acknowledge the limitations encountered for analyzing the relationship between ODA and Domestic Revenue Mobilization (DRM). While our study has provided valuable insights into DRM-related activities through the examination of the CRS code “15114” data designated by the OECD, it is crucial to recognize certain limitations and outline directions for future investigations.

Our analysis has mostly concentrated on the specific purpose code “15114” related to DRM operations. However, DRM is more complex than this numerical categorization, encompassing a broader array of initiatives and strategies. When the OECD introduced a “15114” code, it was meant to simplify the identification and classification of DRM activities. Further examination revealed the need for a more comprehensive and detailed approach to assess all DRM-related efforts. Thus, while the selected code is instructive throughout the analysis, it provides a limited scope of the entire DRM ecosystem because it does not capture all DRM-related efforts.

As this research only focuses on the projects directly relating to the DRM purposes, it would be possible that we may have missed important DRM elements that are incorporated into other aid type codes. For instance, these elements are also greatly aided by the following: basket/pooled funding (B04), sector support (A02), and budget support (A01). Thus, the limited focus on analyzing purpose codes may restrict our understanding of ODA's impact on DRM.

Additionally, tracking the specific type of support that countries receive is challenging due to the often vague or undisclosed nature of publicly available information. Furthermore, the assessment of support for DRM is constrained by inadequate reporting that compiles with the International Aid Transparency Initiative data standard. Therefore, this study relied on the latest data extracted from the OECD CRS spanning the period from 2015 to 2021. During this time frame, a total of 5,200 projects falling under the "Aid for DRM" classification,

identified by the 15114 code, were implemented across 38 countries and multilateral institutions. The information available for each project varies and is often incomplete in nature.

For future research in DRM, we suggest the following directions.

First of all, it would be essential to incorporate broader scope of aid types into the data analysis. Beyond the specific DRM purpose code, extending the research to encompass aid types such as budget support, sector support, and basket/pooled financing would offer a more comprehensive understanding of how various forms of ODA interact with DRM activities.

Secondly, it's crucial to conduct a comparative analysis between projects explicitly categorized under the DRM purpose code (15114) and those integrating significant DRM components into other CRS codes, such as 15020 (Budget support), 15111 (Tax policy and tax administration), 16010 (General budget support), 16040 (Sector policy and administrative management), 24010 (Economic sectors), and 31181 (Anti-corruption organizations and institutions). This comparative method provides insights into the relative contributions of projects labeled explicitly for DRM purposes versus those embedded within broader sectoral frameworks. By systematically comparing these coding approaches, stakeholders can better understand the effectiveness of different sectors in advancing DRM objectives.

Finally, future research could closely analyze the donor's behavior towards DRM aid and the progress of DRM efforts in recipient countries. Donors play a pivotal role beyond mere financial contributions. It's crucial to assess the broader impact of development partners, encompassing their extensive Official Development Assistance (ODA) and policy formulation. The success of DRM initiatives hinges on comprehending the broader engagement and coherence of donors' support.

Similarly, evaluating the progress of DRM within recipient countries is vital for a comprehensive analysis. This assessment should encompass broader concerns such as trade facilitation, combating corruption, enhancing transparency, and strengthening statistical capacities, alongside bolstering

state capabilities. To ensure sustainable growth and development, both recipient governments and development partners must prioritize these areas and formulate comprehensive DRM strategies. Consequently, resolving and exploring these issues for further research will improve reader's understanding of the complex relationship between ODA and DRM.

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