Raising Revenue Right:
A Roadmap for Domestic Resource Mobilization

Policy Research Talk

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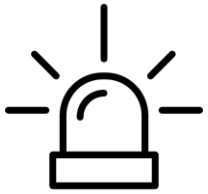
World Bank Development Research Group

September 23, 2026

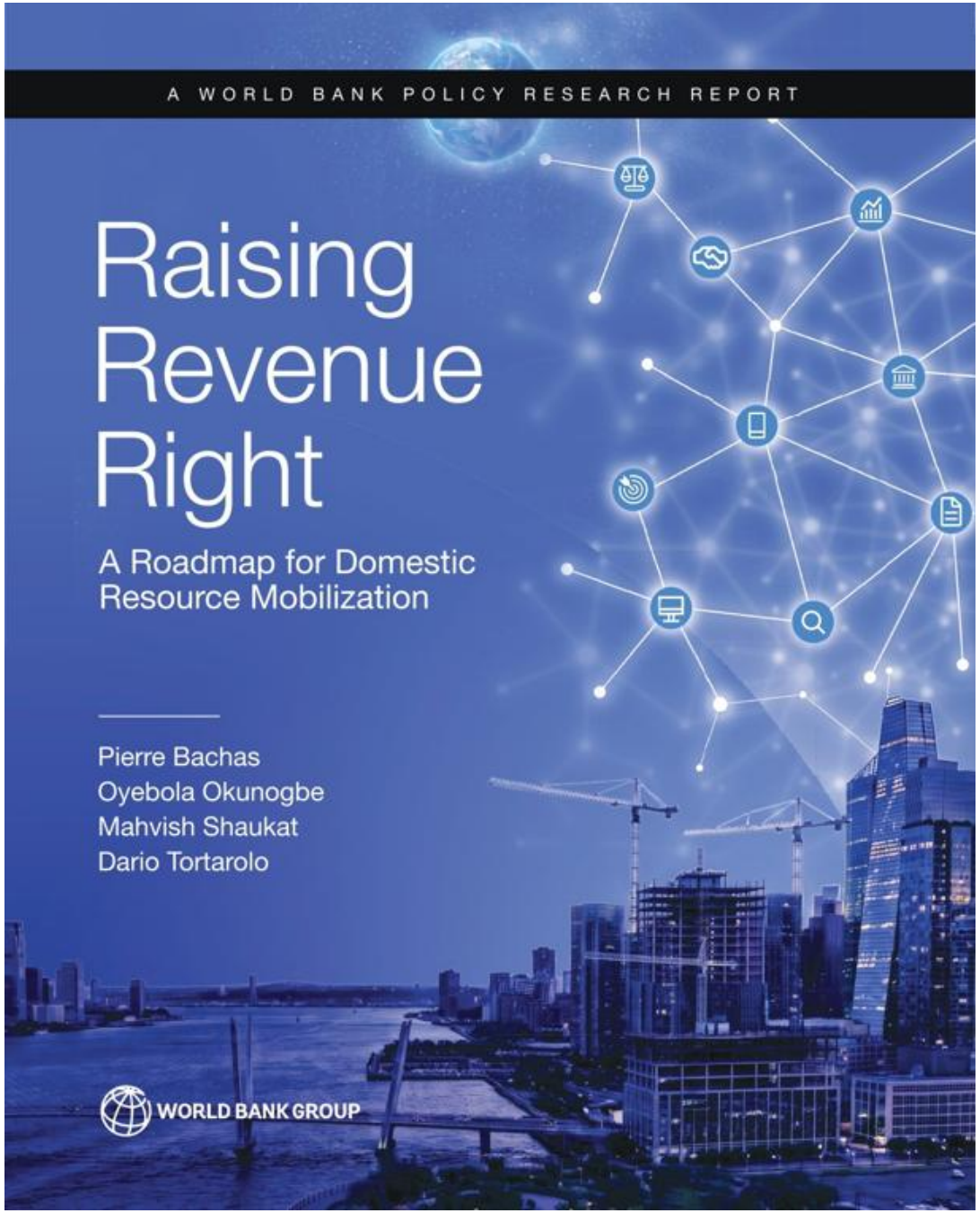
Why this report — and why now?



Urgency. Taxation is increasingly central to the development agenda.

Opportunity. Innovations in data, technology, and policy have expanded what governments can achieve.

Evidence. A wave of innovative research has deepened our understanding of taxation in EMDEs. We turn those insights into practical policy guidance.



Part I: Setting the Stage

1. A Framework for the Fiscal Frontier
2. Efficiency and Equity in Current Tax Systems

Part II: A New Path to the Fiscal Frontier

3. Technology
4. Transparency
5. Trust

Part III: Toolkit and Applications

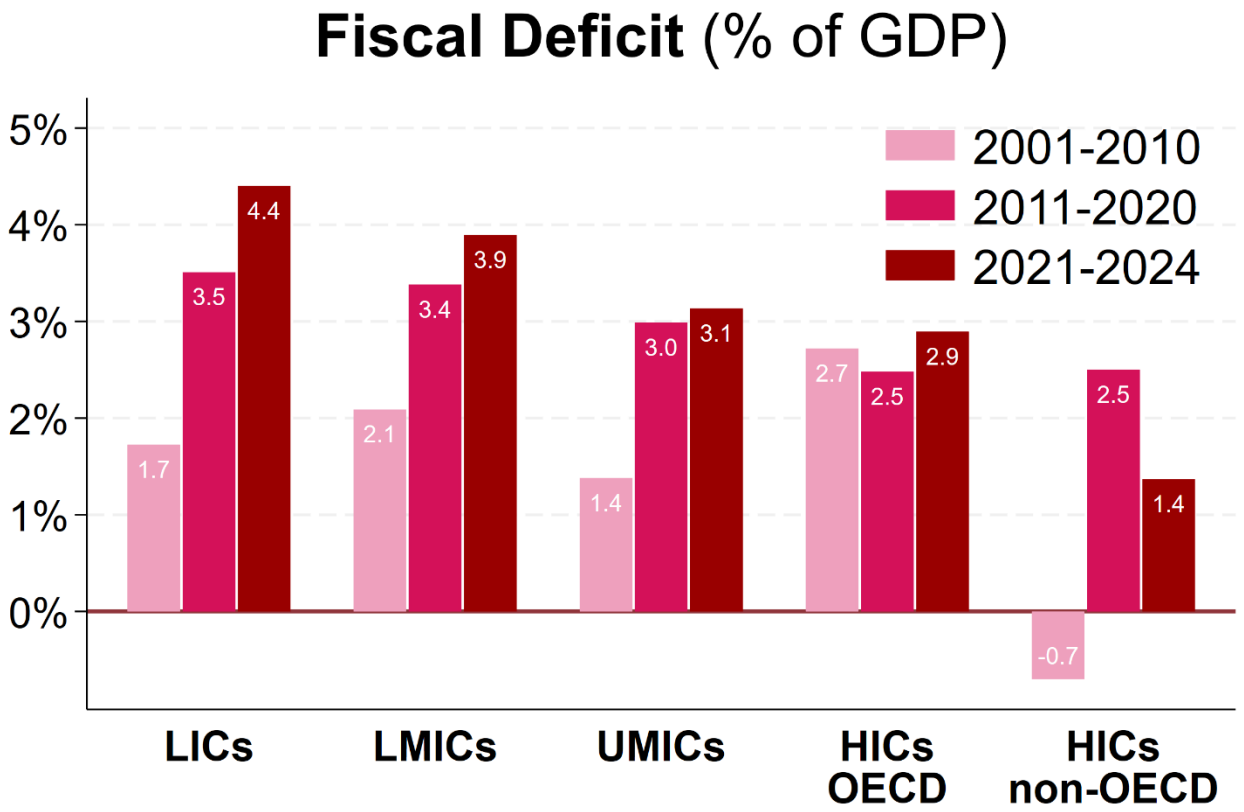
6. Environmental and Industrial Goals
7. How Much to Collect and How? MVPF Framework
8. Administrative Tax Data for Policy
9. Policy Guidance

MESSAGE 1

Most tax systems in EMDEs are not meeting development needs: they are revenue inadequate, inefficient, and inequitable.

Tax systems in EMDEs are revenue inadequate

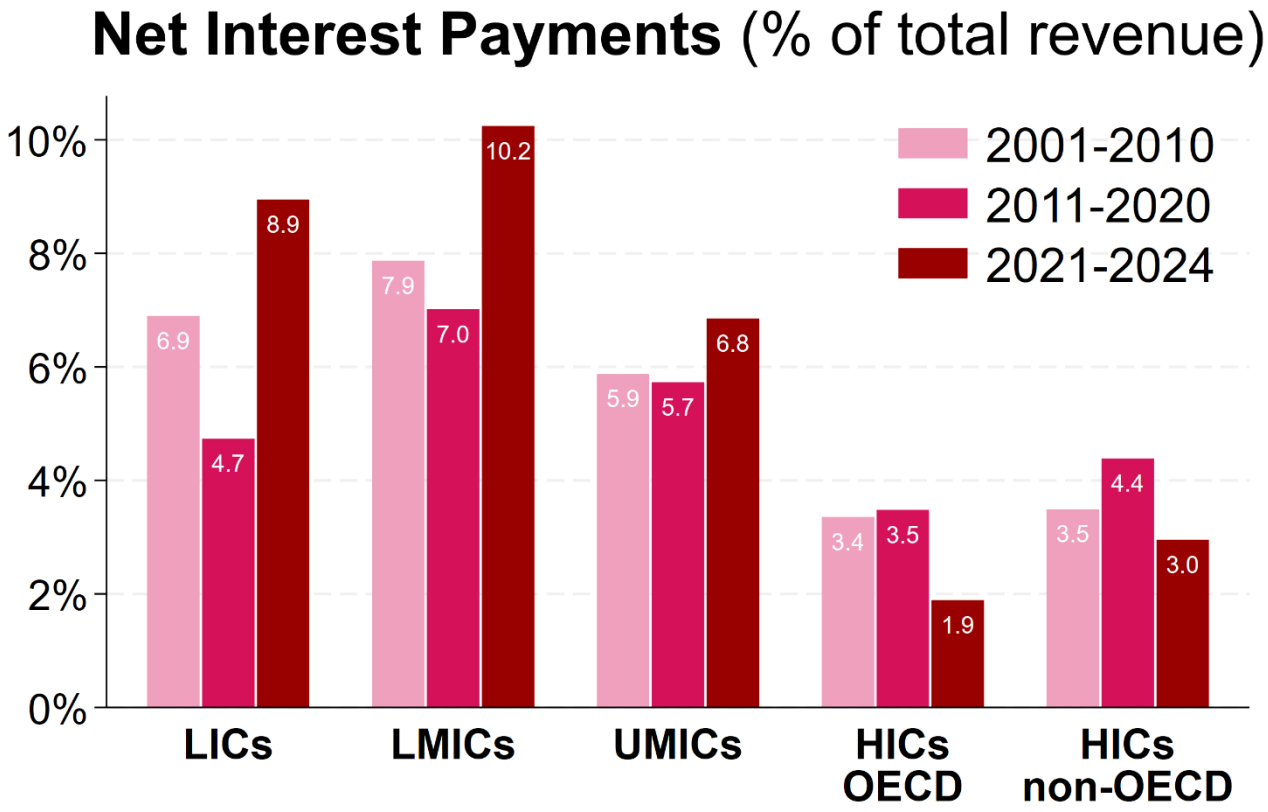
- **Primary deficits** have doubled over the past 25 years



Notes: *Refer to Figure O.1, panel a in the report. Based on data from the World Revenue Longitudinal Database and World Economic Outlook of the International Monetary Fund.*

Tax systems in EMDEs are revenue inadequate

- **Primary deficits** have doubled over the past 25 years
- **Debt service** eats up a growing share of tax revenue



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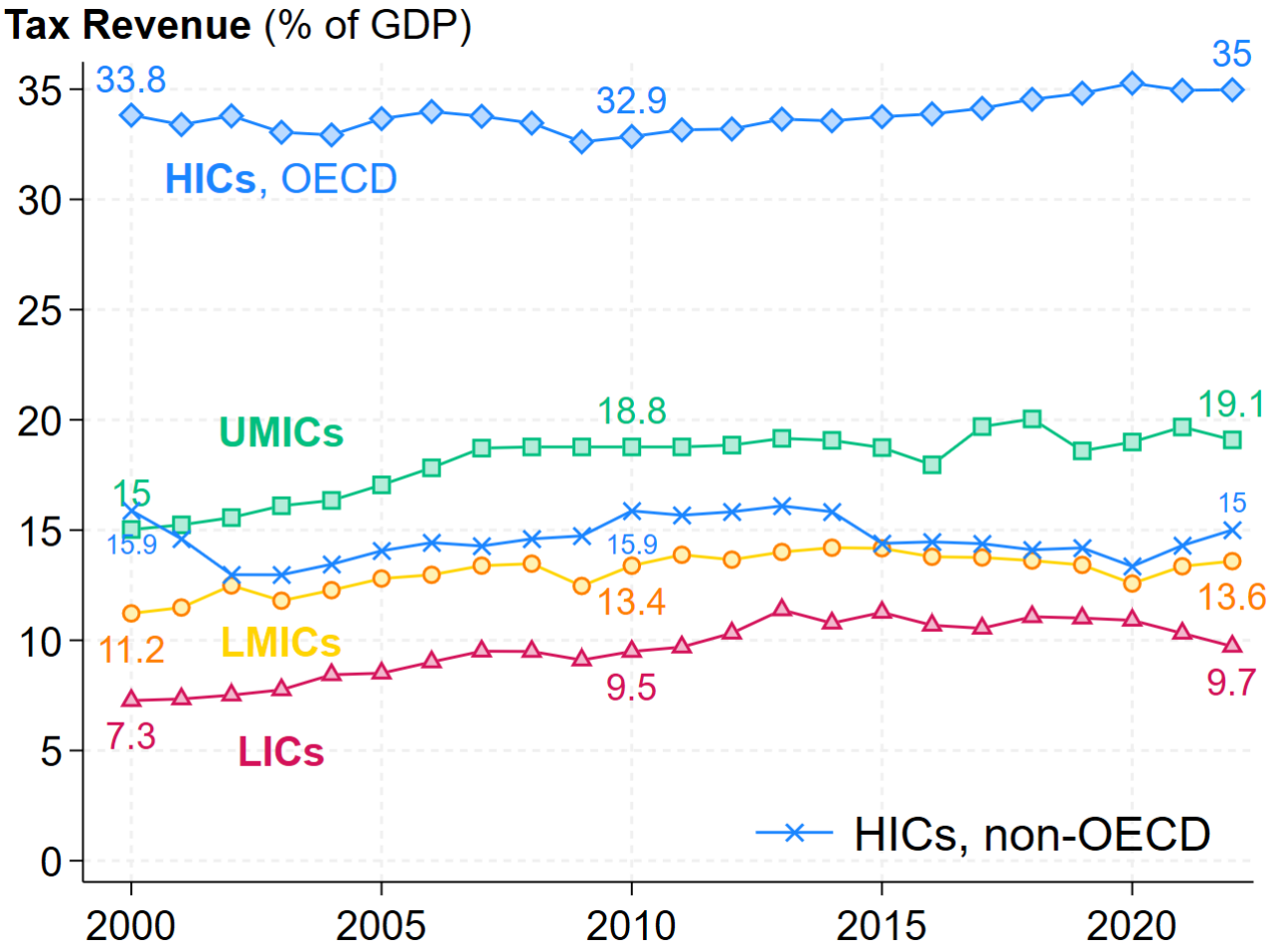
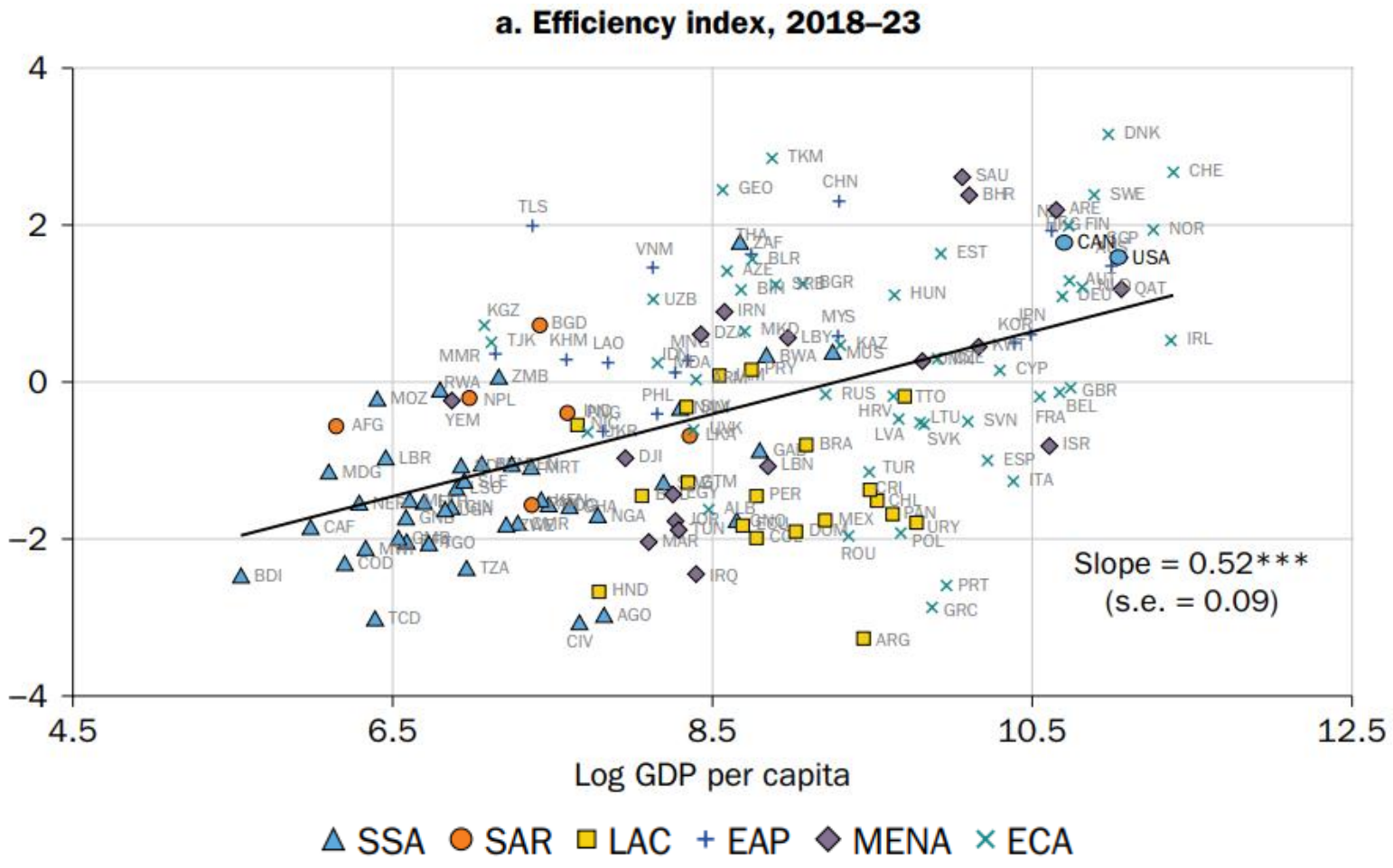
Tax systems in EMDEs are revenue inadequate

- **Primary deficits** have doubled over the past 25 years
- **Debt service** eats up a growing share of tax revenue
- **Tax revenue** has stagnated
  - Meaningful progress through the 2000s
  - But has flatlined since around 2010



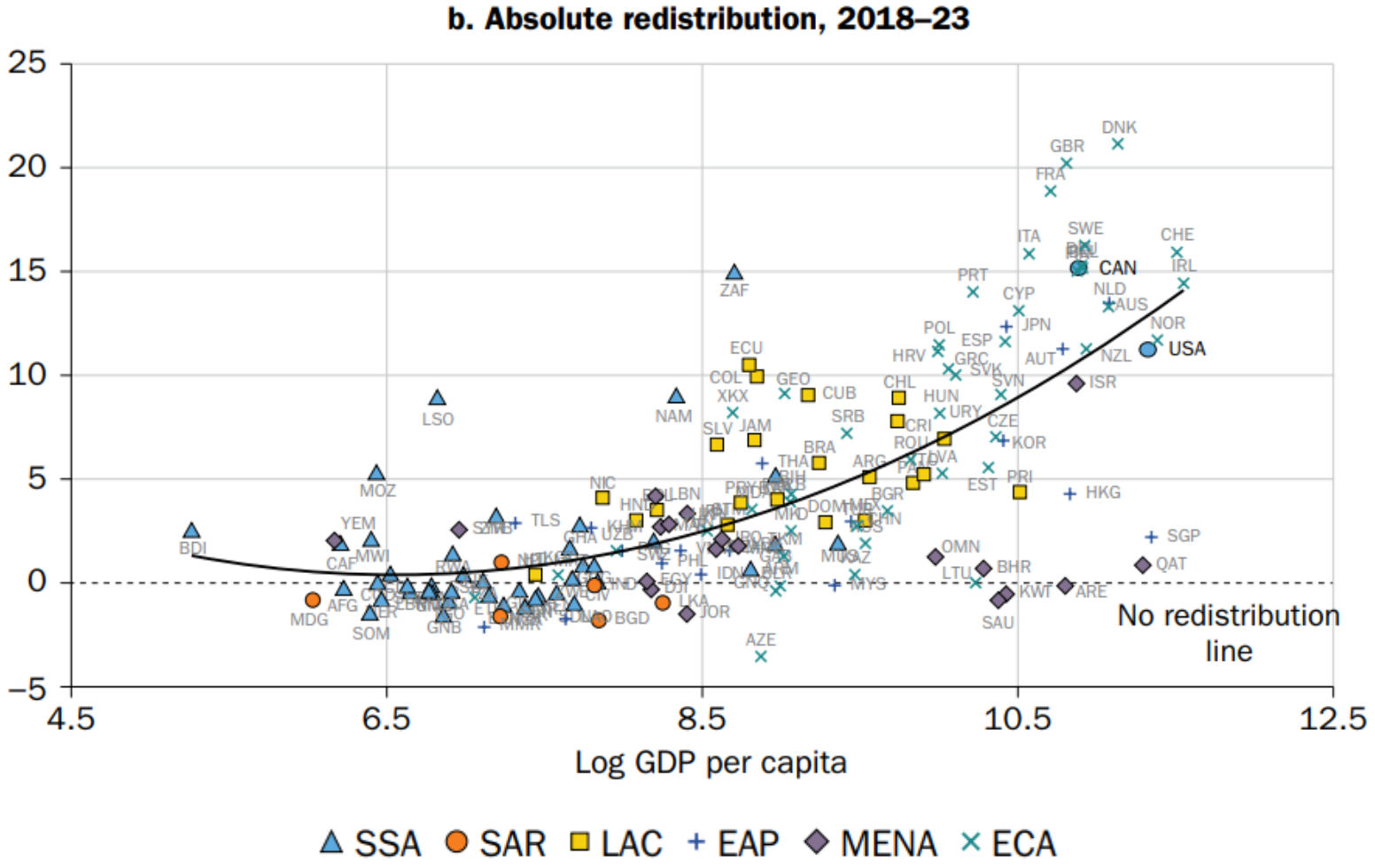
Notes: *Refer to Figure O.1, panel c in the report. Based on data from the World Revenue Longitudinal Database and World Economic Outlook of the International Monetary Fund.*

Tax systems in EMDEs are less efficient



Notes: *Refer to Figures O.2, panel a and 2.2 in the report. Based on data from the United States Agency for International Development, the World Development Indicators, the World Bank Enterprise Surveys, and the Research School of International Taxation's International Tax Institutions databases. The efficiency index combines revenue performance (how well statutory rates translate into collections), admin efficiency (compliance costs), and economic neutrality (change in relative prices).*

Tax systems in EMDEs are less equitable



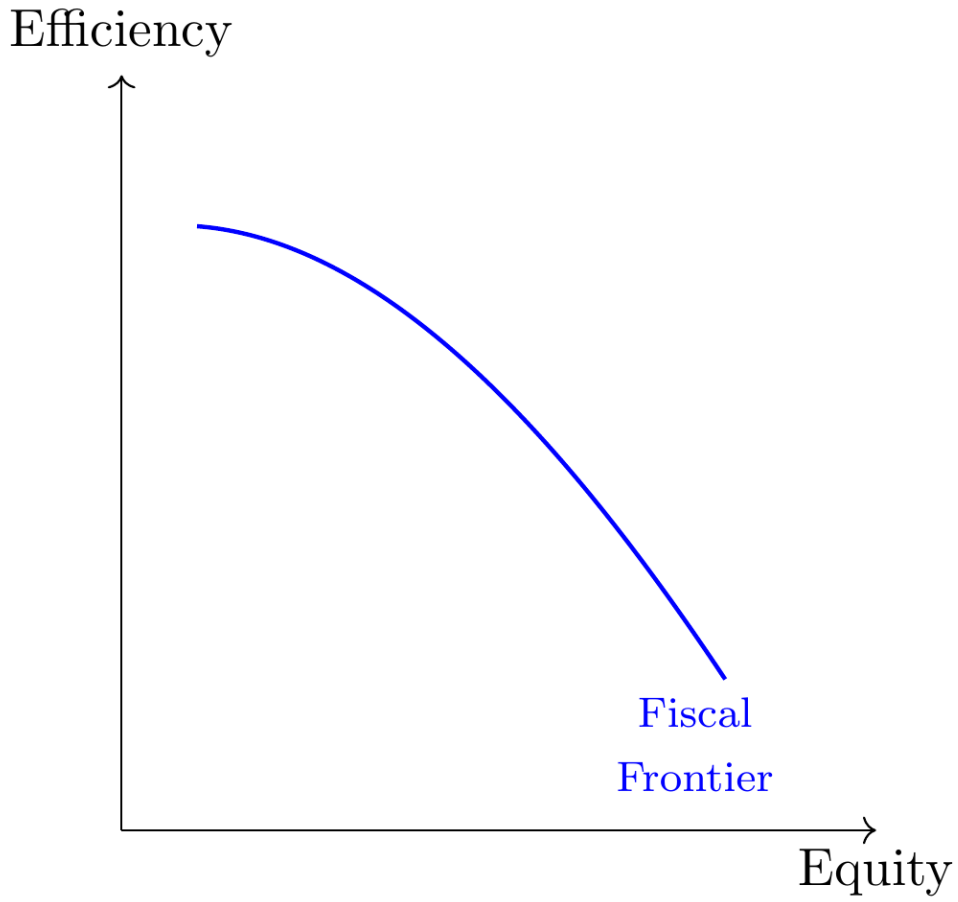
Notes: *Refer to Figures O.2, panel b and 2.3, panel b in the report. Based on data from the World Inequality Database (from Alvaredo et al. 2024) and the World Development Indicators. Absolute redistribution measures the redistributive impact of taxes & transfers (change in the Gini coefficient between pre- & post-tax-and-transfer income).*

MESSAGE 2

Policy reforms need not trade off efficiency against equity – both can improve for a given revenue level.

A framework for the fiscal frontier

Fiscal frontier: best attainable efficiency-equity mix for a given *revenue target* & country's *fundamentals*



Notes: *Refer to Figure 1.1 in the report.*

A framework for the fiscal frontier

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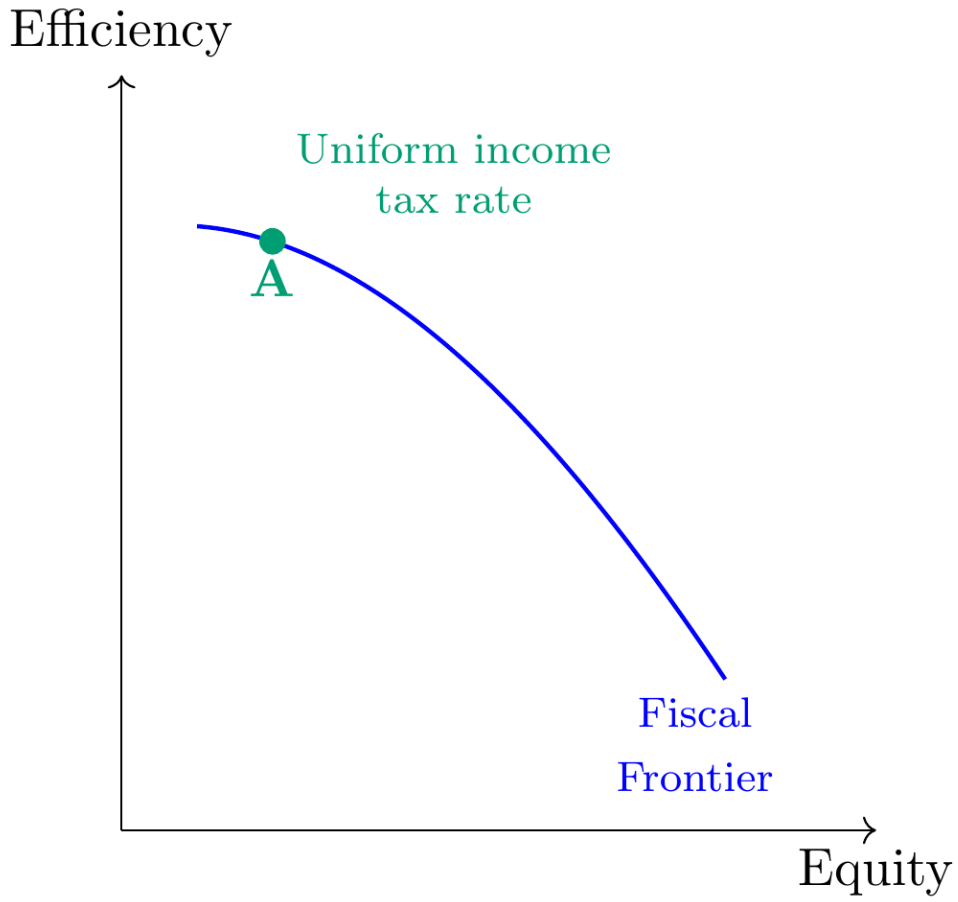
Example: Income tax

Point A: Efficient, but limited redistribution



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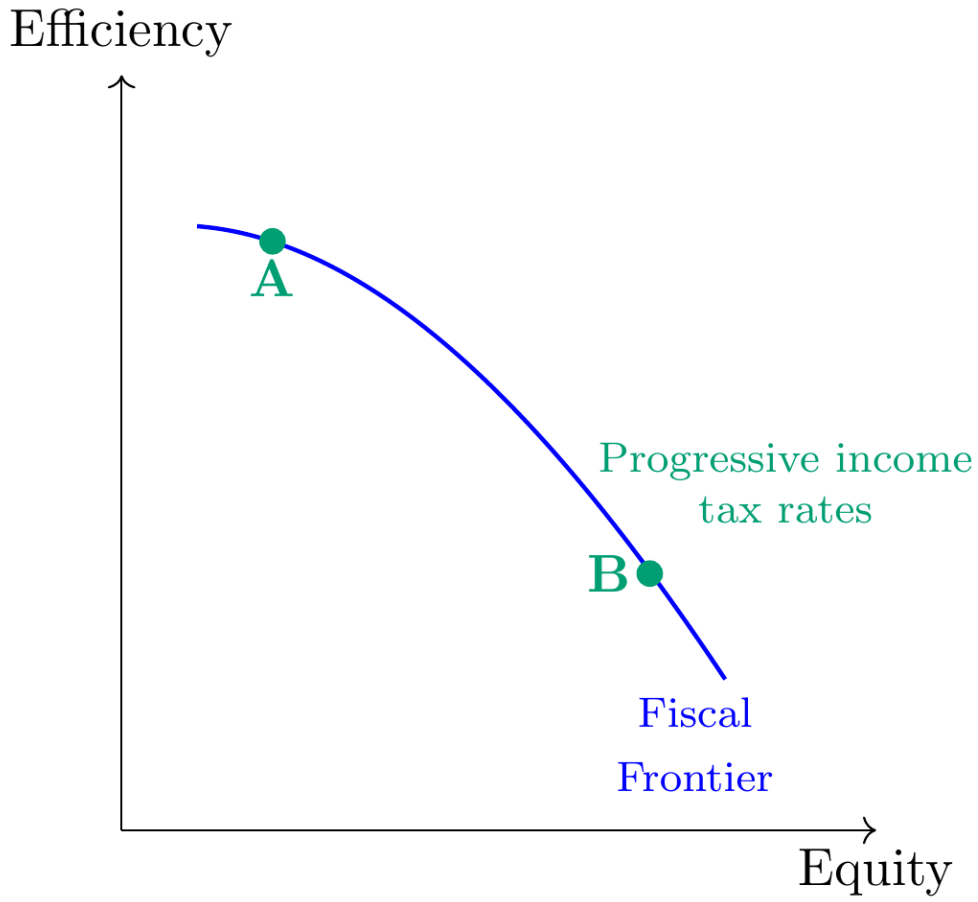
Point A: Efficient, but limited redistribution

Point B: More redistribution, but more complex/distortive



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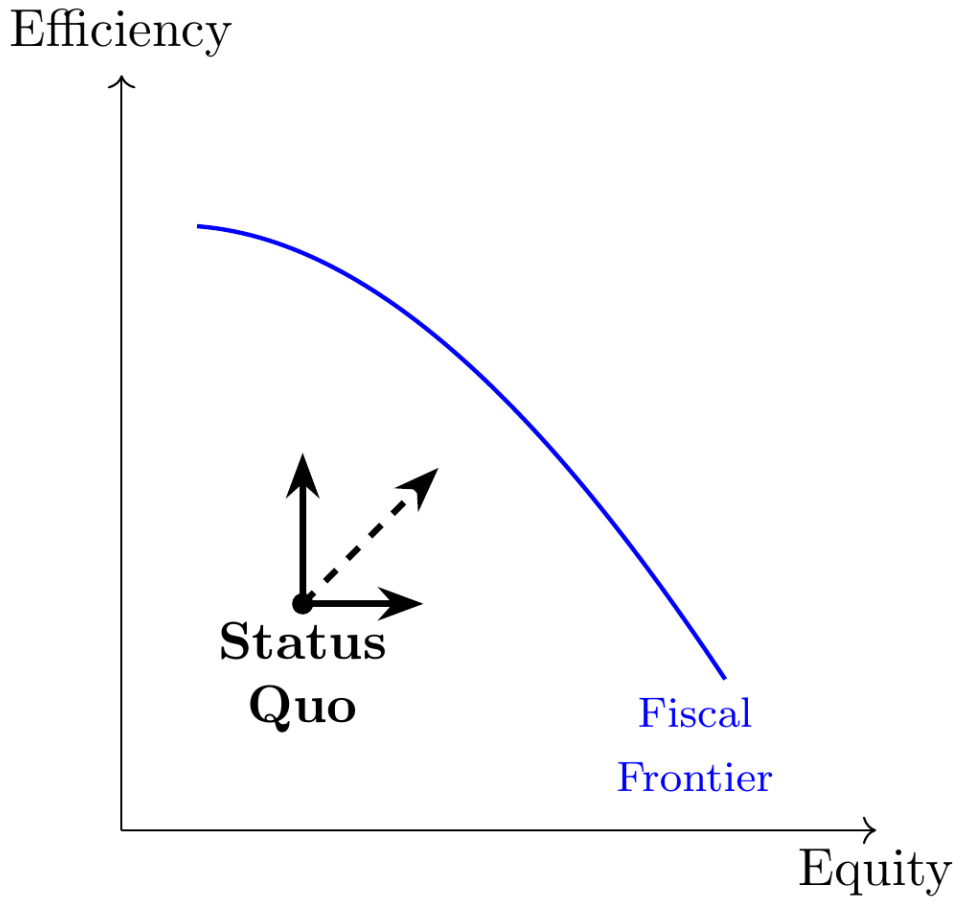
Status quo: Most EMDEs sit below the frontier

- Room to ↑ **both** efficiency & equity



Notes: *Refer to Figure 1.2 in the report.*

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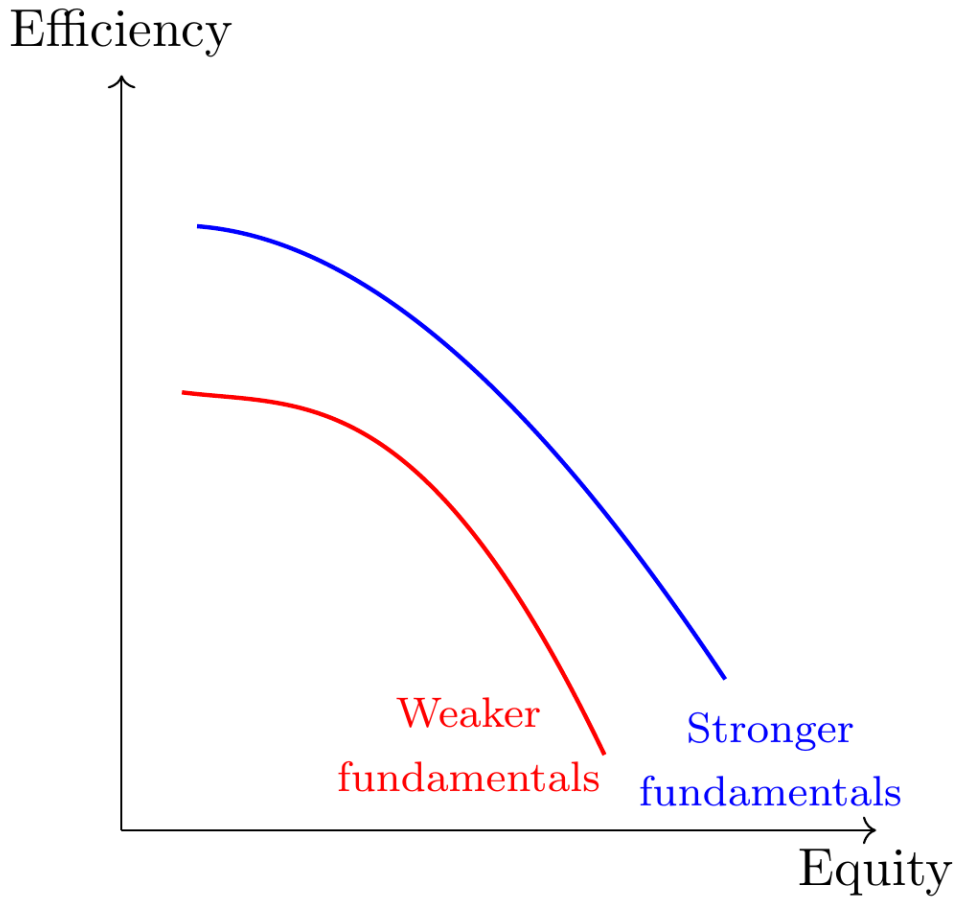
We operationalize this framework in **two steps:**

1. Group countries by **structural fundamentals**: weak vs. strong



Notes: *Refer to Figure 1.4 in the report.*

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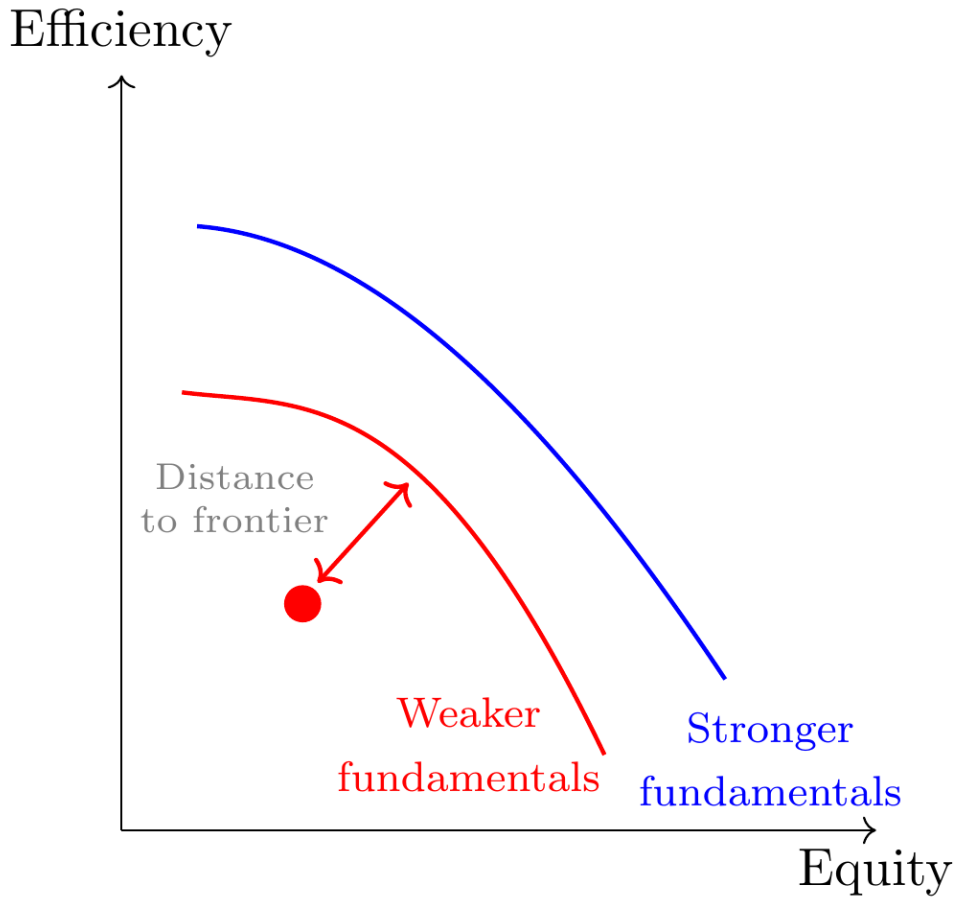
Status quo: Most EMDEs sit below the frontier

- Room to ↑ **both** efficiency & equity

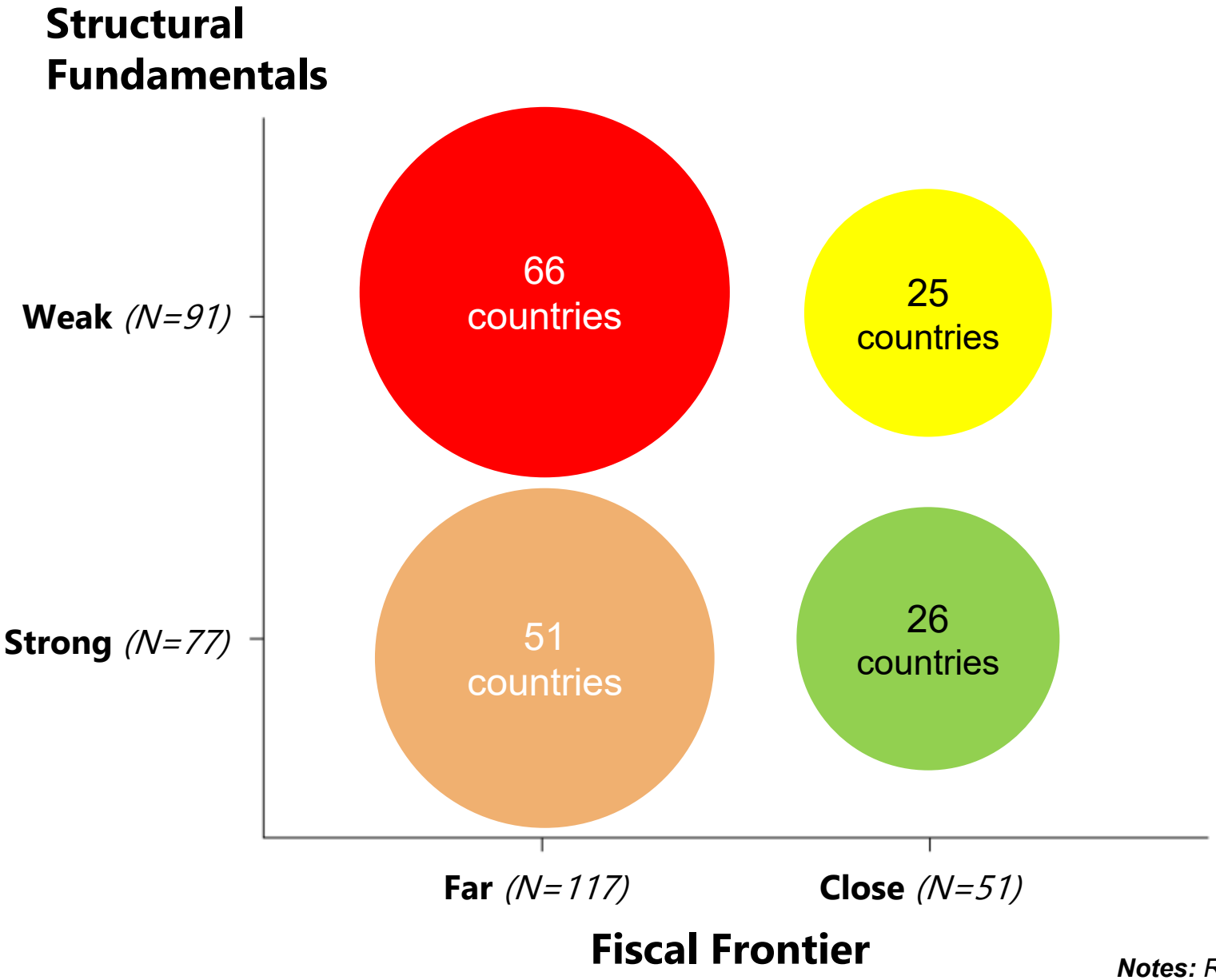
We operationalize this framework in **two steps:**

1. Group countries by **structural fundamentals**: weak vs. strong
2. Measure each country's **distance to its frontier**: far vs. close



Notes: *Refer to Figure 1.4 in the report.*

Most countries are far from the fiscal frontier



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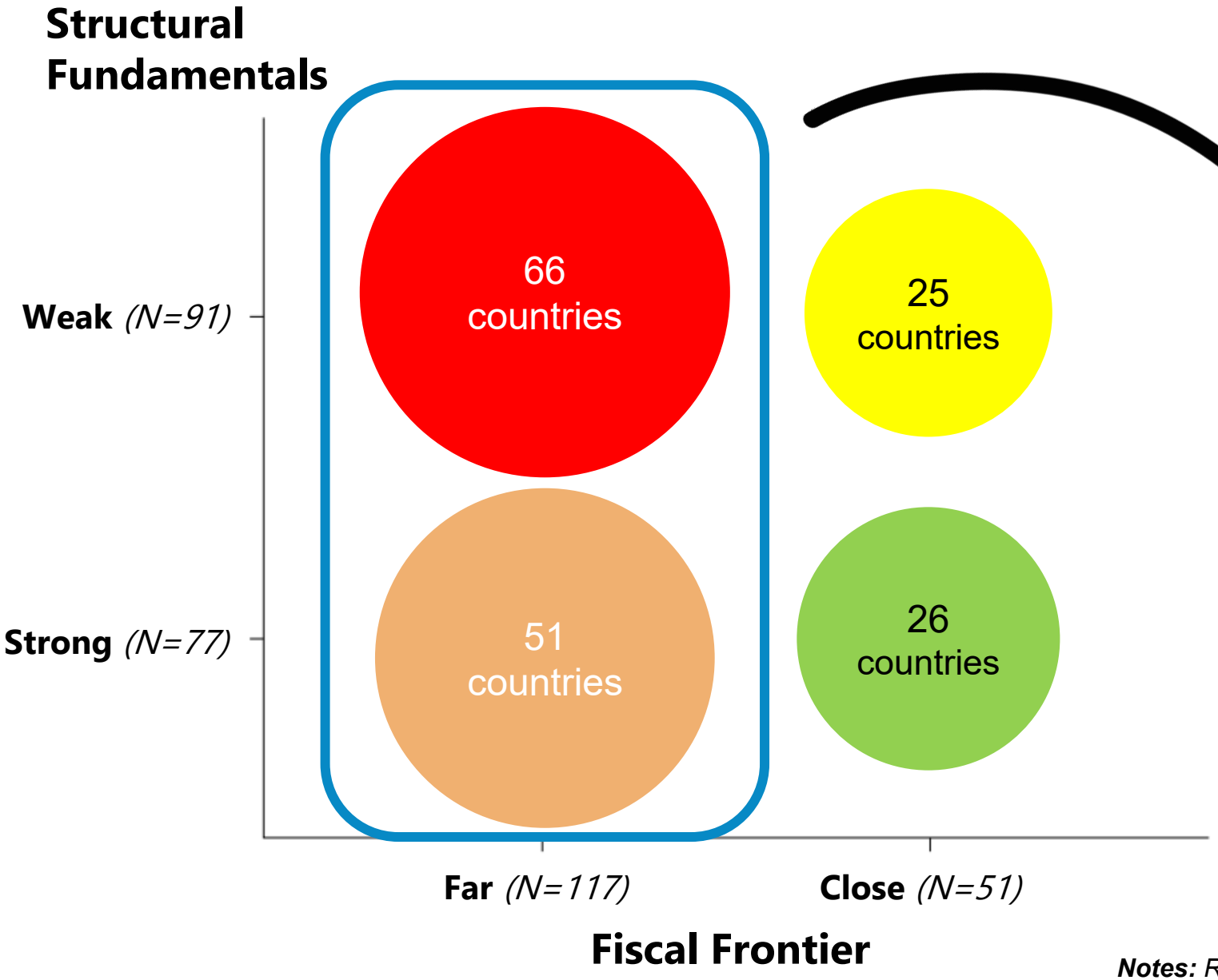


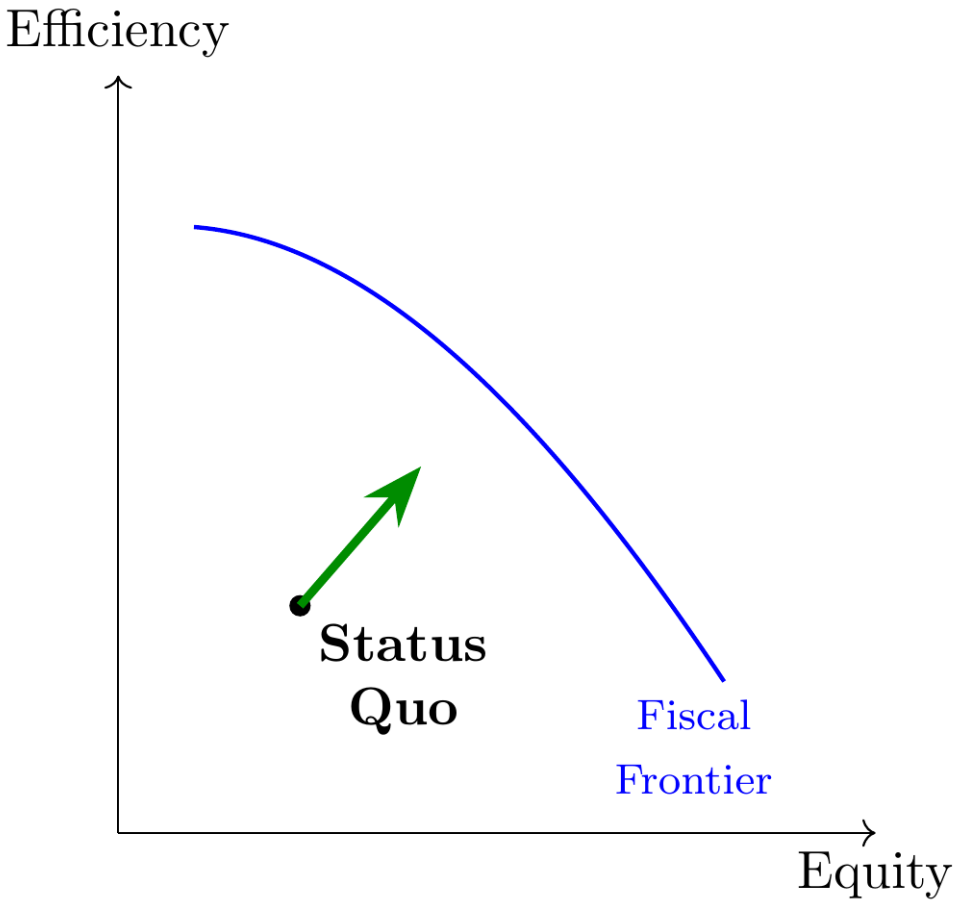
≈ **70%** of countries are far from the frontier

Notes: *Refer to Figure O.4 in the report.*

Country case study: Getting closer to the fiscal frontier

Brazil's consumption tax reform

- An ongoing reform replaces 5 fragmented consumption taxes with an integrated VAT
- **Efficiency:** Decreases compliance costs and production distortions
- **Equity:** Provides targeted rebates for poorer households

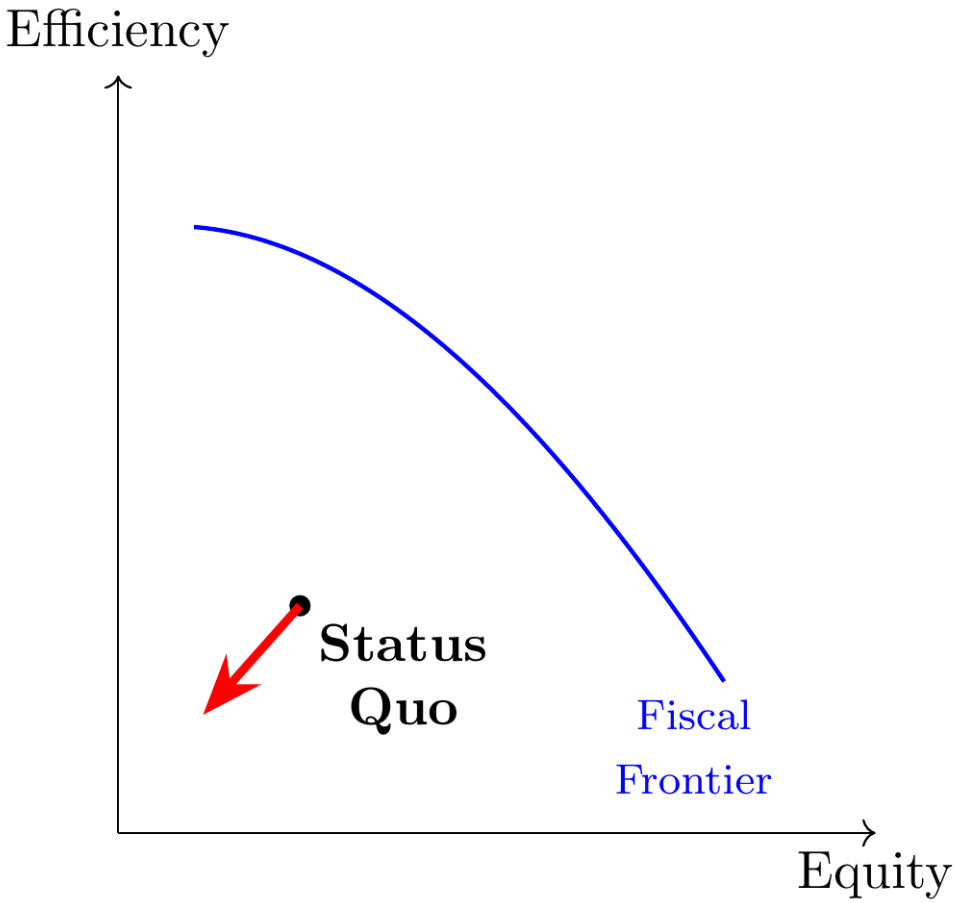


Notes: *Refer to Box 1.1 in the report.*

Country case study: Moving farther from the fiscal frontier

Mobile money taxes in Africa

- 14+ countries introduced taxes on mobile money transactions in recent years
- **(in)Efficiency:** Discouraged digital payments, pushing users back to cash
- **(in)Equity:** Fell hardest on poorer, unbanked users



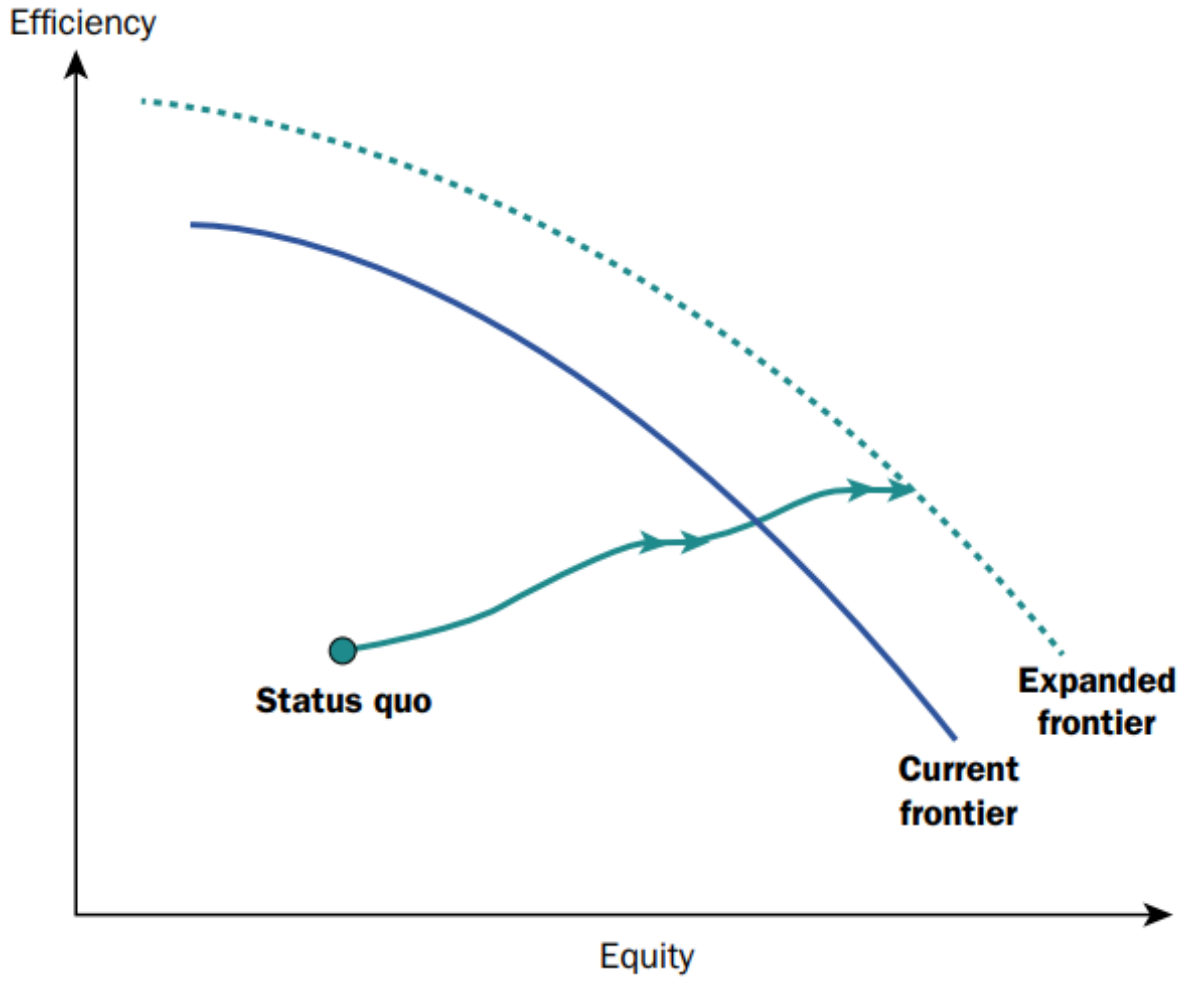
Notes: *Refer to Box 3.3 in the report.*

MESSAGE 3

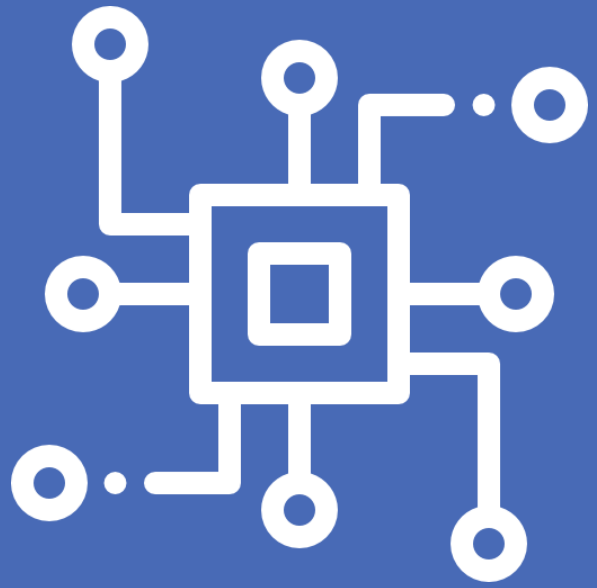
The 3Ts—Technology, Transparency, and Trust—pave a new path to the frontier.

The 3*T*s: accelerating progress and expanding possibilities

- **Technology:** tools to better understand the tax base and target collection efforts
- **Transparency:** international cooperation and new data make cross-border assets, profits, and ownership structures visible
- **Trust:** ways to promote citizen compliance by building trust in how taxes are designed, collected, and spent



Notes: *Refer to Figure O.5 in the report.*



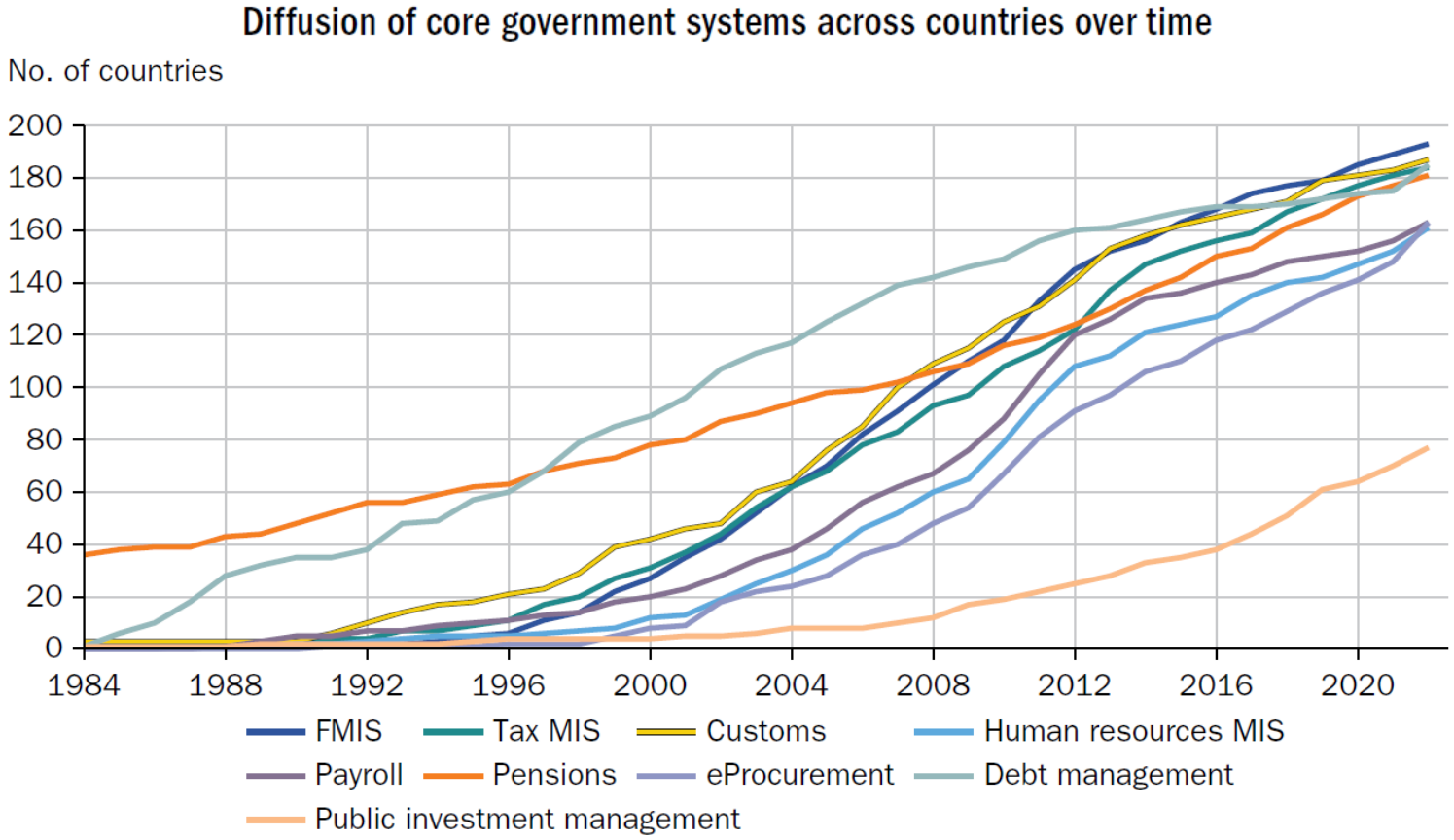
Technology

CHAPTER 3

Oyebola Okunogbe · Fabrizio Santoro

Technology tools are rapidly changing tax administration

- Almost all countries use digital tax systems, alongside other Govtech
- Extent of use correlated with income level

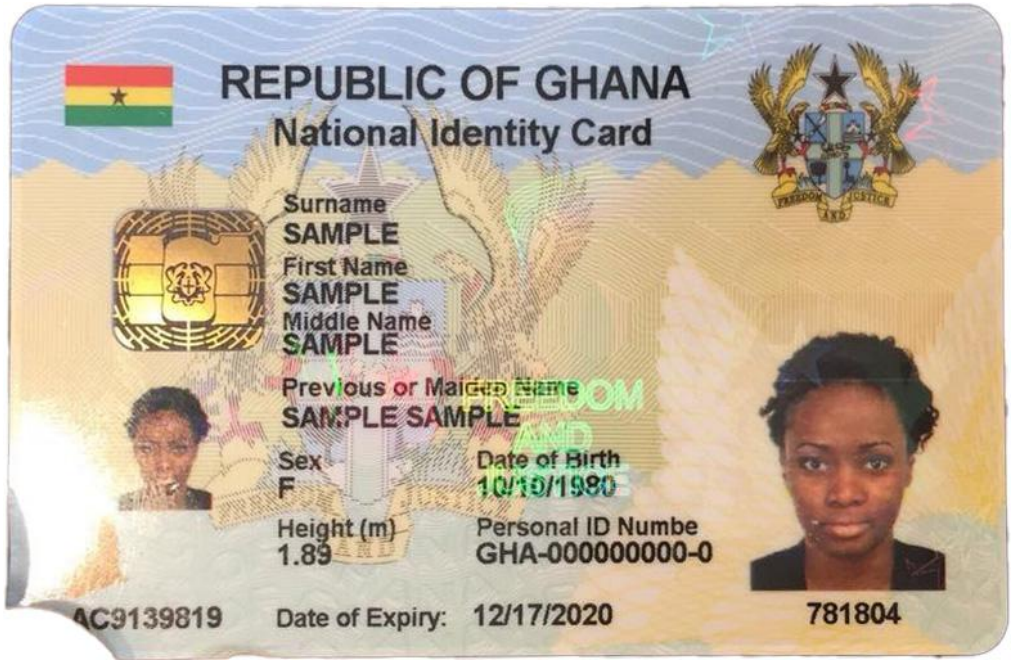


Notes: *Refer to Figure 3.1 in the report. Based on data from the World Bank Group GovTech Dataset.*

Technology tools are rapidly changing tax administration

- Technology provides tools for improving the 3 core functions of tax administration:
  - Identification
  - Verification
  - Collection

Identification tools



Examples

- Biometric IDs
- Digital taxpayer registration
- Geocoded property databases
- Digital business registries

Efficiency

- Identify unregistered by linking data sources

Equity

- Expands the tax base → horizontal and vertical equity
- Allows for more income taxation (vs. consumption)

Verification tools

Electronic invoicing

Examples

- Electronic fiscal devices
- Electronic invoicing
- Cashless payments
- Third party information/ cross-matching databases
- Data analytics
- Risk-based audits

Efficiency

- Reduce scope for evasion
- More targeted audits

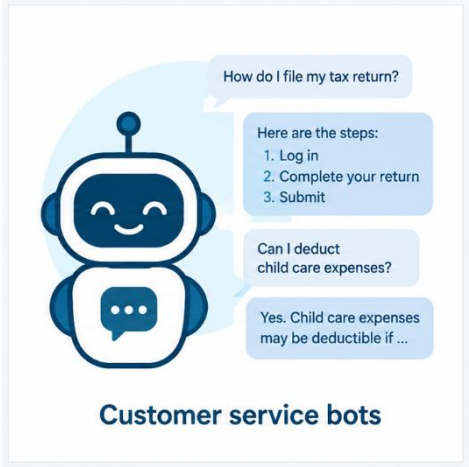
Equity

- Better tax higher income earners with multiple income sources

Collection tools

Pre-filled tax returns

E-filing



Customer service bots

Examples

- Integrated tax administration systems
- E-filing, e-payment
- Pre-filling tax returns
- Withholding
- Customer service bots

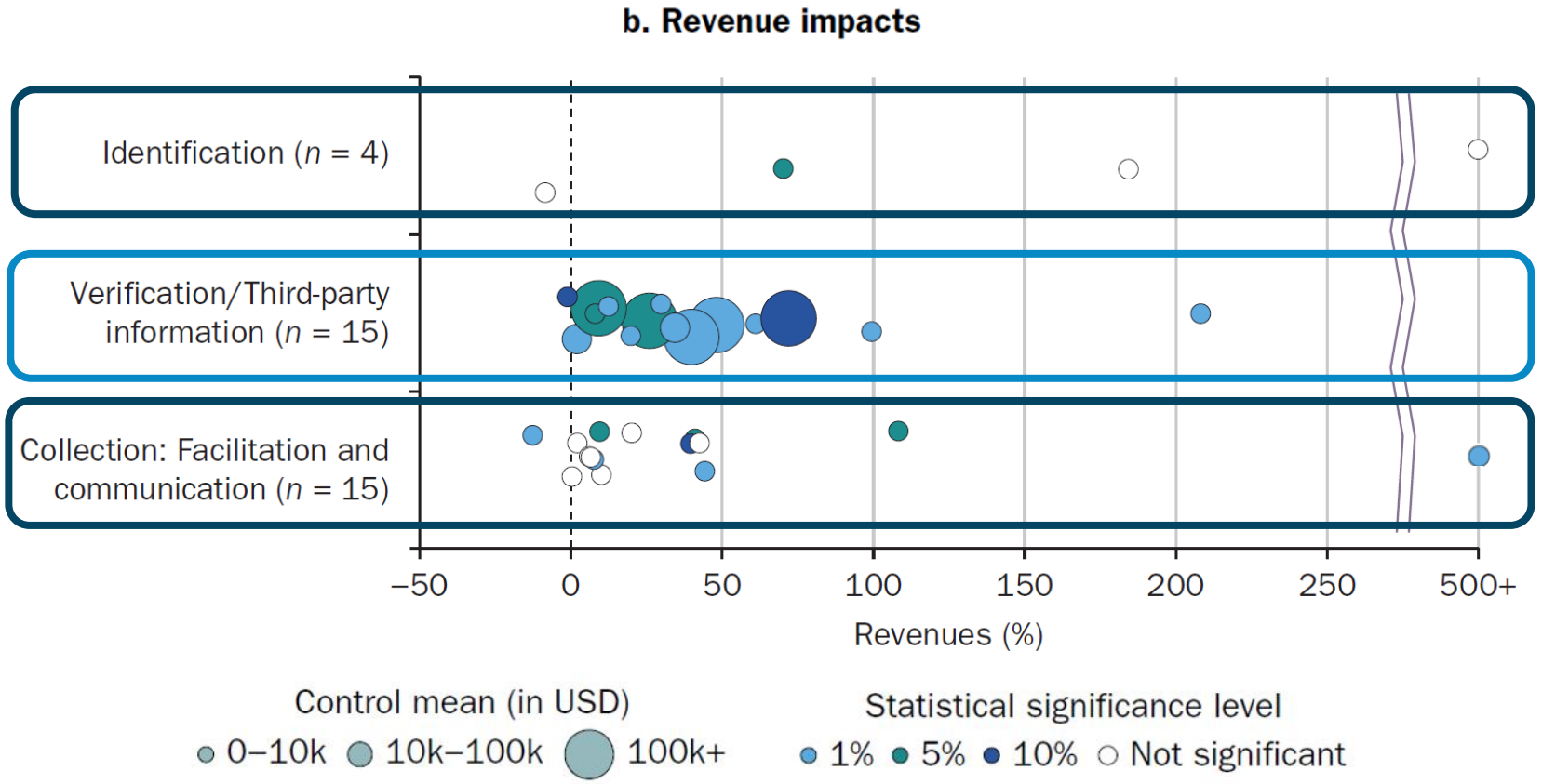
Efficiency

- Reduce compliance costs
- Release tax officials to higher-value tasks

Equity

- More uniform treatment of taxpayers

How do technology interventions affect revenue?



Limited evidence

Largest revenue gains

Promising revenue impacts

Notes: *Refer to Figure 3.6 in the report. For a complete list of the studies considered, refer to report's Chapter 3 Annex.*

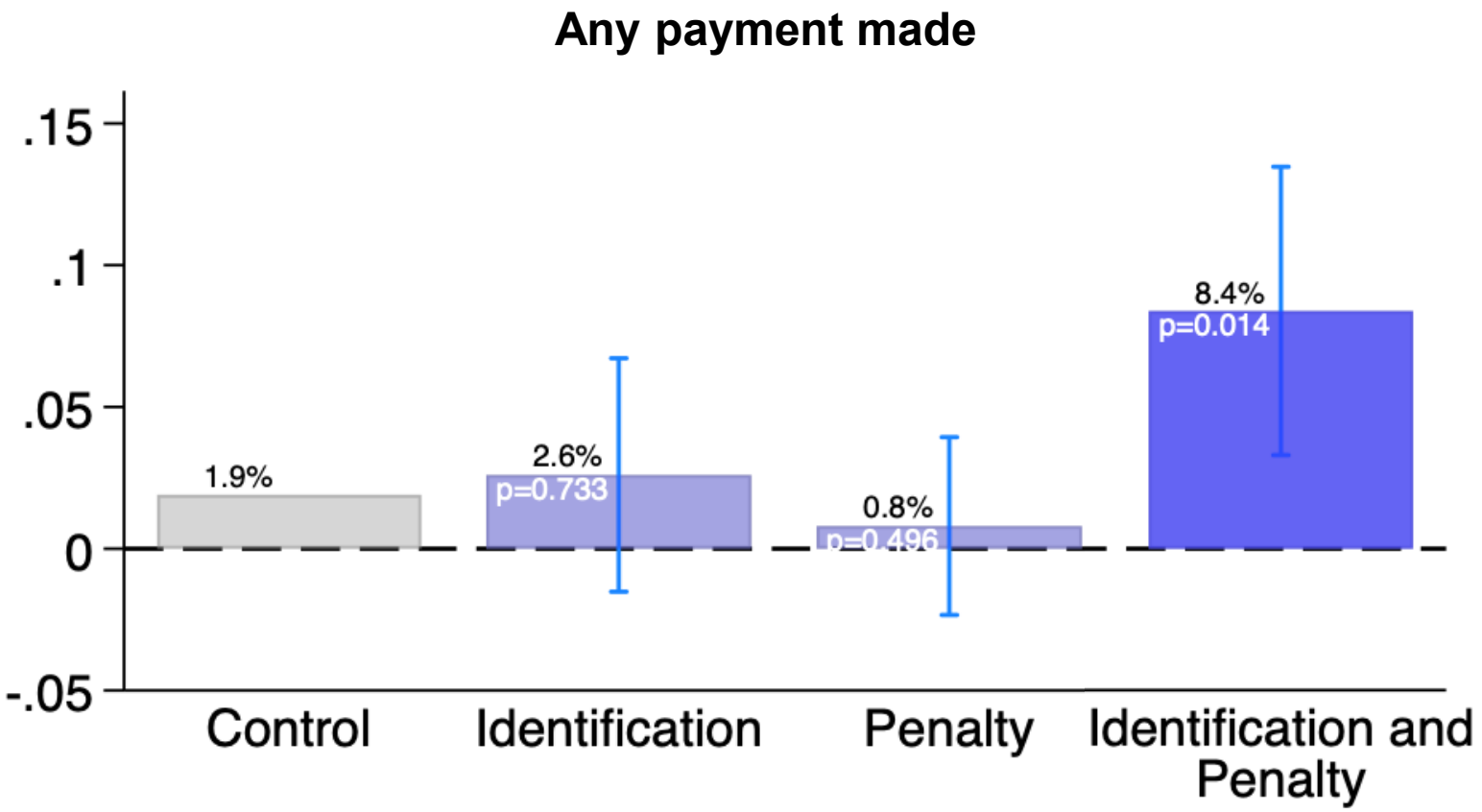
Wide range of results (including null results) from similar interventions

Becoming Legible to the State: The Necessary but Not Sufficient Role of Identification in Taxation

Oyebola Okunogbe

American Economic Review (forthcoming)

Identification and penalty notice leads to a four-fold increase in likelihood of tax payment



Technology complements, and does not replace, traditional enforcement

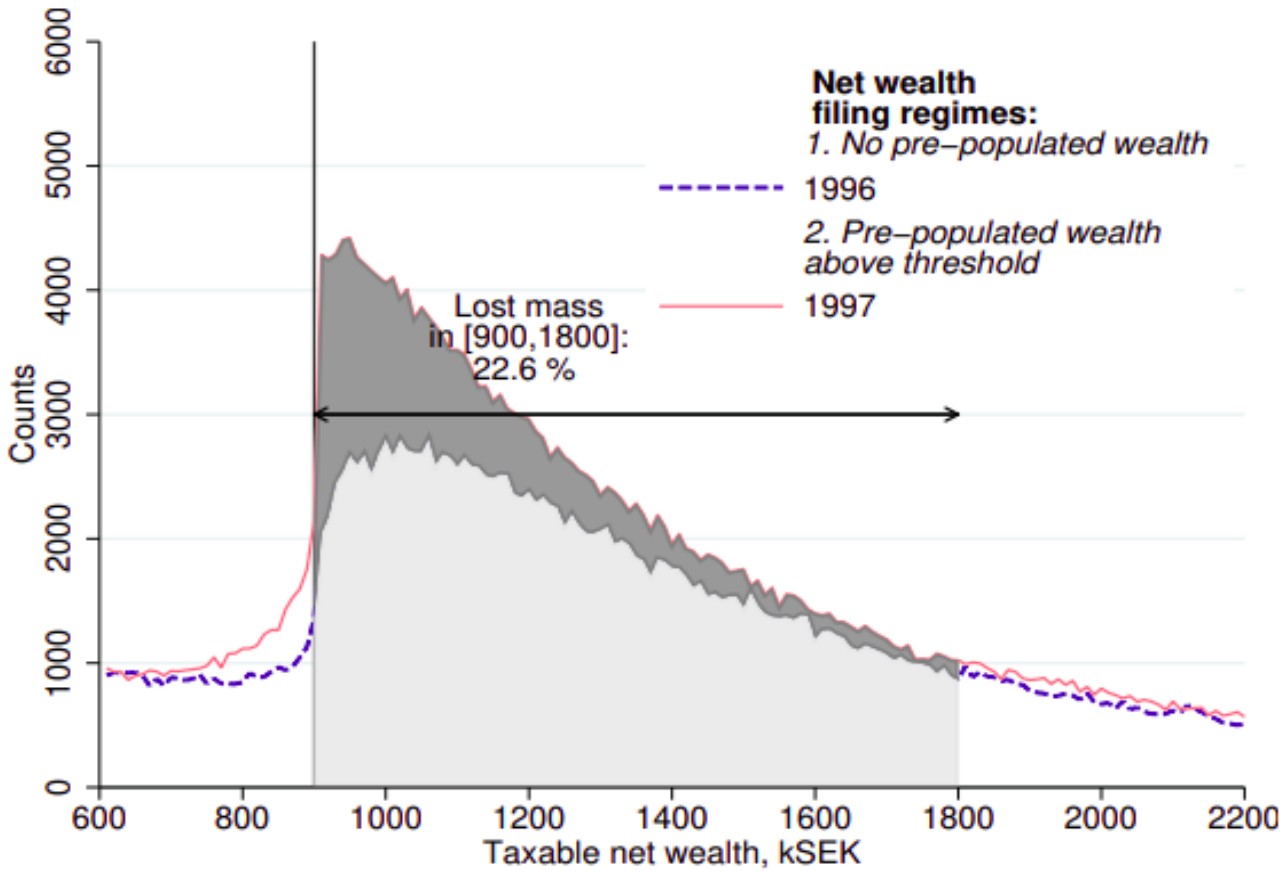
Notes: *Refer to Okunogbe, American Economic Review (forthcoming).*

Wealth Tax Enforcement in Sweden: Filing Requirements and Pre-Populated Returns

Emmanuel Saez and David G. Seim

Journal of Public Economics (2025)

Pre-populating wealth tax returns increases the number of wealth taxpayers by 20 percent



Frontier technologies have an impact even in high-capacity settings

Notes: *Refer to Figure 2, panel b from Saez & Seim, Journal of Public Economics (2025).*

Key lessons to maximize the impact of technology

- Technology is not a substitute for strategy, *it's a component*
- Technology is not a substitute for enforcement, *it's an input*
- Technology is not a substitute for skilled tax officials, *it's a complement*
- Technology presents new risks; *requires legal and regulatory frameworks*
  - Data governance, privacy safeguards, human oversight of automated systems

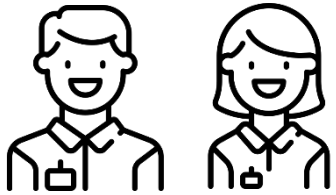
Transparency

CHAPTER 4

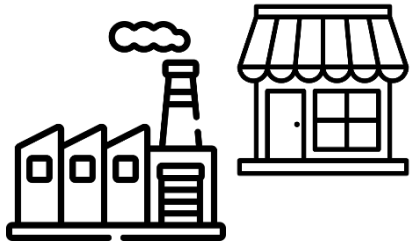
Pierre Bachas · Yi Jie Gwee · Dario Tortarolo

Tax authorities traditionally observed activity within their borders

Multinational Enterprise
Local Subsidiary



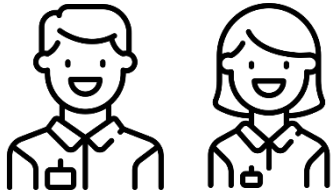
Residents



Local Firms

Domestic

Globalization moved activity beyond tax authorities' reach



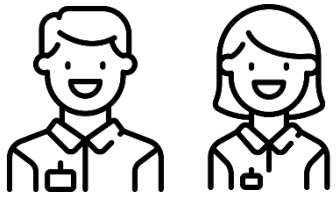
Foreigners

Multinational Enterprise

Foreign bank

International

Multinational Enterprise
Local Subsidiary



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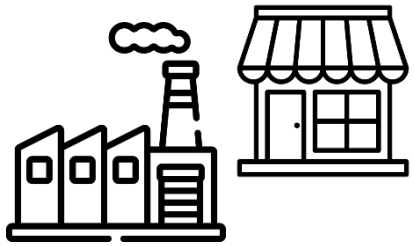
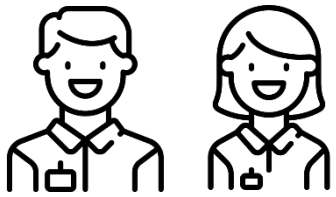


Local Firms

Domestic

Offshore accounts concealed residents' income and wealth



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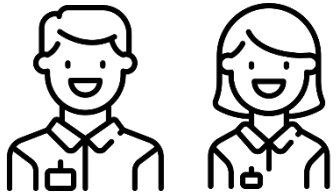

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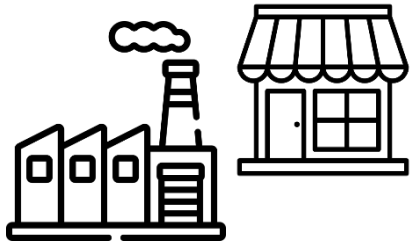
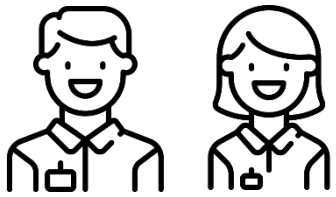


Local Firms

Domestic

Cross-border sales and profit shifting complicate taxation



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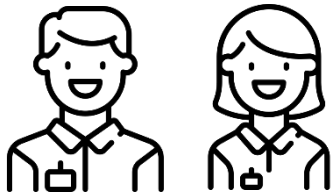

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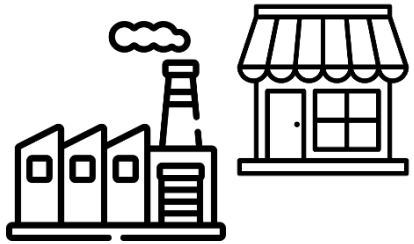
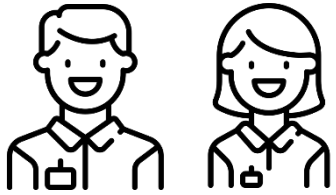


Local Firms

Domestic

Complex ownership structures obscure who controls assets



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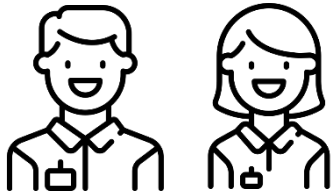
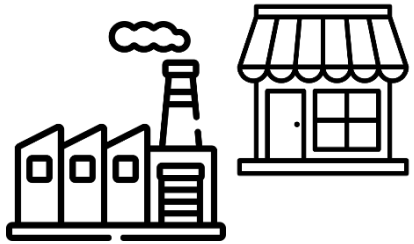


Residents



Local Firms

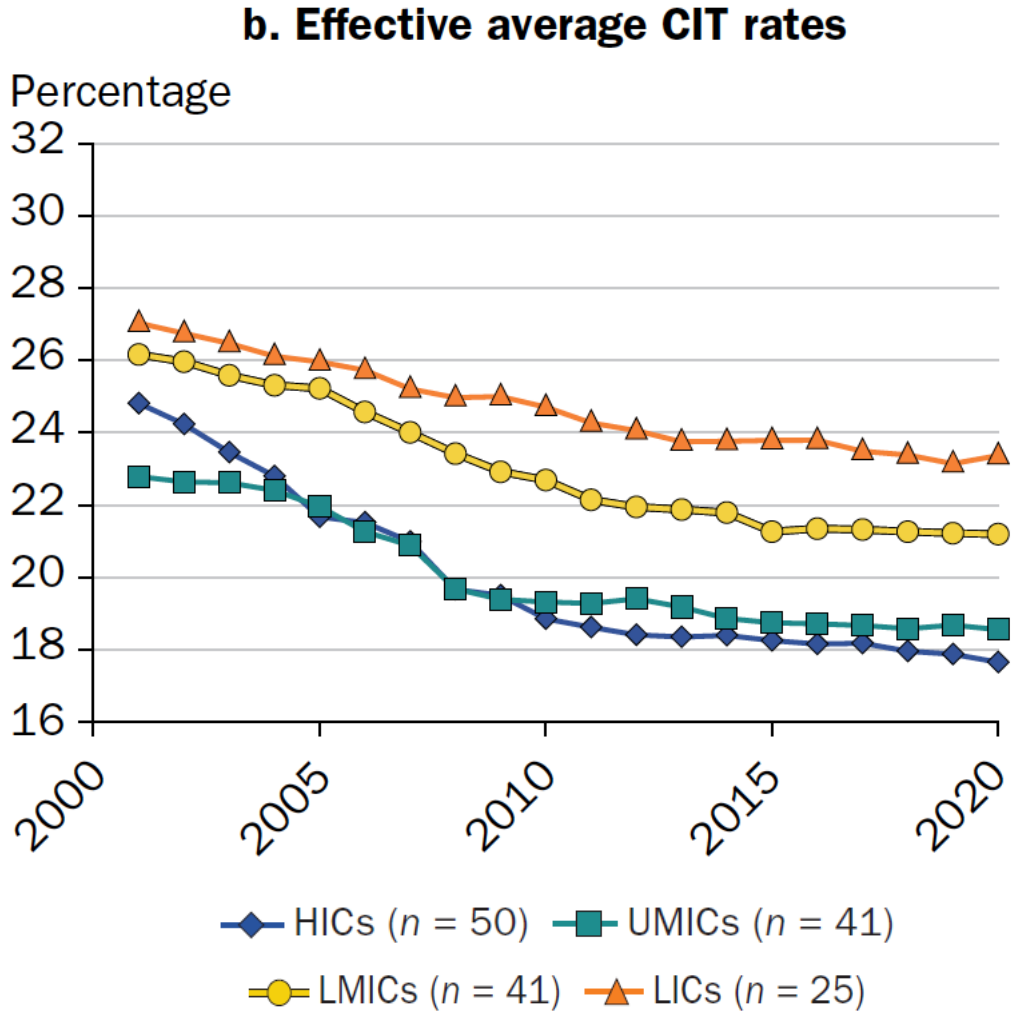
Domestic

The scale of the transparency gap

12% of world GDP	**Offshore financial wealth:** An estimated $12 trillion in household financial wealth was held offshore in 2022. Roughly 90% went unreported in the 2010s.
37% of MNE profits	**Corporate profit shifting:** An estimated $1 trillion in MNE profits was shifted to low-tax countries in 2019, costing governments 10% of global CIT revenue.
? Ownership	**Hidden economic control:** Complex ownership structures and undistributed corporate profits obscure individuals' true incomes, wealth, and tax burdens.

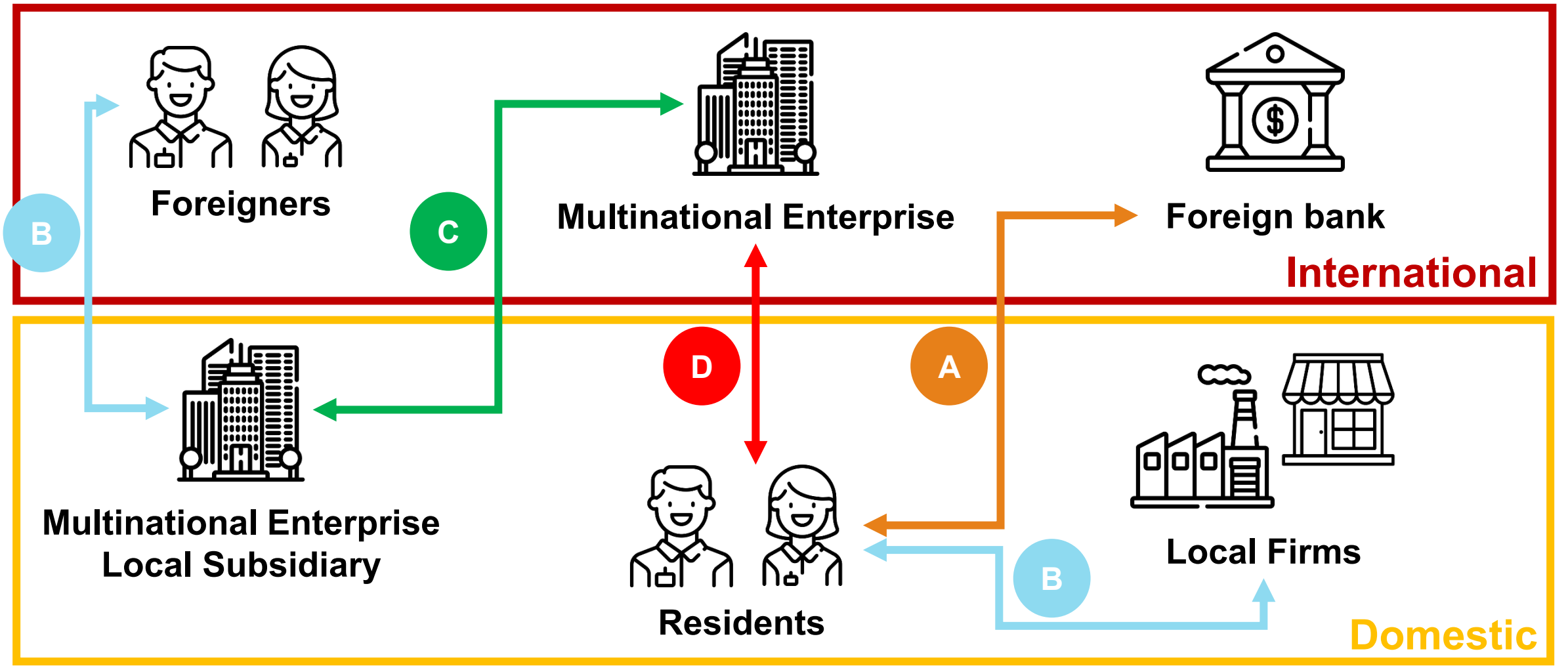
Why focus on multinationals & high net worth individuals?

- **Large stakes:** outsized economic footprint amid rising income concentration
- **Growing pressure:** tax bases are becoming more mobile, while effective tax rates are falling
- **Systemwide trust:** their contribution shapes the legitimacy of the entire tax system
- **Development at risk:** income taxes have historically expanded with development. Erosion of their bases could stall that trajectory and limit progressive revenue raising



Notes: *Refer to Figure 4.2, panel b in the report. Based on the Research School of International Taxation's International Tax Institutions database.*

New transparency initiatives are closing these information gaps



A Automatic Exchange of Information

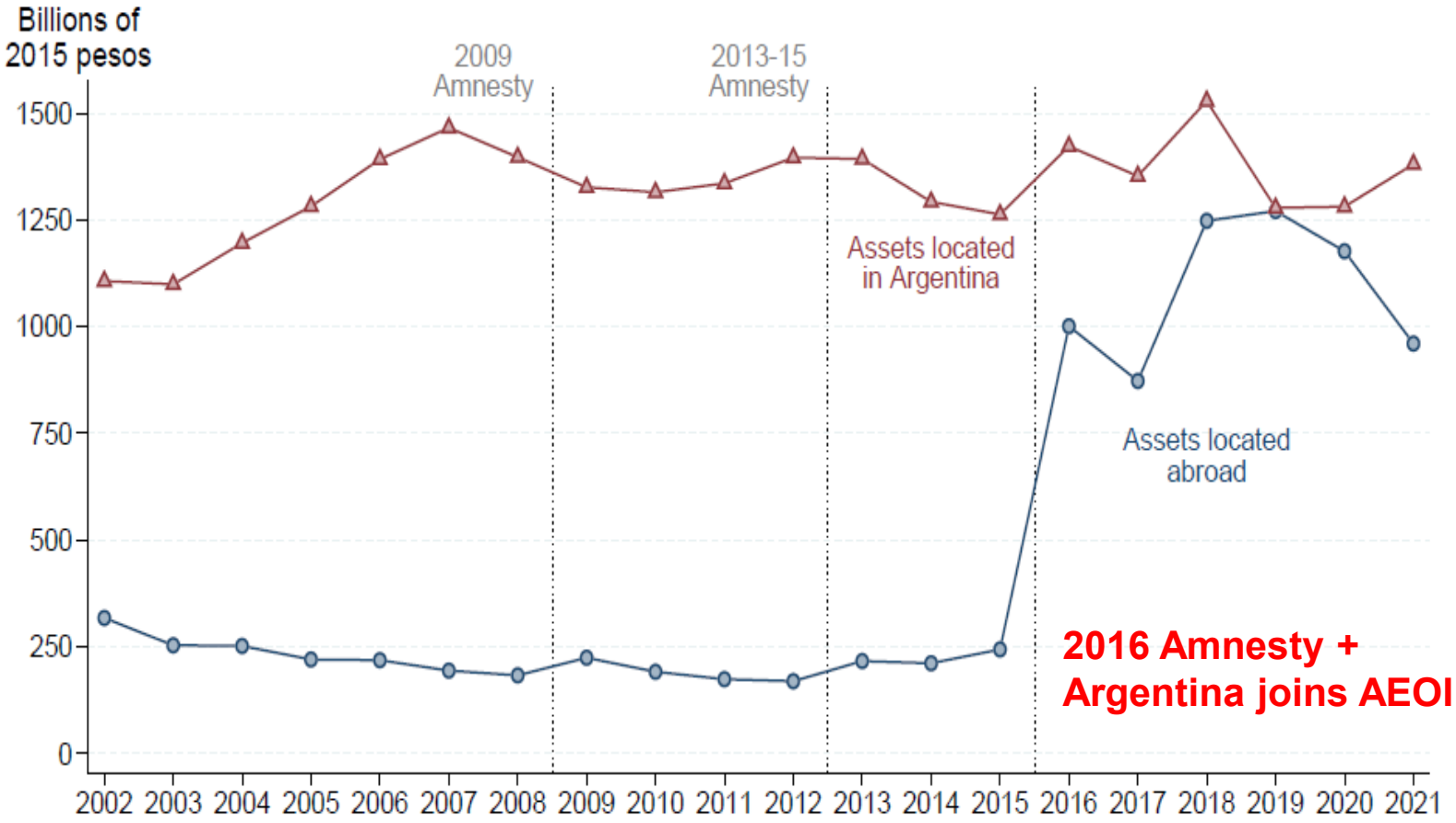
B Beneficial Ownership Registry

C Country-by-Country Reporting

D Digital Services withholding

Argentina, like many countries, has a history of tax amnesties

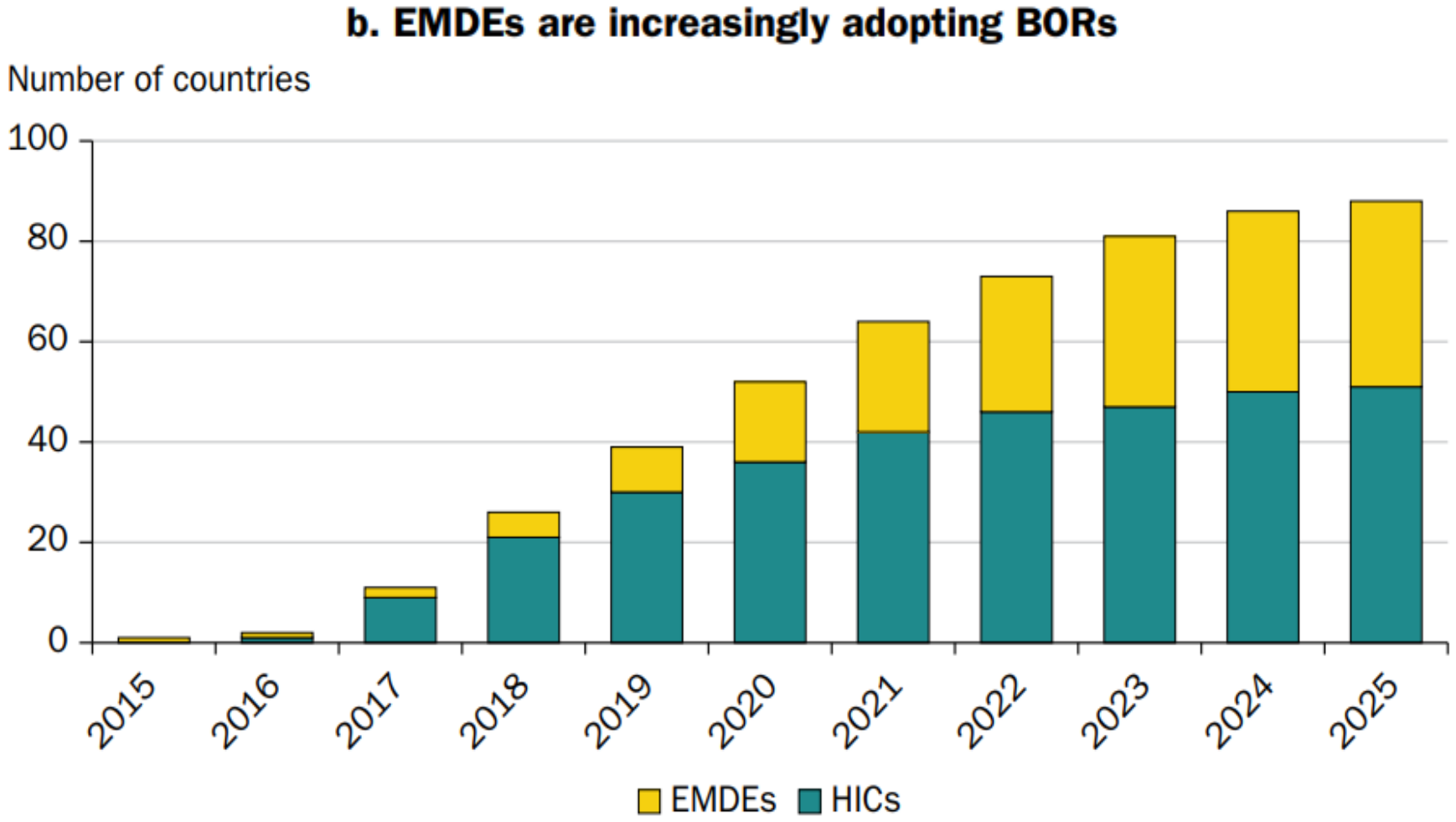
Disclosures soared as Argentina offered an amnesty and joined the Automatic Exchange of Information (AEoI)



- **Revealed hidden assets worth 21% of GDP**
- Persistent rise to the capital income tax base
- In Colombia and South Africa, amnesties had modest effects, but once AEOI data was used for enforcement it brought large gains *(Bachas et al. 2026; Larsen et al. 2026).*

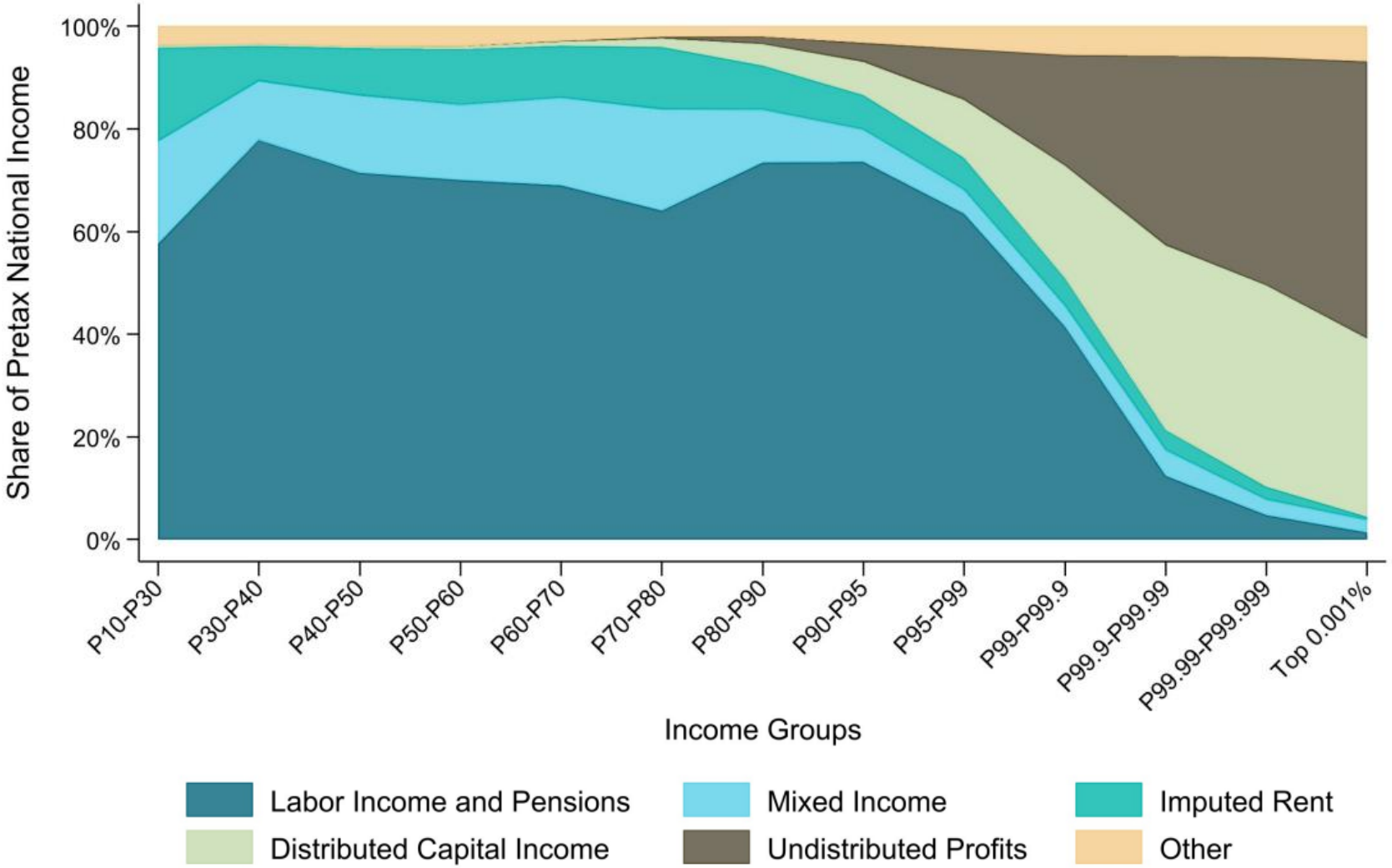
Notes: *Refer to Figure 2, panel b from Londoño-Vélez & Tortarolo, Journal of Public Economics (2025).*

Beneficial ownership registries have rapidly expanded, covering ≈65% of the world's population



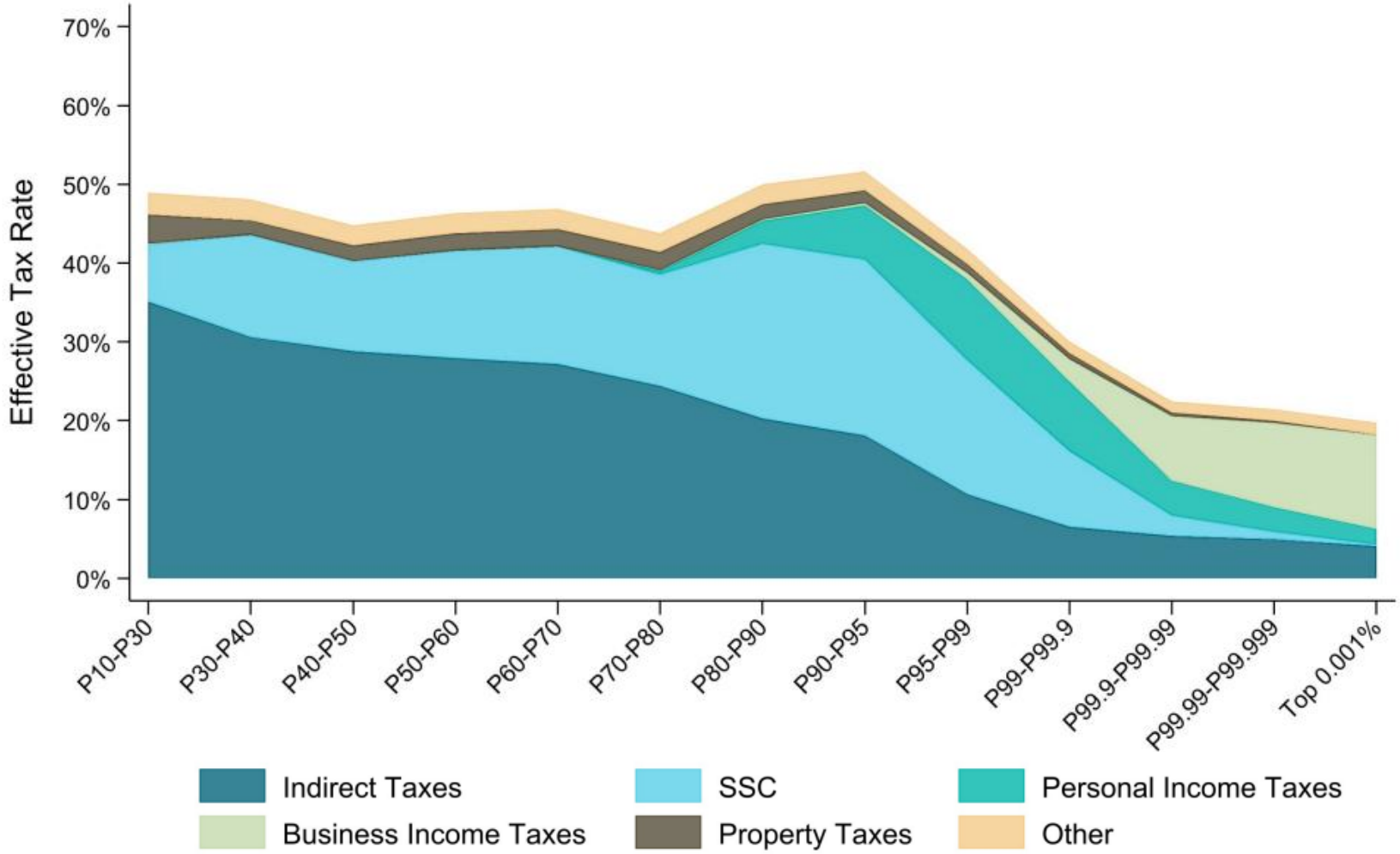
Notes: *Refer to Figure 4.8, panel b in the report. Based on beneficial ownership information from the Open Ownership dataset and World Bank Group official boundaries and population data.*

Linking realized income and retained firm profits through beneficial ownership to measure income comprehensively



Notes: *Refer to Figure 8 from Palomo, Bhering, Scot, et al. (2025). The figure draws on tax records, household surveys, and national accounts, allocating all income sources and taxes recorded in national accounts to individuals.*

Linking realized income and retained firm profits through beneficial ownership to measure the total tax burden across all taxes



Notes: *Refer to Figure 10 from Palomo, Bhering, Scot, et al. (2025). The figure draws on tax records, household surveys, and national accounts. This figure shows effective tax rates (ETRs) on pretax national income by income group. To measure ETRs for Brazilian residents, we exclude taxes paid by nonresidents in Brazil and include taxes paid abroad by Brazilian residents.*

Country-by-Country Reporting and Digital Sector Taxation

- **CbCR:** Large multinationals (MNEs) report annually, by jurisdiction, where they book profits, pay taxes, employ workers, and hold tangible assets
  - Comparing profits with sales, workers, and assets helps flag **"paper profits"**

- **Enables coordinated action**, including OECD/G20 **Two-Pillar Solution:**

Pillar I

Would give countries where customers are located taxing rights over some profits of the most profitable MNEs—even without a local presence.

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Pillar II

Global minimum tax of 15% in each country of operation for large MNEs

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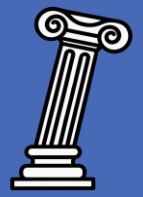
Pillar II



Global minimum tax of 15% in each country of operation for large MNEs

Enacted by 60 countries since 2024

How effective are the ABCD transparency innovations?

A Automatic Exchange of Information

Strong evidence: reduces offshore tax evasion when tax authorities are credible and act on it

B Beneficial Ownership Registry

Emerging evidence: improves ownership transparency, but limits to data quality and access constrain their impact on tax compliance.

C Country-by-Country Reporting

\+

D Digital services Taxes/withholding

Limited evidence: increases visibility into MNE activity, but their effectiveness in curbing profit shifting remains unproven.

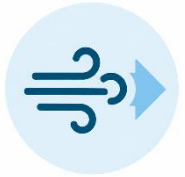
Rethinking the limits of income taxation

Old view

The mobility of tax bases was seen as making taxation at the top difficult, pushing countries toward a race to the bottom

Emerging view

Many past responses reflected ease of avoidance and poor design. Transparency tools make top incomes easier to observe



Opportunities for income tax design

- Strengthen effective progressivity at the top
- Narrow gaps between labor and capital taxation
- Protect a broad corporate tax base, reducing disparities across firms.

Headwinds

- Weakening international coordination could revive race to bottom
- Real estate, crypto assets, and residency schemes offer ways to evade scrutiny

Trust

CHAPTER 5

Christopher Hoy · Oyebola Okunogbe · Mahvish Shaukat

When tax reform meets politics...

VOA

MIDDLE EAST

Jordan's Incoming PM to Pull Controversial Tax Bi

By VOA News

June 07, 2018 9:57 AM

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ASEAN BEAT

Why the GST Became Ma Number One

The death knell of the Goods and Services Tax was based on political, not economic, calculations.

By **Li Xirui**
October 16, 2018

NBC NEWS POLITICS U.S. NEWS WORLD LOCAL SPORTS BUSINESS HEALTH TIPLINE SHOPPING

Kenya's president withdraws tax bill after protesters storm Parliament

"I concede," Kenyan President William Ruto said after a month of protests against a bill that would have raised the cost of living for a financially strained and frustrated population.

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The Dominican president announces the withdrawal of the controversial tax reform bill.

Luis Abinader withdraws the tax reform project due to a lack of consensus, seeking alternatives that meet the development and growth needs of the Dominican Republic.

By **Newsroom Infobae**

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NEWS

Senate passes two tax reform bills, removes contentious clauses, retains 7.5% VAT

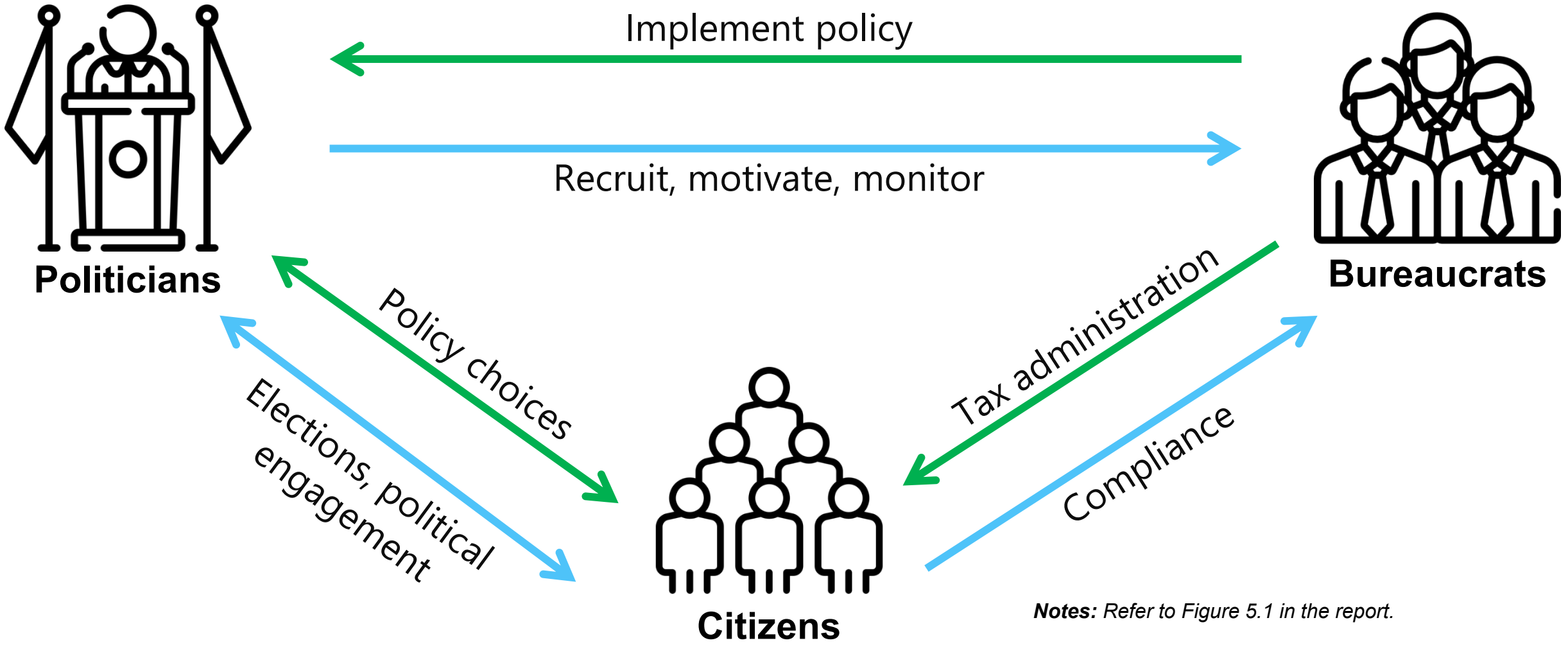
The Senate has passed two of the four Tax Reform Bills transmitted by President Bola Tinubu in October 2024, aimed

BusinessDay · May 7, 2025 · 5 min read ·

Taxation depends on trust

"...the belief that government will pursue the common good rather than private interests."

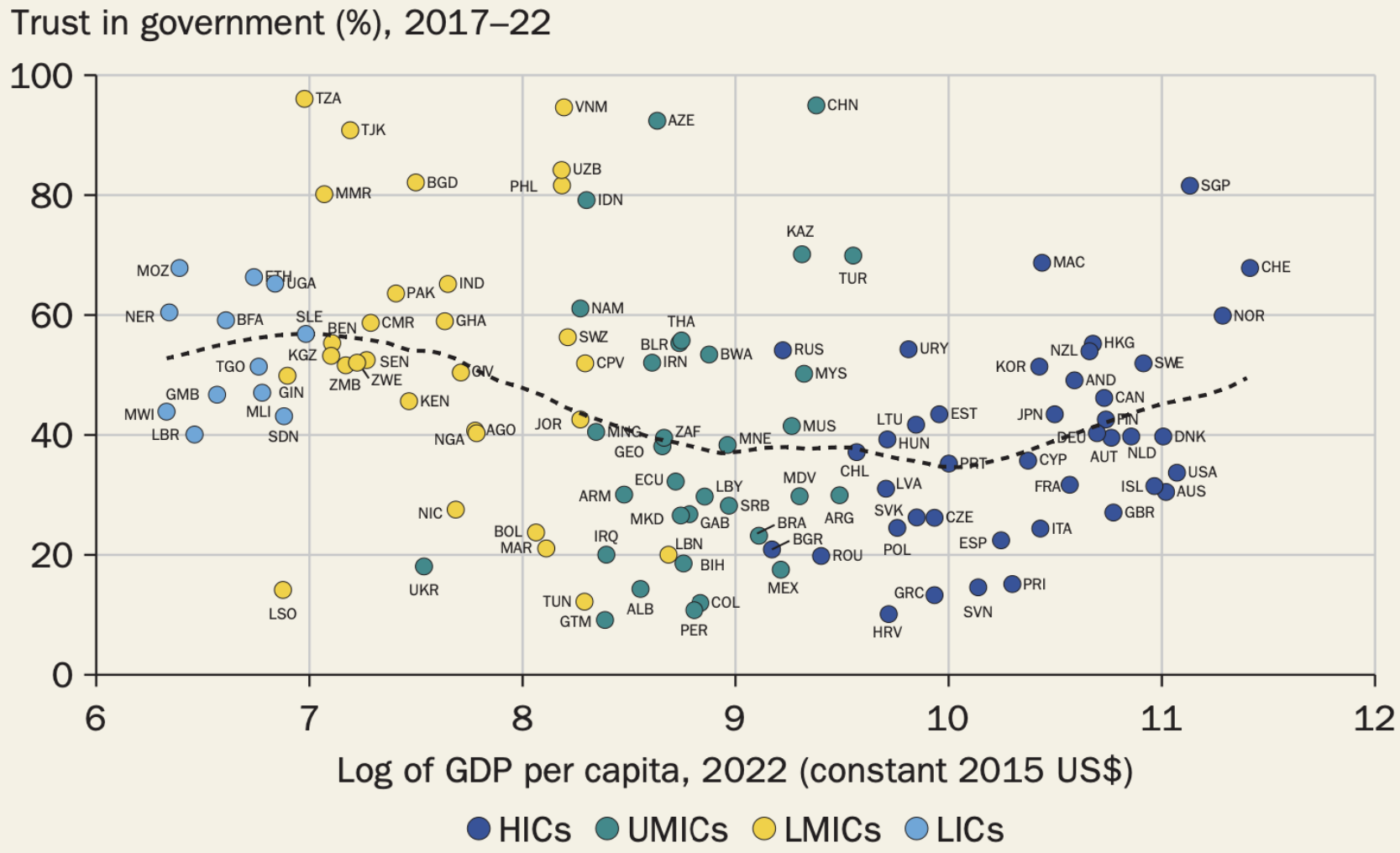
(Besley & Dray, 2024)



Notes: *Refer to Figure 5.1 in the report.*

A quick detour:
What builds trust? Wealth ≠ Trust

Figure B5.1.1 **Trust in government, by income group**



Notes: *Refer to Figure B5.1.1 in the report. Based on data from the Integrated Values Survey, the Afrobarometer, and the World Development Indicators.*

Good performance builds trust

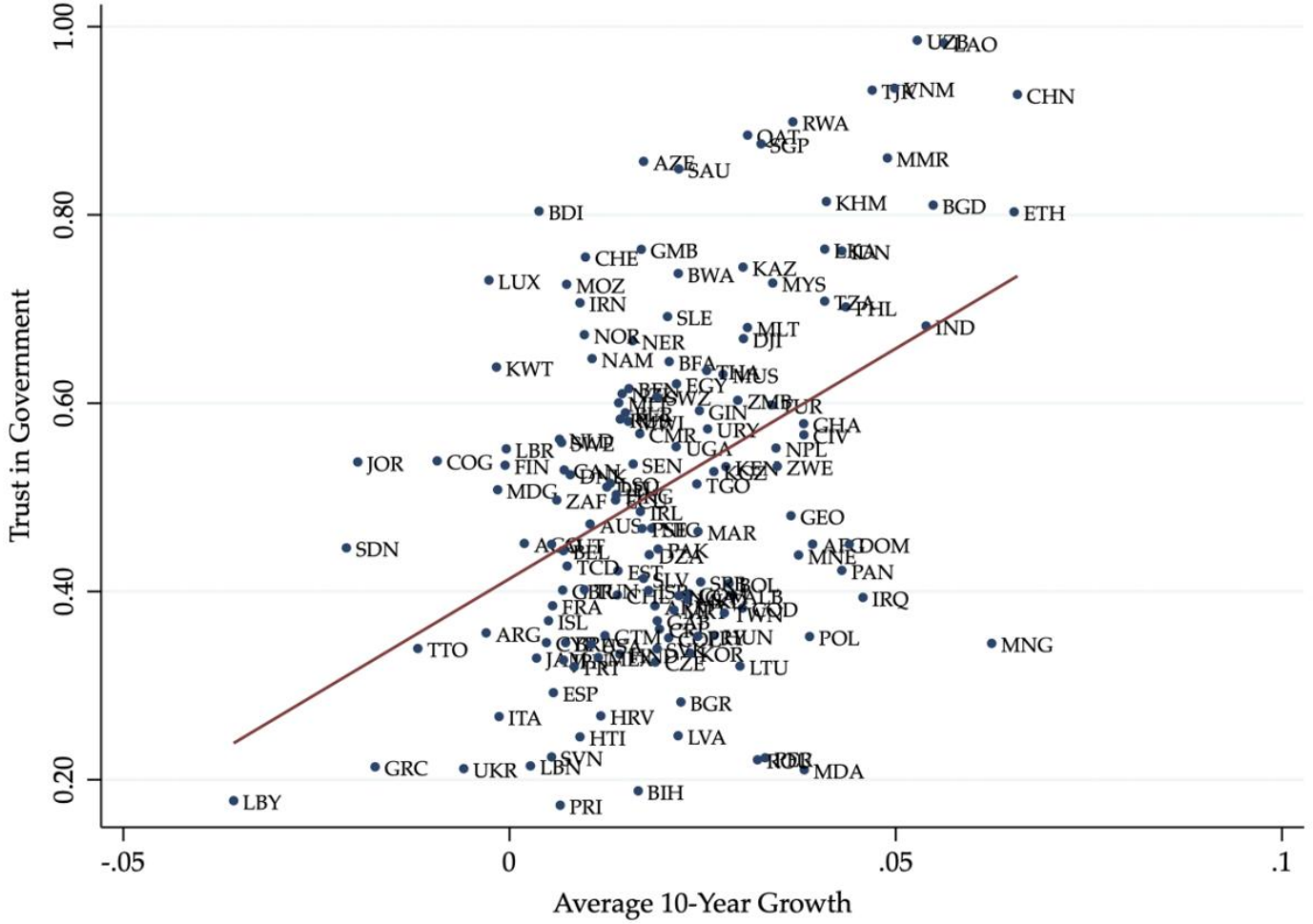
Citizens who **experience higher GDP growth over their lifetimes** report **greater trust** in the state *(Besley et al., 2026)*

Applied to taxation:

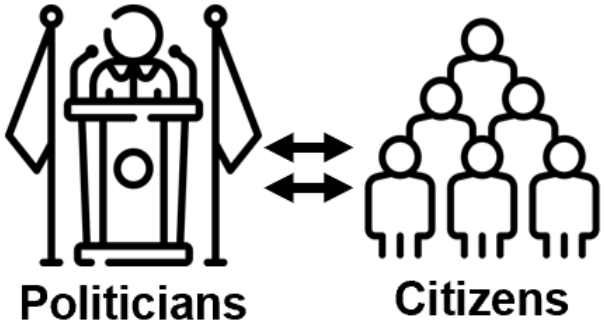
Trust is built when citizens see taxes as fair, collection as effective, and revenue translated into public goods.

FIGURE IV

Trust in Government and Economic Growth



Notes: *Refer to Figure IV from Besley et al., Quarterly Journal of Economics (2026).*



Tax policy needs to reflect preferences
What do citizens want? Fair tax systems

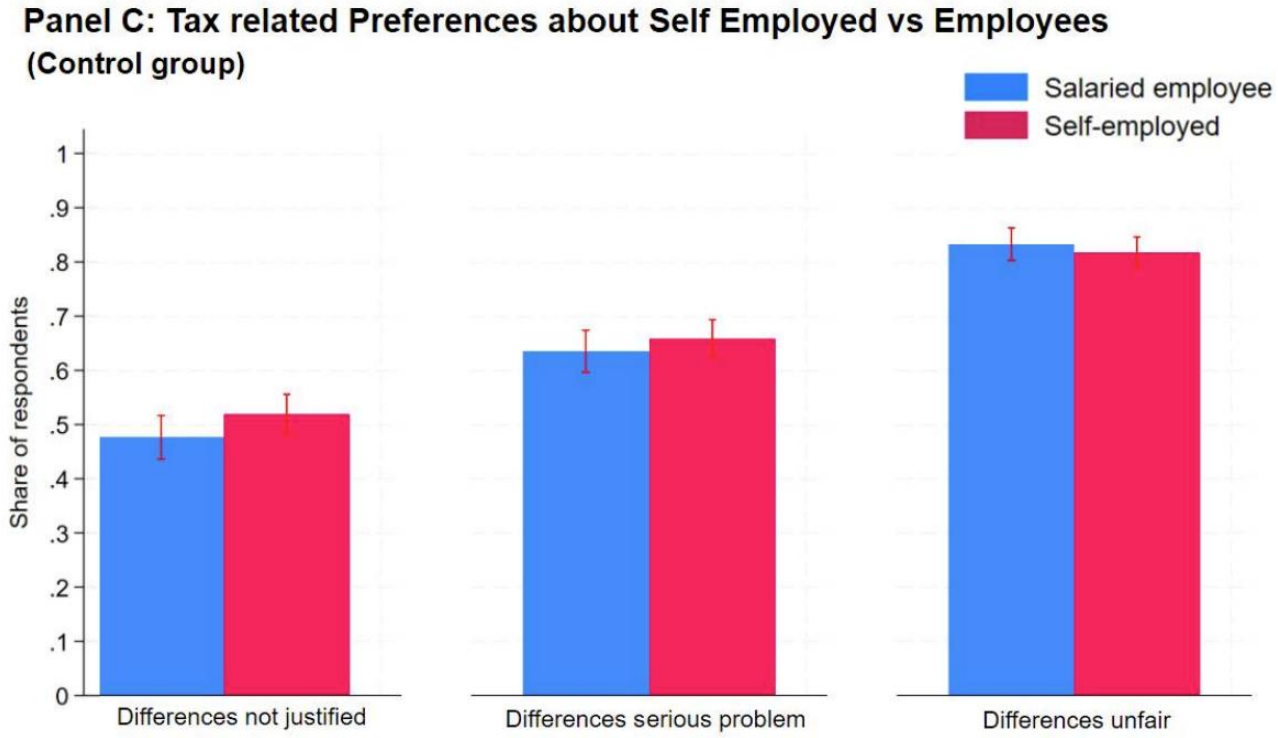
People care about **how much they pay—and how much others pay.**

Vertical equity

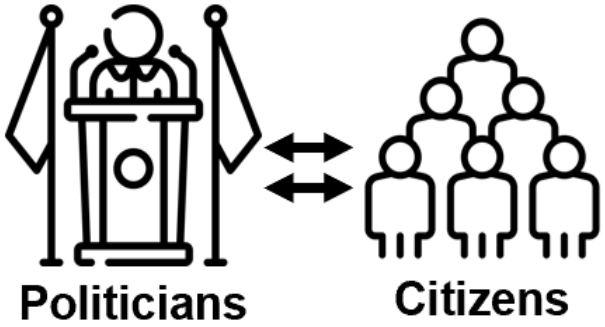
Argentina: Rich + poor support redistribution (but only the poor pay more when shown system is progressive) *(Ajzenman et al., 2024)*

Horizontal equity

Pakistan: Unequal tax burdens for equal incomes are viewed as unfair – even by those who benefit *(Bachas et al., 2026)*



Notes: *Refer to Figure 5, panel c from Bachas et al. (2026).*



What else do citizens want? Delivery

A chicken and egg problem: Governments need revenue for services - but citizens want services before they pay.

Can better delivery break the cycle? **Not so simple.**

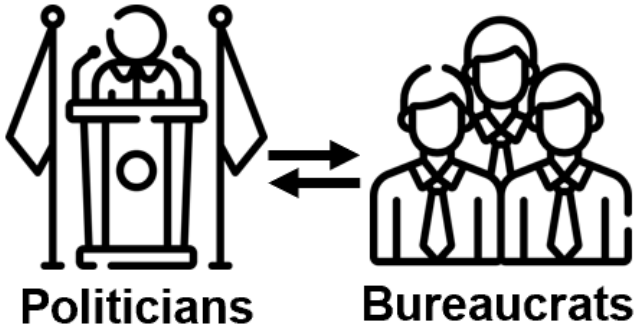
- Modest effects on tax payments (Mexico, Argentina)
- Somewhat stronger effects w/ info (Pakistan, Sierra Leone)

Salience, communication, context matter

Another way out?

Reduce corruption → Build trust and improve services, even before new revenue.

Notes: *Refer to Figure 1 from Khan et al. (2022).*



Tax policy is only as good as its implementation.

How to align politicians-bureaucrats?

Build the right team

In DRC, tax collectors explain 21% of variation in tax compliance.
Bergeron et al. (2022)

Risks: Political patronage and corruption can undermine merit-based systems

Incentivize performance

In Pakistan, high-powered financial incentives increased tax collection.
Khan et al. (2015)

Risks: Financial incentives can boost performance, but risks unintended consequences like bribery

Hold bureaucrats accountable

In Uganda, quantity-focused e-tax performance metrics resulted in poor-quality administrative data.
Mayega et al. (2019)

Risks: Focusing solely on measurable targets risks sacrificing quality (e.g., accuracy, fairness)

Timing and sequencing reforms

Reform windows: Crises and electoral cycles often facilitate reform → Term-limited Brazilian mayors updated cadasters, boosts revenue 10% *(Christensen & Garfias, 2021)*

Trade-offs between big-bang and gradual reforms. Decision involves...

"...A sober appraisal of available political capital and a deliberate staging of the reform agenda"
Afonso and Galiani (2025)

Many open questions: PRR is a call for more research on what works, when, and why.

MESSAGE 4

The Marginal Value of Public Funds Framework provides a guide for deciding when and how to raise revenue.

There is no one-size-fits-all tax mix or government size.

CHAPTER 7

Katy Bergstrom · William Dodds

No one-size-fits-all fiscal strategy

This report does not call for across-the-board tax hikes & larger government sizes

- Countries differ in starting points, economic structures, and social preferences
- Even countries near the fiscal frontier have different revenue levels

Marginal Value of Public Funds (MVPF) offers guidance at the margin:

- Starting from current system, should taxes be raised or lowered?
- If taxes should be raised, which policy should be used?

MVPF measures cost to citizens of raising additional $1 of revenue. Requires:

- Administrative data (refer to Chapter 8 in the report)
- Rigorous evaluation of policy reforms to measure taxpayers' behavior (elasticities)

Case study: Welfare change from two revenue-raising policies and one spending policy in Mexico

Suppose the government decides to invest in street paving. What would be the best way of financing it?

Two alternative ways to finance it

Increase VAT rate

Increase top personal income tax rate (TTR)

Case study: Welfare change from two revenue-raising policies and one spending policy in Mexico

Welfare gains and costs of policy choices

While there are welfare gains from street paving, raising additional revenue to finance it has welfare costs

The MVPF allow policymakers to assess the impact of these alternative policy choices

Case study: Welfare change from two revenue-raising policies and one spending policy in Mexico

Notes: *Refer to Figure B7.6.1 in the report.*

Putting it all together

Welfare change of **financing street paving via VAT** = (2.19 - 0.77) = **1.42**

Welfare change of **financing street paving via TTR** = (2.19 - 0.02) = **2.17**

In both cases, raising additional revenue at the margin is welfare improving, however, **the net welfare gain from paving the street by raising revenue via VAT would be smaller than raising it via TTR**.

Policy Guidance: Making It Practical

CHAPTER 9

Pierre Bachas · Oyebola Okunogbe · Mahvish Shaukat · Dario Tortarolo

Practical guidance for policymakers using report framework

Step 1

Identify the fundamentals that constrain the reform space

What's feasible?

Constraint	Sample Proxy Measures
Economic structure	• Formal employment share • Self-employment share • Agricultural share of GDP • Economic complexity
Revenue administration capacity	• Taxpayer registration coverage • Data integration with other public and private sector entities • Skills and training of tax officials • Staff-to-taxpayer ratio
Political & institutional constraints	• World Governance Indicators • Corruption perceptions • Perceived tax fairness

Notes: *Refer to Table 9.1 in the report.*

Practical guidance for policymakers using report framework

Step 2

Assess distance to fiscal frontier

What are the gaps?

Dimension	Sample Proxy Measures
Efficiency	• PIT, CIT, VAT revenue productivity • Effective marginal tax rates (EMTRs) • Compliance burden (time, payments) • Tax rate dispersion across firms • Revenue share of tariffs & input taxes
Equity	• Redistributive impact of taxes & transfers (pre- vs. post-tax Gini) • Progressivity of PIT • Share of direct vs. indirect taxation • Incidence of preferential tax regimes • Taxation of capital & top earners

Notes: *Refer to Table 9.2 in the report.*

Practical guidance for policymakers using report framework

Step 1

Identify the fundamentals that constrain the reform space

What's feasible?

Step 2

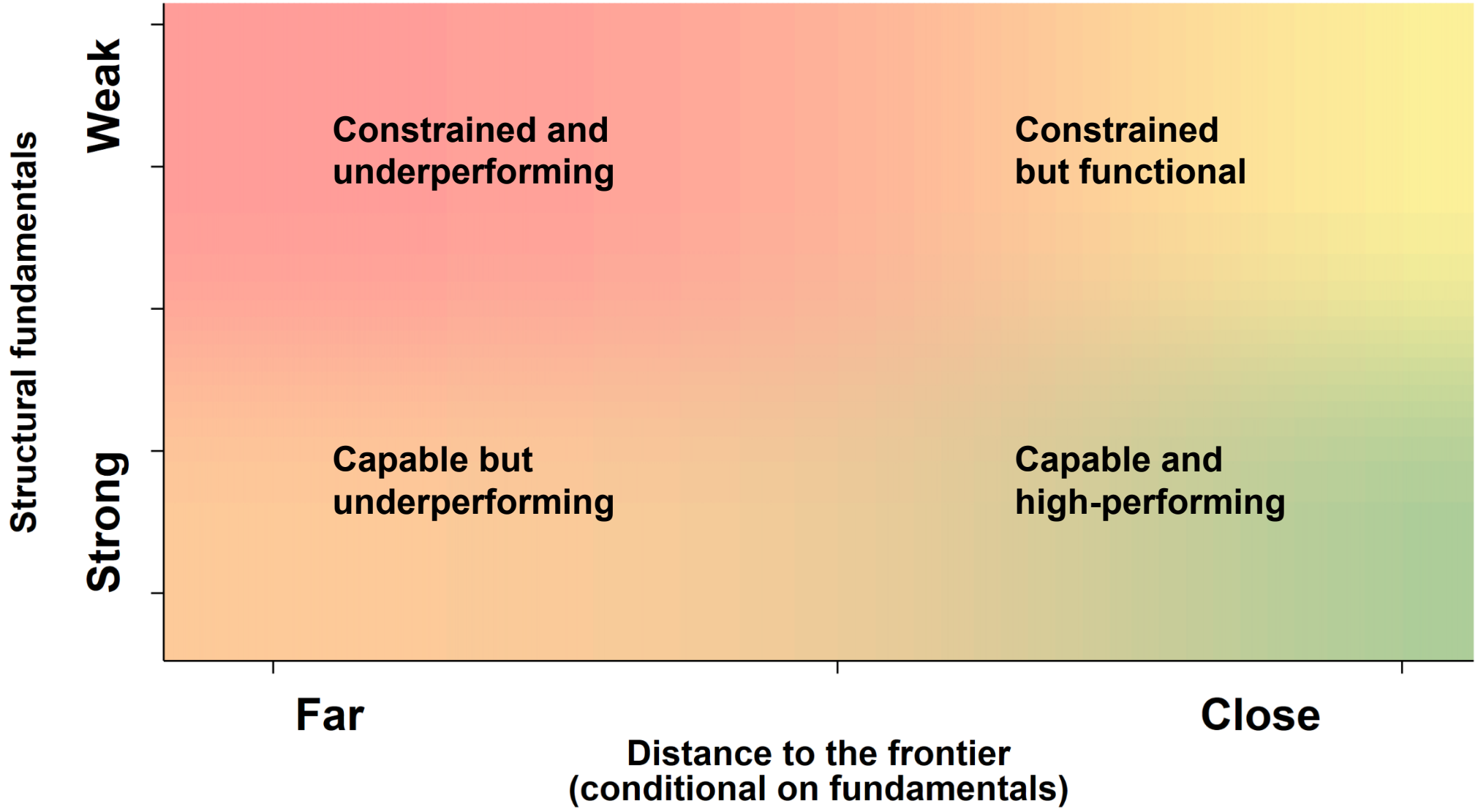
Assess distance to fiscal frontier

What are the gaps?

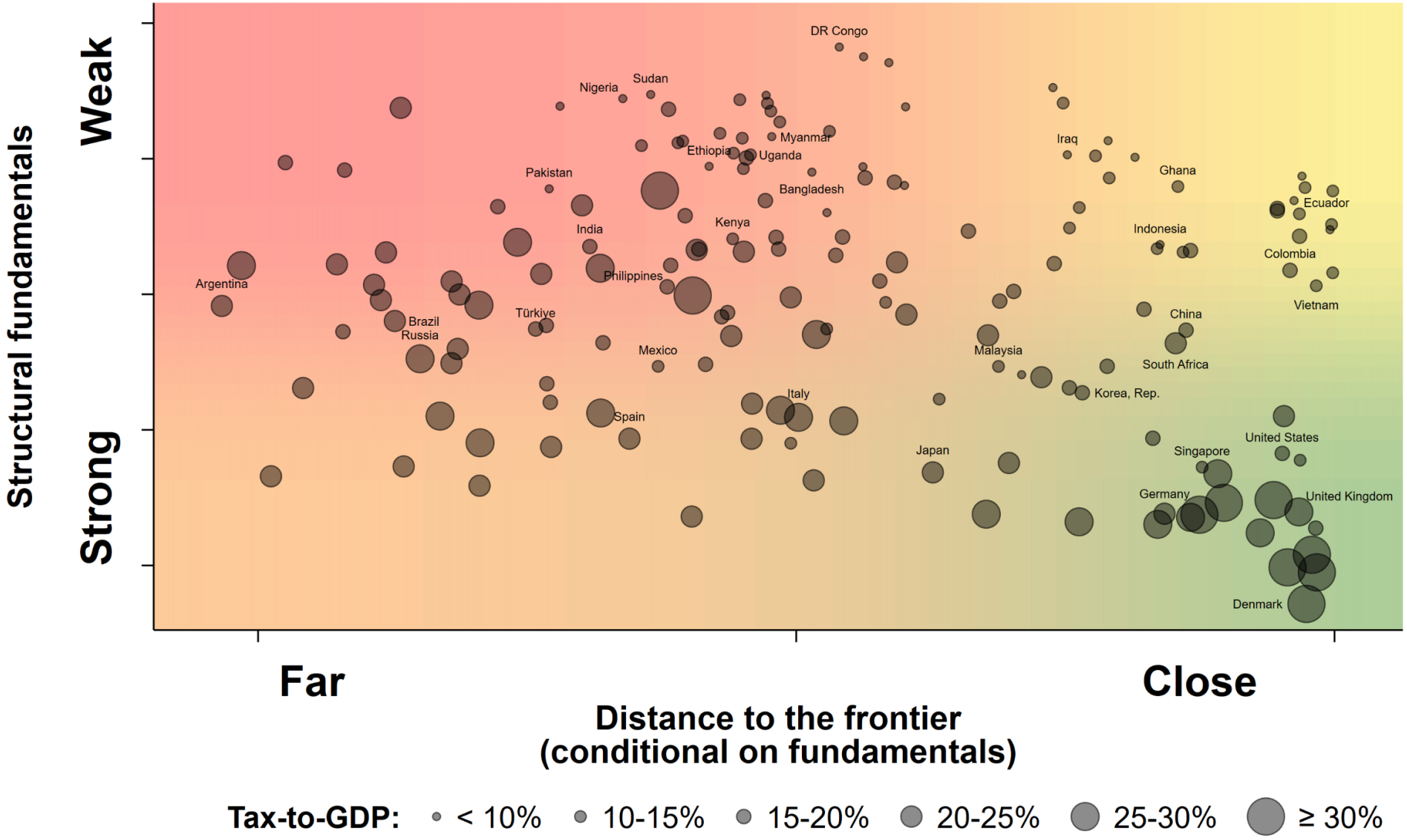
Step 3

Country taxonomy:
Fundamentals × Distance to Fiscal Frontier

Locating countries in the reform space

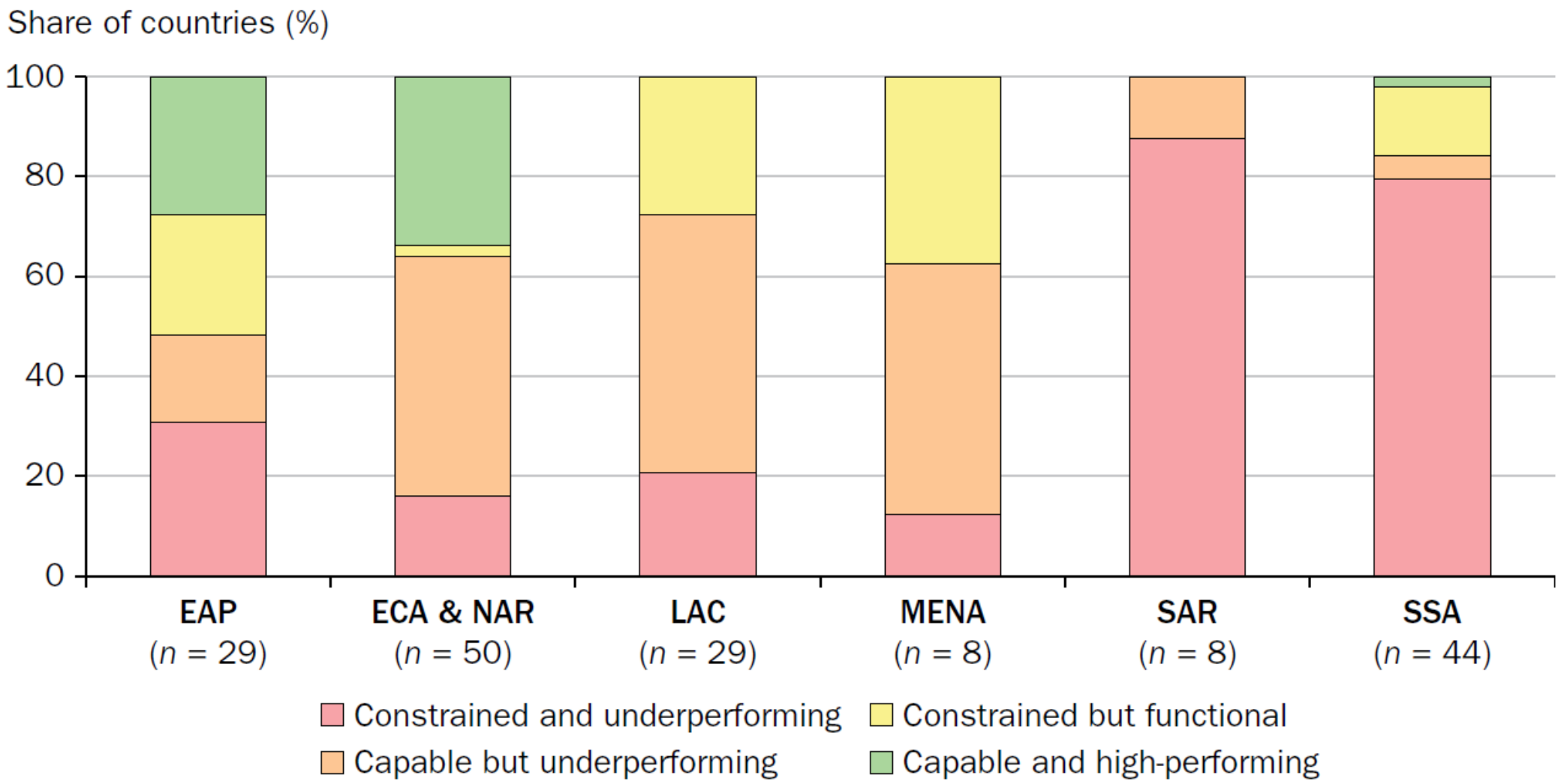


Locating countries in the reform space



Notes: *Refer to Figure 9.1 in the report. Based on data from the United States Agency for International Development, the Research School of International Taxation–International Tax Institutions, the World Bank Enterprise Surveys, the World Inequality Database, the International Monetary Fund's World Revenue Longitudinal Database, the World Development Indicators, the Worldwide Governance Indicators, the International Survey on Revenue Administration, and the Harvard Growth Lab's Atlas of Economic Complexity.*

Locating countries in the reform space: regional classification



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Practical guidance for policymakers using report framework

Step 1

Identify the fundamentals that constrain the reform space

What's feasible?

Step 2

Assess distance to fiscal frontier

What are the gaps?

Step 3

Country taxonomy:
Fundamentals × Distance to Fiscal Frontier

Step 4

Apply 3Ts framework to identify reform priorities

Technology · Transparency · Trust

Apply to: Income, consumption, property taxes & tax mix

Policy implications for each country type and tax using *3Ts* framework

	Far from Fiscal Frontier	Close to Fiscal Frontier
Weak fundamentals	***Constrained and underperforming*** **Status:** Poor tax design and weak administrative systems. **Priority: Build foundations.** Establish core tax capacity and enforcement with technology. **Successful examples** • Roll out electronic tax filing.[a] • Strengthen the large taxpayer office.[b] • Back property enumeration by credible enforcement.[c]	***Constrained but functional*** **Status:** Functional tax design, but persistent informality and modest administrative capacity. **Priority: Expand coverage.** Broaden the tax net with technology. **Successful examples** • Roll out electronic billing machines.[d] • Use data analytics for compliance monitoring.[e] • Strengthen property valuation systems.[f]
Strong fundamentals	***Capable but underperforming*** **Status:** Strong administrative tools, but inefficiencies in tax design, political economy barriers, and lack of fairness. **Priority: Simplify and build trust.** Streamline policy design and improve fairness with transparency and trust. **Successful examples** • Unify fragmented consumption taxes.[g] • Couple a tax amnesty program with credible enforcement.[h] • Evaluate and remove ineffective tax incentives.[i]	***Capable and high-performing*** **Status:** Broad-based taxes and data-driven administration. **Priority: Deepen transparency and coordination.** Optimize performance and future-proof the system with technology and transparency. **Successful examples** • Use automatic exchange of financial information.[j] • Connect tax bases through beneficial ownership data.[k] • Use automatic pre-filling of tax returns.[l]

Notes: *Refer to Table 9.3 in the report.*

Policy recommendations

The Policy Guidance provides policy recommendations for each country type and tax, covering:

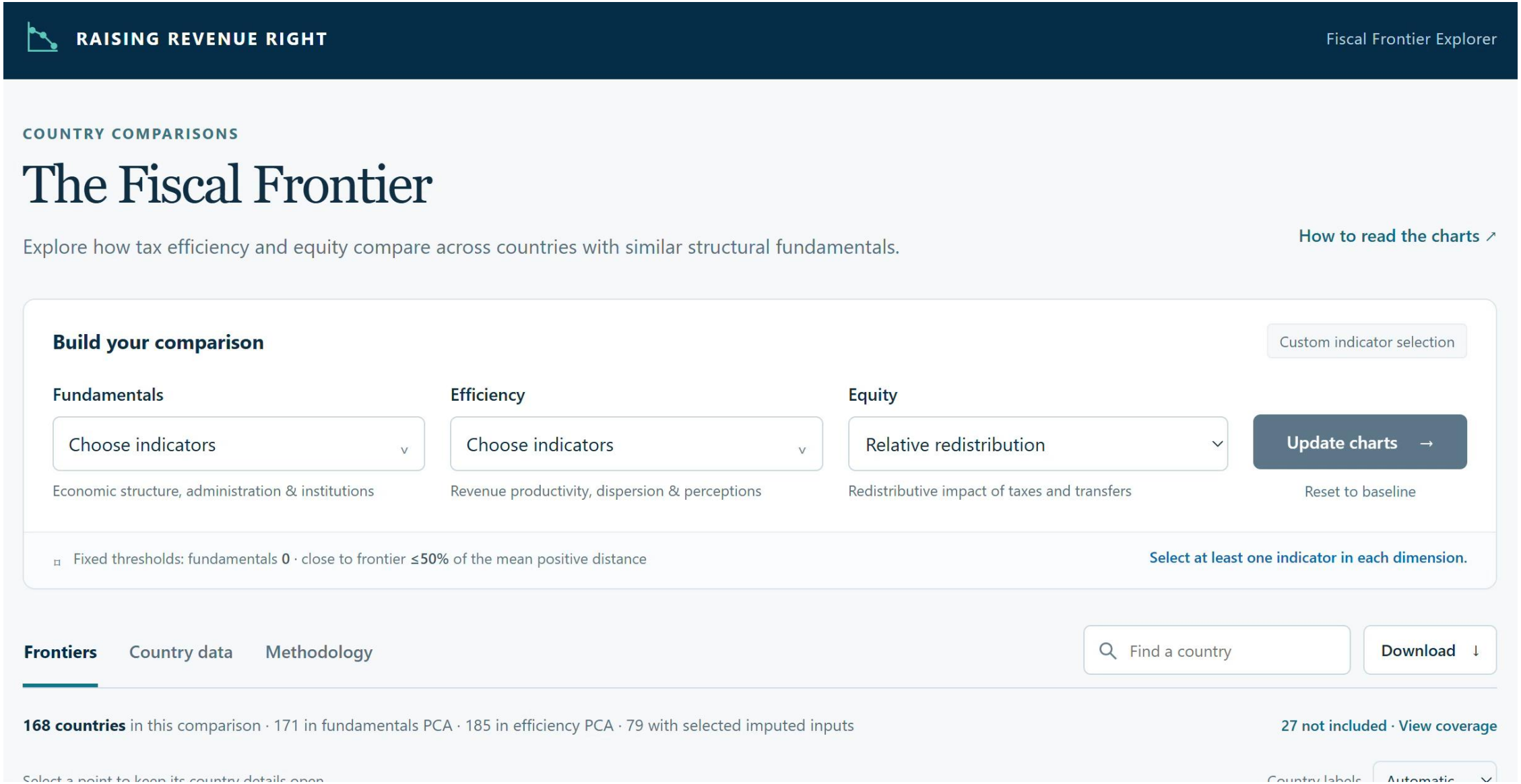
- ***Income***
- ***Consumption***
- ***Property***

Zooming in: *Constrained and Under-performing*

	Far from Fiscal Frontier
Weak fundamentals	***Constrained and underperforming*** **Status:** Poor tax design and weak administrative systems. **Priority: Build foundations.** Establish core tax capacity and enforcement with technology. **Successful examples** • Roll out electronic tax filing.[a] • Strengthen the large taxpayer office.[b] • Back property enumeration by credible enforcement.[c]

Notes: *Refer to Table 9.3 in the report.*

Do-It-Yourself Website Preview



Raising Revenue Right:
A Roadmap for Domestic Resource Mobilization

https://www.worldbank.org/en/publication/raising-revenue-right

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