IMF-WB Background Paper for G7 Principles for Effective and Efficient Domestic Resource Mobilization

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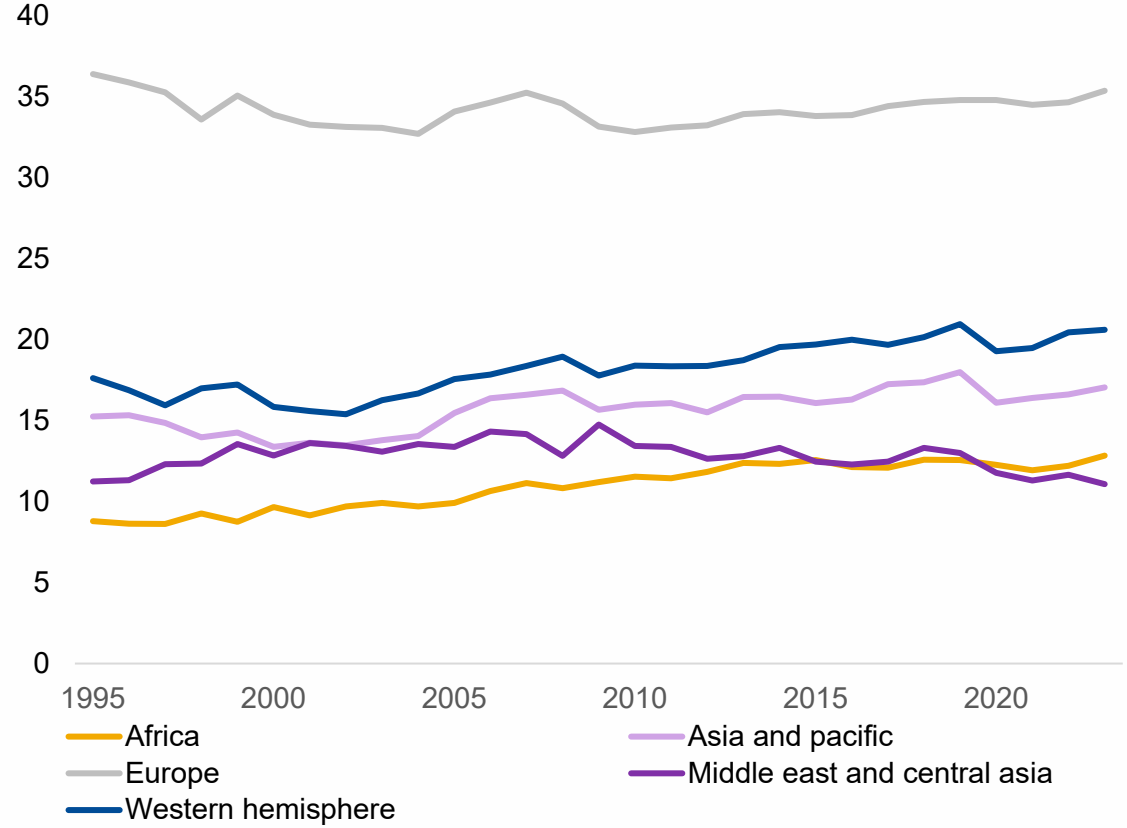
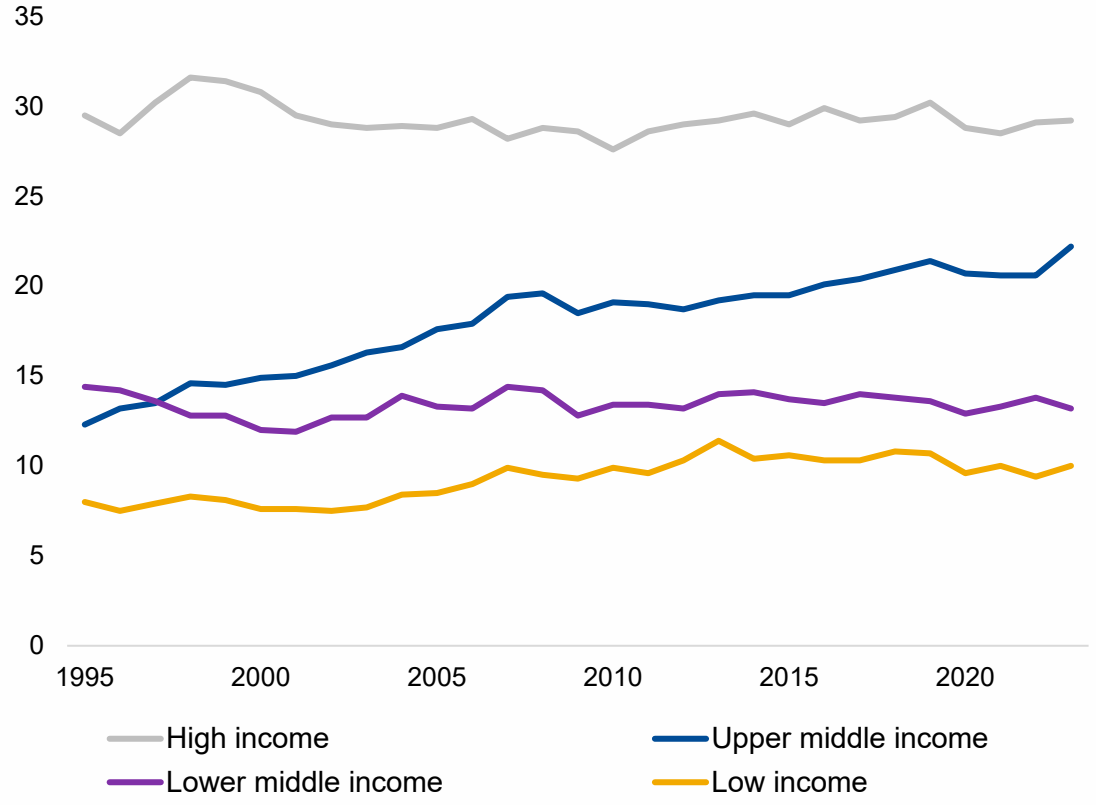
Progress towards the target of 15 percent of GDP in tax revenue has stalled in many countries…

Tax revenues by region
Medians, percent of GDP



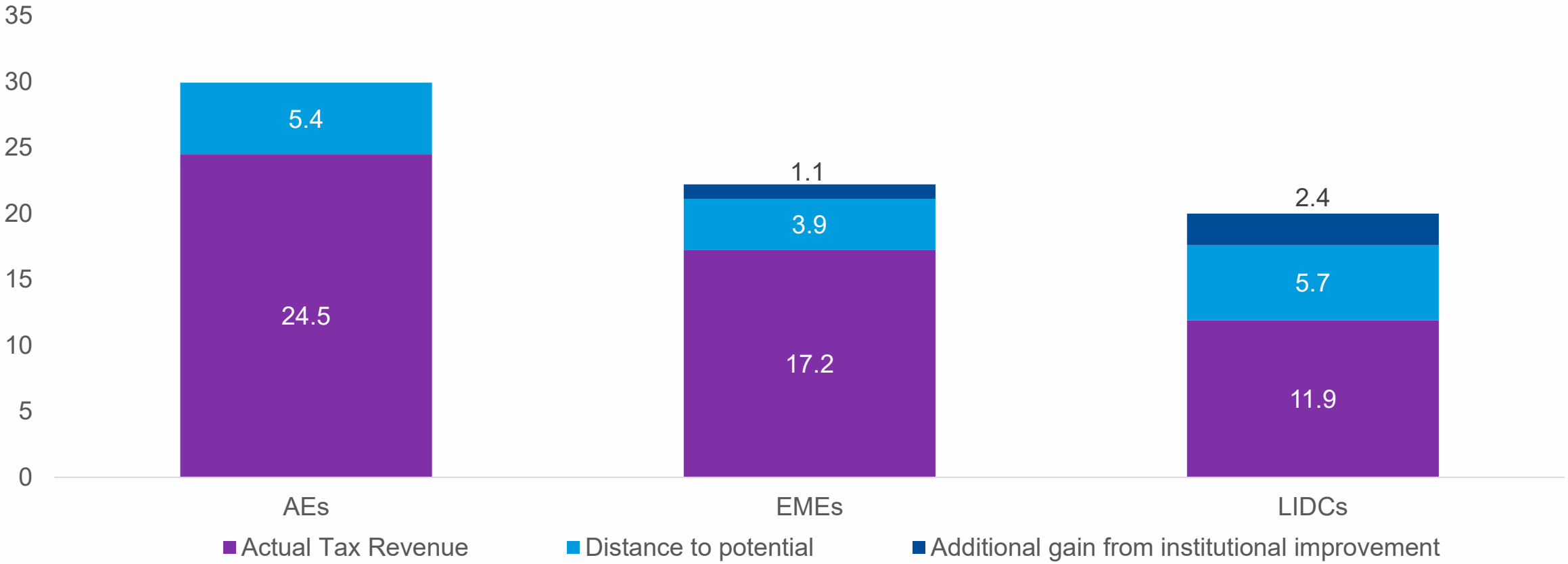
Tax revenues by income group
Medians, percent of GDP



Note: Tax Revenue includes social security contributions
Source: WoRLD, 2026

Revenue potential is significant, particularly in LICs

Tax potential and tax gap
Percent of GDP



Source: K. Baer, and others. 2025. Evidence-based analysis for mobilizing domestic revenue. IMF. Washington D.C.

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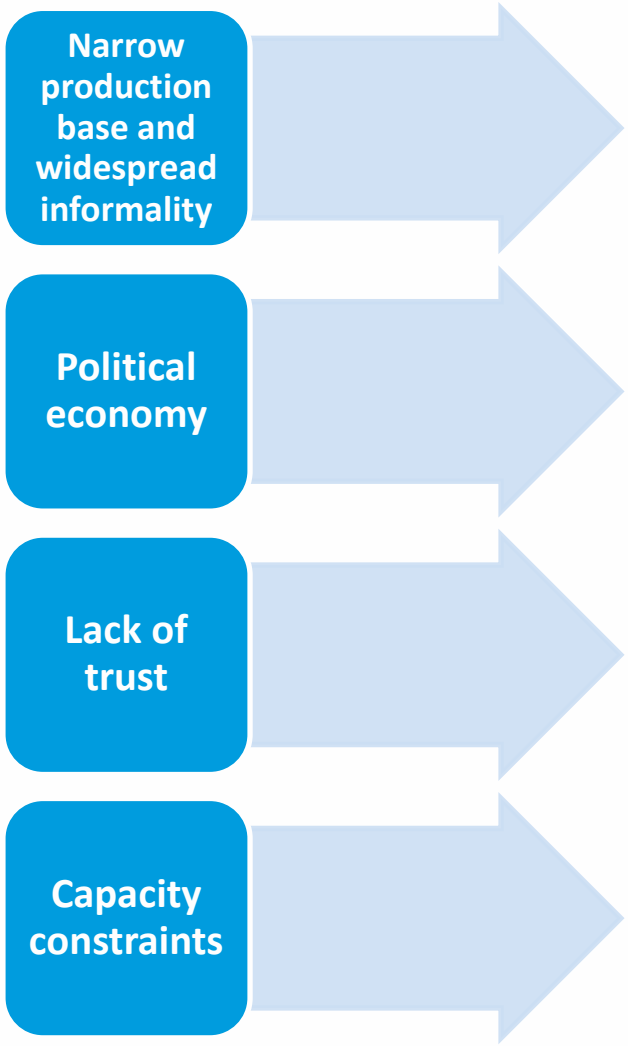
Addressing DRM Challenges



Reorient growth model through diversification to broaden the tax base. Use fiscal space for pro-growth spending.

Provide analysis and experience to empower policymakers, strengthen decision making and strategic communication, improve transparency, and build consensus for effective implementation.

Build trust and improve taxpayer morale by strengthening public spending delivery and improving public financial management.

Technical assistance and capacity building to relax implementation constraints by investing in technology (digitization), staff skills, organization, governance, data, and institutions.

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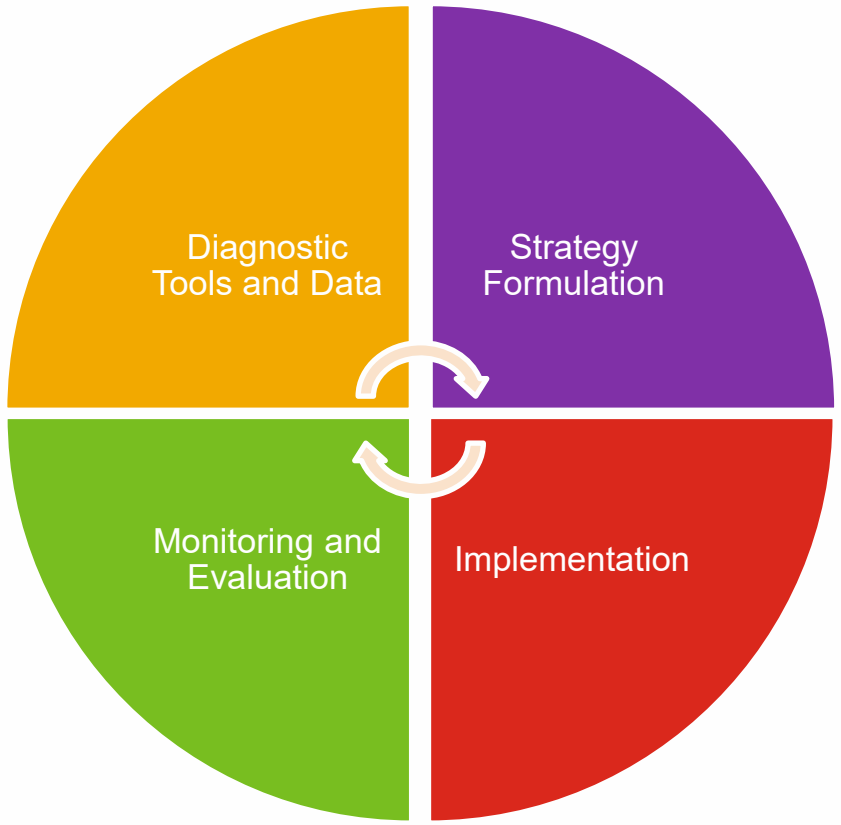
Support Across the Reform Cycle

IMF/WB 360 Degree Approach to Ensure Impact



Diagnostics and data to support shared understanding of bottlenecks and potential

- TADAT, ISORA, WoRLD, DaTax, RA-GAP, PFR, CPAT

Strategy translates diagnosis into integrated, sequenced multi-year plans Medium-term revenue strategy (MTRS)

Implementation is key

- IMF and WBG field presence with near universal coverage especially in developing countries

Monitoring and evaluation allows interventions to maintain momentum

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Guiding Principles for DRM Support

Support development, long-term growth, job creation, and poverty reduction:

- Structured, comprehensive and medium-term public finance approach covering revenue and spending
- Flexible, results-focused support, tailored to local contexts and political economy
- Policy design based on data- and evidence-driven reform management
- Institution building that is integrated into reform design and sequencing
- Central role of multilateral institutions to assist countries build public finance systems

Ensure bilateral and regional organization support is coordinated and integrated with the operations led by multilateral organizations:

- IMF/WBG role in TA and coordination
- Integrated with policy advice and flexible, tailored delivery to support implementation
- IMF – WBG collaboration mechanisms (In country coordination, PCT, JDRMI, TADAT, CPAT, PEFA)
- Support to countries on DRM through the WBG Global Tax Program and the IMF Global Public Finance Partnership

Annex

Compact with Africa: The DRM Impact Academy on tax incentive reforms to bolster DRM while supporting investment and jobs

The Academy has a mandate to support important reforms on governance, transparency, process, measurement, and evaluation, **curtailing revenue forgone** from tax incentives.

The Academy breaks with conventional expert- and supply-driven approaches by **prioritizing peer-to-peer learning, scaling proven solutions, and bringing a wide breadth of development stakeholders** to the table.

The Tokyo Launch in March convened 42 participants from 21 countries, and the regional workshop in Nairobi in April convened 14 participants from 7 countries. Participants developed **concrete reform action plans and voiced strong demand for follow-up TA.**

Protecting investment and jobs is a core objective of the program. In the Nairobi workshop, tax specialists from multinational enterprises joined government officials, sharing lessons about common ground and win-win solutions that support an enabling investment environment without giving away limited development resources.