

LEARNING PRODUCT

Tax Revenue Mobilization

Lessons from
World Bank Group
Support for Tax Reform



IEG
INDEPENDENT
EVALUATION GROUP

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WORKS**

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An IEG Learning Product

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Abbreviations

DPL	Development Policy Loan
DPO	development policy operation
DRM	domestic resource mobilization
GDP	gross domestic product
ICR	Implementation Completion and Results Report
ICRR	Implementation Completion and Results Report Review
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
M&E	monitoring and evaluation
OECD	Organisation for Economic Co-operation and Development
PPAR	Project Performance Assessment Report
PRSC	Poverty Reduction Support Credit
SCD	Systematic Country Diagnostic
VAT	value-added tax

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Overview

The mobilization of domestic resources through reforms in taxation is essential to ensuring sustainable financing of development. Several international initiatives are under way that focus attention on constraints to growth, particularly in low-income economies, where domestic taxes and foreign private and market-related borrowing do not expand enough to compensate for declining flows of official development assistance. The World Bank Group is engaged in these efforts.

This Learning Note reviews World Bank Group support to tax policy and administration reform over FY2005-15, covering development policy operations (DPOs), investment projects, and IFC Advisory Services on business taxation. It draws mainly on three sources:

- A systematic review of Implementation Completion and Results Reports Reviews (ICRRs) of World Bank operations and EvNotes for IFC Advisory Services
- Related Project Performance Assessment Reports (PPARs)
- Relevant country case studies from various IEG evaluations.

The review has been limited by weaknesses in the way project activities are coded in World Bank

databases and the limited depth and breadth of existing Independent Evaluation Group (IEG) evidence on World Bank Group support to tax reforms. Thus, a number of the guiding questions identified in the Concept Note could not be addressed properly. The Learning Note therefore focused on describing World Bank Group support to tax reforms and on questions related to development effectiveness.

This Learning Note is timely and pertinent to the work of several of the World Bank Group's Global Practices. It is relevant to Macro-Fiscal Management (MFM) and Trade & Competitiveness (T&C) and is closely related to issues that factor into political economy analyses to inform Systematic Country Diagnostics. It also complements a forthcoming evaluation on private capital mobilization by IEG.

Given the limitations of the available data and evaluative material, both the findings and the lessons drawn from them are provisional and need to be confirmed through deeper and more thorough evaluation work.

Description of World Bank Group Support

Over FY2005-15, the vast majority of World Bank support to tax policy and

administration reform (205 projects in 107 countries; total commitments of \$28.4 billion) has been provided through programmatic DPOs, with investment projects representing 11 percent of the total. For most of the operations bearing the tax theme code, the tax reform component was a minor part of the operation, predominantly in the 10–14 percent range. About two-thirds of the commitments for tax operations were delivered by the MFM Global Practice while Governance delivered 15 percent. In terms of project numbers, the majority of the approved operations were in the Latin America and the Caribbean (32 percent) and Sub-Saharan Africa (30 percent) Regions. But in terms of commitments, 42 percent of the approved operations were in Latin America and the Caribbean; the next largest in commitment terms were Europe and Central Asia (19 percent) and East Asia and Pacific (16 percent). More funds for tax reforms were committed in middle-income countries (78 percent) than in low-income countries (5 percent). World Bank support for tax reforms has tended to go to countries where the tax-to-GDP ratio is 10 to 20 percent (about 90 percent of total tax commitments). IFC Advisory Services in business taxation are much smaller than World Bank operations and are usually a small part of investment climate advisory services addressing other issues related to regulatory environment.

The review for this Learning Note covers 98 World Bank operations for which an ICRR is available (80 DPOs and 18 investment projects) and 17 IFC Advisory Services on business taxation for which an EvNote had been prepared. World Bank reviewed operations were implemented in 52 countries. Total commitments for the reviewed projects were \$16.8 billion or 59 percent of the commitments for operations supporting tax policy and administration reform while tax commitments were \$2.9 billion or 54 percent of the tax commitments for the full portfolio. The composition of the reviewed portfolio does not differ significantly from the full portfolio in terms of financing instruments, share of tax code, Global Practice, characteristics of recipient countries such as Region, income category, and tax-to-GDP ratio.

Findings

Tax components in World Bank operations have been designed to (i) enhance revenue to enable fiscal consolidation or create/maintain fiscal space for priority expenditure (in 60 out of the 80 reviewed DPOs) and/or (ii) improve investment climate or strengthen export competitiveness and improve trade integration. Together these objectives were expected to contribute to accelerated growth and higher employment while fiscal consolidation was often considered a prerequisite for securing sustained

budget support and laying the foundation for future growth. Support for tax reform in federal states was also provided with broadly similar objectives in particular, fiscal consolidation and/or an improved investment climate.

With a few exceptions, reviewed DPOs did not specifically address the efficiency and equity of tax systems. They usually supported measures on tax policy or tax administration, or both in the pursuit of raising government revenue and/or strengthening the investment climate. In most DPOs, fiscal consolidation was also pursued through reform of public expenditures.

The development objectives of most investment projects focused on improving the effectiveness and efficiency of public administration, with tax administration reform objectives as part of these wider public finance management objectives. Tax administration reforms were expected to reduce the costs of compliance for taxpayers and of tax administration, while reducing tax evasion and avoidance. Only two investment projects explicitly targeted increased tax collection. IFC Advisory Services aimed to reduce costs and time for businesses to comply with tax regulation. Although they did not target increased government revenue and almost never tracked increases in compliance or tax collection, they may have contributed to these results.

Given the subject matter, the diversity of tax reform objectives, and the large share of DPOs in the portfolio of support for tax reforms, illustrative country examples (13 countries covering 36 operations) have been chosen mostly from DPOs targeting an increase in tax collection among countries other than fragile and conflict-affected situations and resource rich developing countries, which were excluded from the analysis to avoid duplication with previous IEG evaluations.

The relevance of the tax objectives in most operations was substantial or higher while the relevance of project design was modest. There was little question about the relevance of objectives, especially when the operation was part of a programmatic series that constituted flagship operations under the country partnership framework (CPF) and were well aligned with the government's reform program. Generally, when the tax component focused on tax administration measures, the relevance of the design was substantial, but it was weaker when including tax policy measures. Moreover, while relying mostly on tax administration reforms was often realistic and increased the chance of success, it rarely addressed the major structural weaknesses of the country tax system in terms of its capacity to raise adequate tax revenue, while also raising its efficiency and its equity.

The tax components of DPOs have been rather less successful than the overall operations of which they were a part. Tax objectives were achieved in 72 percent of DPOs while 81 percent of these operations met their development objectives. DPOs tended to be more successful in supporting tax administration reforms than tax policy changes, possibly because the latter encountered significant backtracking and political opposition.

Even when successful, implementation of investment projects was marred by significant delays and only 4 out of the 15 implemented projects were not restructured.

As for the rest of the portfolio, monitoring and evaluation remains a work in progress. Improvement occurred over time in programmatic DPO series. Successful M&E practices in operations include reliance on strong government monitoring systems, alignment with the government's results and monitoring frameworks, and harmonizing with donors providing budget support. While a strong Bank team in the field facilitates good monitoring, challenges remain, including data limitations and inadequate monitoring frameworks linked to institutional capacity limitations. Some challenges were more specific to tax components and present in almost all reviewed operations. First, the tax-to-GDP ratio, the most common outcome indicator, is too broad to measure the impact of

the tax reforms supported by World Bank operations. Second, in the absence of satisfactory output/outcome indicators, M&E was often confined to monitoring prior actions and triggers. Third, while in some cases the tracking of progress indicators and actions was good, it was less successful in tracking results and little evaluative material is available to explain why objectives were or were not achieved. Only in one case were specific indicators added to measure the direct effect of tax administration improvements on tax revenue collection.

A substantial body of analytical and diagnostic work typically informed the design of DPOs, but there is little or no reference to such work on tax policy and administration issues in ICRRs. Most of this work may have been done by the IMF, especially for countries with an IMF program or where there was a specific tax revenue mobilization objective. For 70 percent of the reviewed DPOs with an objective to raise national tax collection, prior actions and triggers on taxation might have been based on analysis carried out for parallel IMF operations. This is the case in stand-alone crisis response DPOs but also in countries where the Bank has been supporting tax reforms over a long period of time. The Indonesia DPL series are the only exception. The analysis of the macroeconomic basis for the operation in the ICR is

described by the ICRR as being quite limited and it takes the view that the program should have included stronger fiscal measures in particular to further increase revenues. The 2013 IMF Article IV report highlights the need to deal with macroeconomic framework as well as diagnostic work on measures to address those imbalances, including on tax policy and administration. Such analysis would be expected in the Bank's project documents.

Potential synergies between DPOs and investment projects with tax components could be observed in only four countries. However, several observations are possible from that experience: an investment project in parallel with a DPL in Armenia may have helped achieve DPO outcomes; the investment project preceding a DPL in Guatemala may have informed the design of the tax component and/or supported the implementation of the subsequent DPL series; potential synergies between the investment project and the DPO in São Tomé and Príncipe have not been fully exploited; and potential synergies have been mooted by the lack of government ownership in Pakistan.

Considerations of tax system efficiency and equity are conspicuously missing from ICRRs and most probably from ICRs and project documents. While improving the structure of the tax system would have been expected in the context of

programmatic DPO series spread over several years and even decades, few policy operations supported improvement of efficiency (10 out of 80 reviewed DPOs in four countries), all among those that supported an increase in tax collection. Among the operations that aimed at increasing tax revenue while improving efficiency of the tax system, none monitored and/or reported on progress made toward efficiency targets. Many DPOs in Latin America and Caribbean countries supported a mix of tax policy and tax administration measures that usually – with the notable exception of Colombia – included measures and prior actions providing for the elimination or at least reduction of tax exemptions. These largely failed to meet those goals. There was little reference made in ICRRs to improving equity of the tax system. The FY2005 Jamaica and Colombia FY2014 stand-alone DPOs are notable exceptions. Jamaica's DPO sought to reduce the unfairness of the income tax system toward lower-income groups. The Colombia DPO aimed to improve the progressivity of the tax system and reduce the cost of formal employment creation.

Lessons

Lessons are drawn both from the existing evaluation evidence (ICRRs and PPARs when available) and the findings of this review. Given the limitations of the available data and

evaluative material, the lessons drawn are provisional and need to be confirmed through deeper and more thorough evaluation work. The review raises issues not only for the design and implementation of operations but also for country programs and World Bank Group strategic engagement in tax policy and administration reforms.

OPERATIONS

While government ownership is a prerequisite for any policy reform, it is particularly important for politically sensitive tax reforms. For many DPOs and their tax components, success depended on government ownership of the objectives and the program. This was the case in Dominican Republic stand-alone DPO and Guatemala DPO series. Lack of government ownership of program objectives in Colombia's first DPL series and in the Pakistan tax program limited positive results. Tax reforms are not only technical, and institutional but also political and government support for these reforms may fluctuate during project life. Design, monitoring, and supervision should take that into consideration. Commitment can be supported through close alignment with the government's reform program. Tax administration measures that can be introduced under the executive authority can deliver short-term results. A number of country examples, especially in Latin America and the Caribbean, where political opposition to structural tax reforms

has been strong and the tax-to-GDP ratio low compared to countries with similar level of development, illustrate that point (such as Costa Rica and Guatemala). For longer-term investment projects, sustaining government ownership was an even greater challenge.

Correcting structural and systemic issues requires long-term sustained engagement. While some positive results could be achieved through limited and short-term tax administration measures or ad hoc policy measures those have been largely ineffective against structural tax system issues that require a comprehensive and internally consistent tax reform program. This is obvious for stand-alone DPLs with no follow-up as in the Costa Rica and Dominican Republic stand-alone DPOs but it is also true in countries where the Bank has been supporting tax reforms over extended periods through both programmatic DPL series and investment projects as in the Colombia and Guatemala DPO series.

Maintaining good monitoring and supervision can help and has sometimes been missing. Maintaining good monitoring and supervision helped DPOs and complex investment projects. Weaknesses in monitoring and supervision hampered success. Extensive supervision of implementation and of progress toward achieving the triggers by a

team with deep knowledge of the country context and substantial quality monitoring contributed to good results in some DPLs. For complex and ambitious investment projects, which frequently had to be restructured, with extension of the closing date, close monitoring and supervision and ability to adjust the project's design, if needed, were especially important. Positive experiences include the Paraguay DPO and Mauritania investment project. In contrast, supervision weaknesses were detrimental in Dominican Republic and the most recent DPO series in Indonesia.

Crisis can be an opportunity to further tax reforms and calls for flexibility.

The negative impact of the 2008 global economic crisis on growth and fiscal position of a number of countries prompted large budget support from the international financial institutions to maintain fiscal space for priority public expenditure. For a number of countries, having a comparatively low tax rate for their level of economic development and a long history of failed tax reforms, the dire fiscal situation provided incentives to make politically sensitive tax reforms to boost revenues (Costa Rica and the Dominican Republic).

STRATEGY

Tax policy and administration reforms are usually necessary but not sufficient. To bring sustainable

improvement in government revenue, other well-functioning institutions, such as the judicial system, are necessary and other pervasive issues, such as corruption, must be addressed across the public sector.

The Bank may need in-house capacity to conduct analytical and diagnostic work to support tax components in DPOs, especially where the IMF does not have a relevant program. DPOs' prior actions and triggers in taxation might have been based on the Fund's analytical and diagnostic work where the IMF was implementing a parallel operation. This raises the question of whether the Bank has the capacity to perform analytical and diagnostic work related to taxation and might benefit from cultivating such expertise. Recently, the Bank has taken a step in this direction by introducing analytical tools and techniques to assess DRM (World Bank 2016).

The potential synergies between DPOs and investment projects need to be better exploited. The Bank needs to better coordinate the timing and content of its support to tax revenue mobilization. Close partnerships with other international organizations at the country level are also important in this regard.

Trade-offs between increasing government revenue and improving tax system efficiency on the one hand and increasing equity on the other would be clear entry points for World

Bank involvement in tax resource mobilization, especially under the shared prosperity agenda. The omission of equity considerations from the tax policy and administration component of DPOs might reflect a judgment that there are limits to redistribution that can be brought about through tax reform in low-income and, to a lesser extent, middle-income countries, because of the comparatively low proportion of people who pay personal income

taxes. In such contexts, redistribution objectives are more effectively fostered through pro-poor public expenditure than tax reforms. A holistic evaluation of World Bank support to public finance is needed to assess the World Bank's role and contribution. The review work done for this Learning Note could be expanded in a number of directions through an evaluation of Bank Group Support to Public Finance envisaged for FY2018

1. Introduction

Taxation has become a major area of development support and advice since the 2011 Global Partnership for Development Effectiveness (OECD 2011). Several reasons for this are likely: the potential benefits for state-building, growing desire to reduce reliance on foreign development assistance, the fiscal impact of trade liberalization, the financial and debt crisis in countries that provide development assistance, and the acute financial needs of some developing economies.

“From Billions to Trillions: Transforming Development Finance Post-2015,” an initiative spearheaded by the multilateral development banks and the International Monetary Fund (IMF) has increased the urgency for attention to taxation in emerging and developing economies. This initiative, as well as the 2015 Financing for Development Conference, has highlighted the need for emerging and developing economies to support achievement of the 2030 Sustainable Development Goals through domestic resource mobilization (DRM). This has helped focus attention on constraints to growth, particularly in low-income economies, where domestic taxes and foreign private and market-related borrowing do not expand enough to compensate for declining flows of official development assistance.

The note reviews existing evaluative information on the World Bank Group’s support to tax policy and administration reform produced by the Independent Evaluation Group (IEG) over FY2005–15. Within the limitations of that information, it identifies the drivers of performance as well as lessons to inform the future work of the World Bank Group. While limited in scope and depth, this note is designed to open the way for more thorough and deeper evaluation work, in particular through an evaluation of World Bank Group Support to Public Finance envisaged for FY2018.

The rest of this chapter covers the World Bank Group approach and the methodology used for the review. Chapter 2 describes the findings of the review focusing on interventions designed to raise tax revenue. Chapter 3 presents the lessons drawn from both the Implementation Completion and Results Reports (ICRRs) when relevant to the tax components and the findings of this review.

World Bank Group Approach

Over the review period, the World Bank did not have a specific strategy for DRM or tax policy and administration reform. Its corporate strategies in the 2000s did not mention DRM until 2013 when it was identified as part of a medium-term financial

sustainability framework that aligns with the twin goals (World Bank 2013b). In that context, revenue mobilization was considered part of the country's overall macro-fiscal policy framework and, to some extent, part of creating an enabling environment for private sector development.

The World Bank supported DRM on a case-by-case basis. Such efforts were prioritized in the context of consultations for the country partnership framework and through ongoing policy dialogue on the macro-fiscal framework and investment climate.¹ So far, no specific guidelines, policy documents, or harmonized frameworks have sought to guide World Bank work on DRM.

In IMF-World Bank collaboration at country level, tax policy formally has been a responsibility shared between the two institutions since 1989.² In practice, the IMF has led on tax policy and administration reforms for diagnostics, advice, and technical assistance, in part because of its technical expertise and the nature of its programs, which emphasized short-term revenue and expenditure measures. The World Bank, meanwhile, has been perceived as focusing its financing on tax administration reform through longer-term investment projects.

More recently the World Bank and the IMF have actively engaged in the global effort to design the 2030 development agenda. Each institution has committed to new initiatives related to revenue mobilization, both within their respective remits and jointly, to support partner countries in reaching their Sustainable Development Goal. With increasing demand for tax reforms, the World Bank Group is expected to play a greater role in supporting such reforms with a more integrated approach internally and enhanced collaboration with other international institutions. The launch of the World Bank-IMF Joint Initiative to Support Developing Countries in Strengthening Tax Systems in July 2015, and the IMF, the Organisation for Economic Co-operation and Development (OECD), the United Nations, and World Bank Group Platform for Collaboration on Tax in 2016 (box 1.1) are early steps in this direction.

The World Bank Group recently accelerated development of an integrated approach to support clients and engagement in the global policy dialogue on taxation. A Global Tax Group has been created to champion tax work in countries. That group has been involved in preparing, implementing and monitoring DRM tools for country-level work and taking stock of World Bank Group support to DRM. DRM has become an International Development Association (IDA) 18 Special Theme as part of IDA18 commitment to enhance resilience of IDA countries and spur growth (World Bank 2017).

Box 1.1. Recent International Partnerships on Tax Policy and Administration Reforms

In July 2015, the World Bank and the IMF committed to a joint initiative to help countries strengthen their tax systems. Raising additional revenues is crucial to finance development in a sustainable manner. The World Bank-IMF initiative has two pillars: (i) deepening the dialogue with developing countries on international tax issues, aiming to help increase their voice in the international debate on tax rules and cooperation, and (ii) developing improved diagnostic tools to help member countries evaluate and strengthen their tax policies (World Bank 2015b).

In April 2016, the IMF, the OECD, the United Nations, and the World Bank Group committed to jointly intensify their cooperation on tax issues and launched the Platform for Collaboration on Tax. The aim of the platform is to support developing countries in strengthening their tax capacity and dealing with key international tax issues.

Source: World Bank 2016c.

One of the pillars of the World Bank-IMF Joint Initiative to Support Developing Countries in Strengthening Tax Systems includes the development of “improved diagnostic tools to help member countries evaluate and strengthen their tax policies” (World Bank 2015b). Common diagnostic tools have been developed by the World Bank and the IMF, such as the Tax Administration Diagnostic Assessment Tool, which was launched in 2015 and is now operational in 30 countries. A Tax Policy Assessment Framework is under preparation. Other tools used by the World Bank include the fiscal incidence analysis developed with the Commitment to Equity Assessment, the Custom Assessment Trade Tool kit, an integrated tool for measuring customs performance across countries and over time and the Integrated Assessment Model for Tax Administration.³

International Finance Corporation (IFC) engagement on business taxation has been done through advisory services on investment climate reforms. The IEG evaluation of World Bank Group support to investment climate reforms found that IFC support was implemented through advisory services projects that tended to be standardized, narrowly focused, short-term, and rapidly implemented (World Bank 2015 a). The same evaluation noted that World Bank Group support to investment climate reforms tended to be heavier in the regulatory areas, such as business registration, taxation, and trade, which are covered by the most common diagnostic tools: Doing Business and Enterprise Surveys.

IFC Advisory Services projects on business taxation have focused on tax administration reforms rather than on tax policy. Those reforms have usually been carried out along with other investment climate reforms and covering issues such as starting a business, dealing with construction permits, and resolving insolvency.

The tax payment aspects of the Doing Business indicators (payments, time, and total tax rate for a firm to comply with all tax regulations) generally guides the business tax work that often includes drafting and enacting tax laws. Harmonization of the legal environment is sometimes addressed through regional projects (as in East Africa). Similar business taxation interventions have also been used for advisory services projects at the subnational level (India).

IFC relied more on government requests or stakeholder consultations when designing investment climate projects than the World Bank did. Historically, IFC's investment climate projects have relied on the Facility for Investment Climate Advisory Services diagnostic reports on administrative barriers. Over time, Doing Business indicators have become a de facto diagnostic tool for IFC. Among the projects that used a diagnostic tool to design interventions, 62 percent used the Doing Business assessments.

Over the review period, IFC has increased its collaboration with the World Bank on country strategy, culminating with the launch of the World Bank Group's new joint approach to country engagement in July 2014.⁴ It has done so through participation in the development of the World Bank Group Country Partnership Framework. Where there was none, IFC has relied on its Regional Strategies to guide its activities at the country level, but in this case there was no framework for assessing the development impact of its interventions at that level.

Methodology of the Review

The note reviews World Bank Group support to tax policy and administration reform (Thematic code 28 as defined by Operations Policy and Country Services [OPCS]; see box 1.2.) approved and closed over FY2005–15, as provided through development policy operations (DPOs), investment projects, and IFC Advisory Services on business taxation (see appendix B for details). Except for five illustrative country examples,⁵ it draws on three main sources: (i) a systematic review of ICRRs of identified World Bank operations and EvNotes for IFC projects; (ii) Project Performance Assessment Reports (PPARs) covering operations identified above and listed in appendix F, and (iii) relevant country case studies from various IEG evaluations listed in appendix F.

The review has applied the World Bank Group evaluation framework embedded in ICRRs. The effectiveness of tax components (relevance and efficacy) has been assessed based on the same effectiveness criteria as for operations and using IEG evaluation evidence contained in ICRRs and relevant PPARs (see details on methodology in appendix B).

Box 1.2. Definitions

Tax Policy and Administration Thematic code 28: This includes activities aimed at improving the effectiveness, efficiency, and fairness of public revenue systems, including tax policies and tax and customs administration at national and subnational levels of government. This category also includes activities related both to the economic analysis of tax policies and to the design and functioning of institutions related to tax and customs administration as well as the links between policies and institutions, and between tax and customs.

It excludes activities related to the economic analysis of individual tariff policies (which falls under Trade and Integration) or activities that involve minor changes in tax rates or coverage, or changes in revenue administration that are not intended to affect or address systemic issues of revenue policy or administration.

Efficiency: In this note, it refers to raising revenue while minimizing economic distortions in labor, consumption, saving, and investment decisions by individuals and businesses. In some project documents, tax efficiency also refers to minimizing the cost of complying with the tax code by reducing its administrative burden.

Equity: Two criteria are essential for a tax system to be perceived as equitable—horizontal and vertical equity. Horizontal equity means that taxpayers who are similarly situated pay the same amount in taxes. Vertical equity requires that those who have greater capacity to pay bear a higher tax burden.

Source: OPCS 2011; Tuan Minh 2016.

The review has been hampered by weaknesses related to the coding of operations and the limited depth and breadth of existing IEG evaluation evidence on World Bank Group support to tax reforms (appendix B). Cross-checking with the OPCS database on prior actions and a series of PPARs covering tax issues in operations not coded for tax suggest that using the tax policy and administration theme code assigned by task managers to identify tax components probably leads to underestimating actual World Bank support to tax reforms.⁶ As a result of the limitations of existing IEG evaluation evidence, a number of the guiding questions identified in the Concept Note could not be addressed properly. The Learning Note therefore focused on the description of the tax portfolio and tax components and on questions related to development effectiveness (box 1.3). Given the subject matter, the diversity of tax reform objectives, and the overwhelming share of DPOs in the portfolio of support for tax reforms, illustrative country examples have been chosen mostly from among the DPOs targeting an increase in tax revenue collection.

Box 1.3. Guiding Questions for the Review

Descriptive questions. What are the specific tax-related objectives supported by the World Bank Group? What is the content of the tax-related programs supported by the World Bank Group? What is the results chain?

Development effectiveness. Includes two subsets of questions:

Design or relevance: On which basis taxation was prioritized? To what extent, project design was based on appropriate knowledge and diagnostic work by the World Bank or other development partners? To what extent tax reform measures supported by the operation were part of a comprehensive tax reform strategy and cognizant of a country tax system approach? What attention was given to timing and sequencing? To what extent the World Bank Group operation was coordinated at the diagnostic and design stages with other development organization support in this area including IMF, Regional Development World Banks, Euromaid, OECD, and the United Nations Development Programme?

Implementation or efficacy: Have the tax operations achieved their intended objectives? To what extent have these operations contributed to increase government revenue in a sustainable way? Are there any unintended positive or adverse impact?

World Bank Group performance: What is the World Bank Group performance in ensuring quality at entry? Supervision? In partnering with the government and other development institutions?

Borrower performance: What was the government ownership and commitment? What was the performance of the implementing agency?

Monitoring and evaluation: What are the key challenges in designing, implementing and using an effective monitoring and evaluation system at the project level? To what extent the impact of the tax reform has been evaluated? To what extent the impact of the World Bank Group contribution to the country-level results have been evaluated?

Lessons: What are the key challenges in raising tax revenue collected and key success drivers? What are the lessons for replicating good practice in other countries? What are the lessons regarding partnerships? In terms of evaluating the impact of tax reforms?

Source: IEG 2016.

¹ Over the review period, the World Bank terminology changed two times from country assistance strategy to country partnership strategy and to the Country Partnership Framework. Given these changes in terminology did not modify fundamentally the nature of the exercise, as far as domestic resource mobilization is concerned, unless otherwise mentioned, this note uses the latest terminology.

² As set out in a concordat that defined the terms of cooperation between the International Monetary Fund (IMF) and the World Bank The “Concordat” refers to the joint memorandum from the president of the World Bank and the managing director of the IMF entitled Bank/Fund Collaboration in Assisting Member Countries (SM/89/54, Revision 1 and R89-45), March 31, 1989.

³ The Commitment to Equity methodology was designed to analyze the impact of taxation and social spending on inequality and poverty in individual countries (Lustig and Higgins 2013). Led by Nora Lustig since 2008, the Commitment to Equity project is an initiative of the Center for Inter-American Policy and Research and the Department of Economics, both at Tulane University, along with the Center for Global Development and the Inter-American Dialogue. The Commitment to Equity project is housed in the Commitment to Equity Institute at Tulane. For more details, visit www.commitmenttoequity.org. It has and has been developed and used since 2008, closely working with the World Bank, Inter-American Development Bank and United Nations Development Programme.

⁴ IEG's forthcoming evaluation of Systematic Country Diagnostic and Country Partnership Framework Process will provide insights on World Bank and IFC collaboration at country level.

⁵ For five countries in the Latin America and the Caribbean Region – Colombia, Costa Rica, Dominican Republic, Guatemala, and Peru – additional material was used from the Bank's advisory and analytic work in the country, as well as work by the IMF and OECD, as listed in the references.

⁶ Vietnam: Public Financial Management Reform Investment Projects (2016); Vietnam PRSCs 6-10 (2015); Uganda PRSCs 5-9 (2015); Tanzania PRSCs 1-8; Zambia public financial management reform investment project (2016).

2. Findings

This section covers both descriptive and evaluative findings. It describes the characteristics of the portfolio and reviewed operations as well as the structure and content of tax components. The evaluative findings cover two dimensions of effectiveness (relevance and efficacy) and the quality of monitoring and evaluation. It also reviews three aspects of effectiveness of particular interest in the case of tax reforms, namely analytical and diagnostic underpinnings, synergies between DPOs and investment projects, and efficiency and equity.

Description of World Bank Group Support

Over the FY2005–15 periods, the World Bank supported tax policy and administrative reforms through 205 projects in 107 countries. These projects had total commitments of \$28.4 billion, of which \$5.4 billion targeted tax reforms. The bulk of that support was provided through DPOs, with investment projects accounting for a relatively small share of the total commitments (appendix A). Three-quarters of the DPO commitments were delivered through programmatic operations rather than through stand-alone operations. Two Program-for-Results (P4Rs) with tax components were approved and are still active and therefore are not included.

This portfolio has several notable features:

- Tax reform was a relatively minor component of most operations, predominantly in the 10–14 percent range (tax code share) and about 19 percent of total commitments (19 percent for DPOs and 23 percent for investment projects).
- About two-thirds of the commitments for tax operations were delivered by the World Bank's Macroeconomics and Fiscal Management Global Practice; the Governance Global Practice delivered 15 percent.
- In number terms, the majority of the operations were in Latin America and the Caribbean (32 percent) and Sub-Saharan Africa (30 percent). In commitment terms, Latin America and the Caribbean had the largest share (42 percent), followed by Europe and Central Asia (19 percent) and East Asia and Pacific (19 percent).
- More funds were committed to tax reforms in countries classified as middle-income at the time the project was approved than in those classified as low-income. World Bank support for tax reforms has tended to go to countries

where the tax-to-gross domestic product (GDP) ratio is between 10 and 20 percent.

IFC Advisory Services in business taxation are much smaller than World Bank operations and are usually a small part of investment climate advisory services addressing other issues related to the regulatory environment.

The review of World Bank support covers 98 closed operations for which an ICRR is available (see appendix A). The total commitments for reviewed projects amounted to \$16.8 billion, or 59 percent of the commitments for operations supporting tax policy and administration reform, while tax commitments amounted to \$2.9 billion, or 54 percent of the total tax commitments (table A.1; figure A.6).

The composition of the reviewed portfolio does not differ significantly from the overall portfolio. Among reviewed operations, DPOs accounted for 80 percent of total operations (80 operations) and 96 percent of commitments to tax reforms (\$2.8 billion). Investment projects represent 18 percent of the reviewed operations (18 operations) and 4 percent of the total tax commitments reviewed (\$122 million) compared with 36 percent and 11 percent respectively in the overall portfolio.¹ About three-quarters of DPO support to tax reforms was delivered through programmatic series in terms of both numbers of operations and commitments. (For more details see appendix A.)

Tax Reform and Domestic Revenue Mobilization

World Bank Group operations supported a variety of tax-related objectives, including increasing tax revenue. The full variety of tax objectives can be mapped to the overarching results chain described in appendix C and summarized below.

Support for tax reforms was part of operations mostly designed to meet one or more of several macro objectives: promoting fiscal sustainability and macroeconomic stability; improving private sector investment climate; strengthening export competitiveness; or improving governance and transparency in public resource management.

The type of measures supported can be organized into two categories: improving tax policy which include broadening the tax base and simplifying tax rates, and strengthening tax administration. In effect, these measures are usually not independent, especially when considering the medium and long-term development perspective – as should be the case for World Bank Group operations.

Some additional governance objectives were common, such as increasing transparency, equity, and fairness as a means to strengthen state legitimacy and effectiveness. The World Bank's interventions targeted taxation and revenue mobilization objectives mostly at the national government level and sometimes at the state level in federal states (Argentina, Brazil, India, Nigeria, and the Russian Federation). However, some few operations targeted provincial, district, and municipal governments. For example, the Peru Programmatic Decentralization and Competitiveness series supported fiscal decentralization measures at regional (25 regions) and municipal levels, which include provincial municipalities (196 provinces) and district municipalities (1,869 districts).

The reviews of DPOs conducted for this note highlighted two aspects of taxation. First, tax policy measures, by changing rates or broadening the base, help raise revenue. Second, investment climate assessments show that tax policy and administration are an element of the business environment that managers of firm report as a constraint of more than average importance to their operations. Since all firms in a country face the same tax system, tax policy and administration have the characteristics of a public good and, therefore, their provision is a matter of public governance.

Tax components in World Bank operations have been designed to further an improved investment climate or, if they seek to enhance revenue, to enable fiscal consolidation (the latter accounting for 60 DPOs out of 80; a list of which is in table B.1). The relative emphasis depended on country and context and varied over time in the same country. For example, the World Bank provided support to Jamaica² to address fiscal distress arising from the 2008 global crisis through both tax policy and tax administration measures designed to raise tax collection while increasing the fairness of the tax system. In Indonesia, tax policy and tax administration measures were used to both raise revenue and improve the investment climate with the emphasis shifting away from raising non-oil and gas tax revenue (Development Policy Loans [DPLs] 1-2) toward reducing the tax burden and enhancing voluntary compliance by strengthening tax administration to help achieve the development outcome objective of improving the investment climate and promoting investment and exports (DPLs 3-8). More emphasis to increasing non-oil and gas tax revenue was given in the subsequent programmatic Institutional, Tax Administration, Social and Investment (DPLs 1-2). Guatemala's first programmatic series featured a tax reform component that sought to improve tax collection through both tax policy and tax administration measures. The series also supported measures to strengthen customs and improve business taxation as part of an investment climate reform package designed to facilitate trade and improve export competitiveness. The second series had similar objectives with a

reversed prioritization of the creation of fiscal space through raising tax collection over growth. The third series, had an objective on strengthening tax administration and tax policy to increase tax revenue and finance social policies. Both DPO series in Peru aimed at fostering fiscal sustainability and strengthening economic competitiveness. Fiscal sustainability was to be achieved through public finance reforms including tax reforms and both series targeted an increase in tax collection. Tax policy measures aimed at broadening the tax base mostly through eliminating tax exemptions while tax administration measures aimed at improving tax compliance. In Armenia, in addition to raising tax revenue to ensure fiscal sustainability, the link in World Bank-supported DPOs was also from the reform of the administration of tax and customs to strengthening governance.

Investment projects supporting tax and customs administration reforms aimed to improve effectiveness and efficiency of public finance administration, though not specifically increasing tax revenues (list in table D.4). They indirectly served the general goals of tax systems, such as collecting financial resources, promoting private investment and employment, and increasing transparency, accountability, and fairness. Improving the effectiveness and efficiency of tax administration was expected to reduce the cost of compliance for taxpayers and public revenue administration, while also reducing tax evasion and tax avoidance and providing a level playing field for business. Out of the 18 project reviewed, only 2 had an explicit tax collection target (Cambodia and Philippines).

IFC Advisory Services on business taxation were typically packaged with services designed to improve business regulations and the investment climate and were unrelated to increasing tax revenues (see appendix E, table E.2). The business taxation components aimed to reduce costs and time to comply with tax regulations related to corporate income and other profit taxes, as well as social contributions and labor taxes and sometimes other taxes paid by the employer as well.³ These interventions included the creation of tax brackets, reducing frequency of reporting from monthly to quarterly, combining taxes, rationalizing administrative processes – through elimination of duplicate inspections by tax authorities, simplification of code, and providing “commentary” to improve comprehension or reduce uncertainty – introduction of information technology and mobile methods of payment, and introduction of taxpayer appeals systems.

Given the short-term nature of IFC Advisory Services, the links with macro and broader development objectives were rarely made. For instance, the link with improved firm-level productivity was not made in Albania. Similarly, the link to increased investment from domestic and foreign sources was not made in Albania or Republic of Yemen. Except for Rwanda and the Republic of Yemen, the IFC projects

did not explicitly link project activities to the objective of increasing government revenue. Even then, these macro objectives were not tracked under the project monitoring and evaluation (M&E) system and there were no results chains or counterfactuals.

Given the subject matter, the diversity of tax reform objectives, the overwhelming share of DPOs in the portfolio of support for tax reforms, and because support to business taxation reforms has already been evaluated as part of the investment climate evaluation, the rest of this chapter focuses on support to increasing tax revenues through DPOs (World Bank 2015 a). In particular, illustrative country examples have been chosen from among the 60 identified DPOs targeting an increase in tax revenue collection to reflect the diversity of country contexts, regions, and time periods (preglobal crisis, FY2005–08; crisis response, FY2009–10; and postcrisis, FY2011–15). To avoid duplication with other IEG evaluation work, no country example has been selected from among fragile and conflict-affected situations or resource-rich developing countries. However, to allow for meaningful comparisons in the Latin America and the Caribbean Region, countries with significant natural resources, such as Colombia and Peru, have been included. The 13 illustrative country examples and the corresponding 36 reviewed operations are highlighted in table B.1.

The review of tax components in investment projects is in appendix D and the review of Business Taxation in IFC Advisory Services is in appendix E.

Relevance

Among the reviewed operations, especially for tax components that aimed to raise tax collection, the relevance of objectives was usually substantial and relevance of design was modest. Though the assessment of relevance in ICRRs typically applies to an entire operation, it is usually possible to infer the relevance of the tax components, especially where the component was part of flagship programmatic DPO series under the country partnership strategy or taxation was a significant project development objective. In such cases, the ICRR has a more substantial discussion of how it arrived at the overall rating, even if the tax objective is not separately rated. This is usually the case when the tax component was aimed primarily at raising tax revenue to improve fiscal sustainability or to increase or maintain fiscal space for priority public expenditure.

For most of the reviewed operations, the relevance of objectives was substantial or higher. Generally, the DPOs, especially when part of a programmatic series, were

flagship operations and were well aligned with the government's reform program and, where they existed, with poverty reduction strategy programs. Where that was true, there was little question about the relevance of objectives. This was the case for the Indonesia DPL series, the Armenia Poverty Reduction Strategy Credit (PRSC) and DPO series, as well as the Mozambique PRSC series.

Guatemala illustrates the point regarding the relevance of tax objectives derived from the prominence of tax objectives in the country development strategy. Raising tax revenue collection to fund an increase of public expenditure has been a prominent reform objective since the 1996 peace agreement that ended 30 years of civil war. The peace agreement even set a quantified goal: raise tax collection from 8 percent of GDP to 12 percent. In addition to a very low structural tax ratio, Guatemala does not have any natural resource sectors to contribute to government revenue.

The World Bank supported these objectives through a series of operations over FY2005–15. The program included three flagship programmatic series with the importance of the tax component increasing from a 14 percent share in the FY2006–08 Broad-Based Growth DPL series to 33 percent in the FY2009–10 Fiscal and Institutional DPL series and 50 percent in FY2013–14 Fiscal Space for Greater Opportunity DPLs (table B.1).

The support to tax reforms aimed primarily at raising government revenue to create fiscal space for higher public expenditure, including public investment to accelerate growth and higher pro-poor expenditure during the global economic crisis as tax revenue declined. Raising tax revenue was a major outcome objective in each of the seven operations and tax-to-GDP ratio was an outcome indicator. In the FY2013–14 Fiscal Space for Greater Opportunity DPO, raising tax revenue was a project development objective – “strengthening tax administration and tax policy.” Creating fiscal space is still an outcome objective in the ongoing FY2013–16 Country Partnership Strategy; its results framework was significantly revised and consolidated in the Performance and Learning Review to focus on three objectives, including enhancing tax administration.

The design relevance of tax components focused on tax administration measures was generally substantial but weaker when including tax policy measures. Moreover, while relying mostly on the tax administrative reforms was often realistic and increased the chance of success, it rarely addressed the major weaknesses of the country tax system in terms of capacity to raise adequate tax revenue, or improve efficiency, and equity.

Guatemala's experience also illustrates these points. Political opposition to comprehensive tax policy reform was strong and vested interests were aligned to maintain the status quo. Under the circumstances, the DPL series never sought comprehensive reform and relied mostly on strengthening tax administration. The relevance of the overall operation design was substantial in the first two series but the ICRRs offer little information on the tax components, possibly because their share of these operations was relatively small. Even if the tax-related objective of the FY2013-14 series included strengthening tax policy, the ICRR argues that this subobjective was not clearly defined and suggests that the government's primary objective was to raise tax collection through tax administration measures, not to address economic efficiency and equity. Moreover, according to the ICRR, the relevance of the design was modest because until the longstanding governance problems that impair tax collection are addressed, technical and institutional reforms like those supported by the DPOs would have only limited impact. The ICRR finds that the program design did not contain any significant activities related to this governance issue.

In the Jamaica DPL series, the policy measures consisted largely of structural and institutional measures involving multiyear sequences and could not have been expected to affect near-term fiscal performance. The ICRR found that the operation underestimated capacity and institutional constraints in implementing a demanding program.

In Colombia, two DPO series (seven operations) aimed primarily at increasing tax revenue to reduce the fiscal deficit and improve fiscal sustainability through a combination of tax policy and tax administration measures. Some tax reform measures supported by these operations also targeted reductions in economic distortions stemming from the tax system to improve competitiveness and reduce the cost of labor as a way to strengthen economic growth (see appendix B, table B.1).

While the relevance of objectives was high, shortcomings in the design of tax reform components in Colombia were repeated over time: extremely complex operations with multiple and quite disparate objectives mirrored in diverse conditions; overall direction of tax policy reforms not fully and clearly defined; and unclear links from tax policy actions to program objectives, including some policy changes or reversals contrary to the tax reform objectives and other internal inconsistencies. For the most recent stand-alone operation (FY2014), many of the complex and highly technical reforms would suggest structuring the operation as a programmatic series to sustain dialogue and allow more time to achieve meaningful results, which was not the case as no follow-up operation was envisaged.

Efficacy of World Bank Support in Raising Tax Revenue

Given that World Bank Group support to tax policy and administration reform was delivered as part, often a minor part, of broader operations, the ICRs and ICRRs do not separately assess the effectiveness of tax components except when they constitute a separate development objective. As indicated, to get an overview of the results of World Bank support, all ICRRs of identified operations have been reviewed and the evaluative material available has been used to assess the efficacy of tax reform components. For World Bank operations, success is defined in the Learning Note as the efficacy of the tax component or, following the World Bank's evaluation framework for operations embedded in ICRs and ICRRs, the extent to which stated outcome objectives of these tax components were achieved.⁴

The tax components of DPOs seem to have been less successful than the overall operation of which they were part. Tax objectives were achieved in 72 percent of DPOs while 81 percent of these operations met their objectives.

DPOs that focused on raising tax revenue through tax administration measures were mostly successful at national and subnational level; those that supported tax policy to raise tax collection or improve tax system efficiency or equity were less successful. As the evaluative material on prior actions is often limited in ICRRs, this has been supplemented by a review of OPCS database on prior actions which are also coded by OPCS for tax policy and administration theme. A selection of successful and unsuccessful examples follows.

EXAMPLES OF SUCCESS

Prior action on tax administration in the Paraguay DPL required the tax office to improve its capacity to audit large taxpayers and to increase the number of large taxpayers audited. The results expected from these actions were achieved: of the large taxpayers audited, the government conducted additional assessments on 75 percent, exceeding its goal of 70 percent; and the tax-to-GDP ratio, subject to available information, met its target.

Enhancing revenue generation capacity was a subobjective of Mozambique's second PRSC series (PRSC 3-5). A Central Revenue Authority that integrates the general administration of taxes and customs in a single entity was created (PRSC 3 prior action) by law and regulations in September 2006 and became operational in November 2006. Project development objective indicators (Creation of the Central Revenue Authority and increase revenue as a share of GDP) were met; revenue-to-GDP ratio reached 17.8 percent in 2009 against a target of 16.8 percent and compared with a baseline of 15.6 percent in 2006. Tax reform implementation was good and

characterized by continuous efforts to improve the efficiency of the tax administration, consolidation of taxes, and modernization of customs procedures to facilitate trade. As part of the reforms, the 2007–2010 Information Technology Plan (PDTI) for the Central Revenue Authority provided for the development of an adequate system to manage and control information that supports all taxes (Prior Action PRSC 4). Tax legislation was also strengthened following the December 2006 approval of new legislation on the fiscal regimes for the mining and oil sectors, the new laws became effective in mid-2007 and regulations have since been approved to implement them. In December 2007, parliament also approved new tax laws on value-added tax and personal income tax. The new value-added tax (VAT) Code simplified the previous code and clarified the list of VAT-exempt transactions and exemptions for specific goods. The new Personal Income Tax Code simplified the system of direct income taxation, and updated the income thresholds and tax brackets. Without detailed analysis of the impact of tax reforms, it is not possible to attribute the increase in revenue-to-GDP ratio solely to tax reforms as other important factors affect government revenue especially in a resource-rich country. It also not possible to attribute progress to specific tax reforms and/or donor interventions.

Under Guatemala's first and second DPO series, substantial progress was made in improving tax administration. Under the first series, the number of taxpayers increased and the percentage of late filers of VAT and income tax for large and medium taxpayers fell. Under the second series, a number of actions were taken: software was introduced for electronic submission of income tax withholding for firms to ease paperwork requirements; electronic submission of income tax withholding declarations was mandated; cross-checks between VAT declarations and income tax submissions were performed; and a customs management system on imports and exports, was implemented in major ports accounting for at least 30 percent of Guatemala's total customs traffic. However, there is little information on progress made in meeting some outcome indicators. For instance, progress on reducing VAT evasion was not reported. In both series, the ICRRs reported achievement of a tax-to-GDP ratio target, but attribution to World Bank-supported tax measures cannot be ascertained. Under the first series, the tax revenues, which were to equal or exceed 11 percent of GDP, increased from 11.5 percent of GDP in 2005 to 11.9 in 2006 and 12.1 percent in 2007. But because of the financial crisis, tax revenues, especially customs revenues, fell to 11.3 percent of GDP in 2008. Under the second series, the tax-to GDP target had to be revised to not falling below 10.4 percent.

Highly successful fiscal reforms were implemented in Orissa State of India. Revenue increased from 6.3 percent to 9.2 percent of the state's GDP. The rise in the ratio of

tax revenue-to-GDP resulted from multiple factors: systematic efforts to modernize the tax administration, which led to an increase of the state's revenue from 5.6 percent of its GDP in 1999–2000 to 9.2 percent in 2007–2008; anticorruption measures that contributed to improved tax compliance; the increase in central tax revenue and of the share of poor states; and investment climate reforms that led to an acceleration of private sector-led growth and buoyant revenue collection. While these developments are encouraging and are a good example of the value the World Bank can add in large federal countries where subnational engagement can be critical to delivering assistance, the ICRR notes that Orissa's strong fiscal and economic performance in the period reviewed cannot be attributed solely to the project.

LESS SUCCESSFUL EXAMPLES

Under two programmatic series in Peru, the tax-to-GDP ratio increased nearly as targeted. However, limited progress was made in eliminating tax exemptions; the main tax measure supported by the programs underpinning these targets. Furthermore, without an evaluation of the contribution of tax reforms implemented, it is not possible to disentangle how much of the variation in the tax ratio is due to variations in mineral prices, making it difficult to attribute any improvement to tax measures supported by the operations.

Modest progress was made in increasing non-oil tax revenue collection and improving tax system efficiency under Colombia's second DPO programmatic series. The Implementation Completion and Results Report (ICR) indicates that the value of the non-oil tax revenues relative to GDP – 12.9 percent in 2013 – was below the revised target (13.5) but above the initial one (12.5). This modest improvement is attributed to the elimination of tax credits for investments, as well as to closing loopholes in the financial transaction tax. However, the ICR does not provide information on the status of an expected phase-out of the financial transaction tax (a major distorting tax introduced during the first DPO series) and the wealth tax or on the impact of new tax initiatives not supported by the operation on tax performance.

It is too early for a definitive assessment of Colombia's 2012 tax reform supported by the FY2014 stand-alone DPL, but the impact on equity seems likely to have been positive though modest. Among its other provisions, the tax law passed in December 2012 amended the income tax schedule to make it more progressive, lowering effective rates for the bottom 99.6 percent of tax payers and raising them for the top 0.4 percent; introduced revenue-neutral changes to the VAT with a higher rate on luxury goods; introduced a new corporate profits tax; and reduced payroll taxes for low wage workers to stimulate formal sector employment.

A performance indicator measuring direct taxes paid by the top 0.4 percent of income earners was not reported. However, government data show a modest rise in effective tax rates for the top 30 percent of earners and a sharp fall for the bottom 10 percent. Also, the share of income tax revenue paid by the top 10 percent rose from 56.8 percent to 58.4 percent. Such results strongly suggest a more equitable tax burden. At the same time, effective income tax rates remain very low, limiting the overall redistributive effect, while taxation at the very top of the income distribution remains highly regressive. Changes in the VAT are thought to have had little distributional impact and no data are presented about collections from the luxury tax. Revenue from the new corporate tax reached 1.6 percent of GDP in 2014, well above the target of 0.6 percent. The incidence of the corporate tax reforms is not known, though likely the impact on equity was positive. According to official data from the National Statistical Office, the Gini coefficient declined from 0.538 to 0.522 in 2012–15, while simulation studies and labor market data indicate a shift of employment from the informal to formal sector.

After decades of tax reforms in Colombia, the main structural tax problems are still prominent and non-oil tax collection remains low by international and regional standards. Tax revenue-to-GDP ratio was estimated at 14.5 percent in 2015, below the precrisis level (15.2 percent). In their latest country reports, the OECD and the IMF urge Colombia to undertake comprehensive reform of the tax system to increase fairness, growth, and revenues (OECD 2015, IMF 2016 a). Increased tax collection could be achieved by reducing tax evasion—estimated between 2 and 4 percent of GDP (OECD 2015)—and reducing or eliminating distortionary tax exemptions estimated at 1.5 percent of GDP (IEG crisis response evaluation Colombia case study, World Bank 2010).

Jamaica's tax reforms made limited progress due to backtracking and difficulties in implementation. In all three DPOs, tax policy and administration improvement was a separate development objective. Tax administration has improved, but no progress has been made in tax policy reform and in improving uniformity of the tax code. The stated intention of the government to move away from industry-specific incentives to a more general system, and to gradually reduce their amount as part of the comprehensive tax reform, has not been met. Total discretionary tax exemptions and statutory waivers, a major cause of low tax revenue collection, exceeded revenue collected in 2011.

The reform program reflected the government's agenda and priorities at the time the operation was designed, and the World Bank operation helped catalyze these reforms with technical and financial assistance. The Ministry of Finance made considerable efforts to move the agenda forward, but that effort was adversely

affected by the government's inability to focus on the reform agenda in the run-up to elections. Moreover, pending legislation had to be resubmitted after the opposition won the control of parliament by a landslide and a new government was formed in January 2012. These events illustrate the inherently political nature of tax reforms. Despite this, it is difficult to explain why progress was slow in some areas that were well under the government's control such the preparation of a white paper on comprehensive tax reform. Tax collection agencies were merged into the Tax Administration of Jamaica, but this agency is yet to become a semiautonomous authority as envisaged under the DPL program. This is due to the need to resubmit related legislation to the new government. Progress in raising tax revenue and improving fiscal sustainability was marginal.

Monitoring and Evaluation

Successful M&E practices in operations include reliance on strong government monitoring systems, alignment with the government results and monitoring frameworks, and harmonizing with donors providing budget support. While a strong World Bank team in the field facilitates good monitoring, challenges remain, including data limitations and inadequate monitoring frameworks to track results linked to institutional capacity limitations.

While M&E was integral to the first (DPL 1–4) and second (DPL 5–6) programmatic DPL series in Indonesia starting in FY2005, the ICRR for the first operation notes that results frameworks and a detailed discussion of M&E were not widely used in World Bank operations at that time. But by the sixth DPL the quality of M&E had improved. The M&E framework relied on government statistics and surveys, while the presence of a strong World Bank team in the field allowed for close monitoring of the program overall.

The ICRR for the first Mozambique programmatic PRSC series notes that the monitoring framework was well formulated in the program matrix for the operation. However, indicators were not developed well enough to gauge the impact of many of the reforms supported by the series. The quality also improved over time. The ICRR for PRSC5 notes that the indicators and actions were aligned with a subset of the government plan for reducing absolute poverty selected by government and donors group providing budget support. Thus, the PRSCs remained consistent with the government's own monitoring framework and aligned with the donors who provided general budget support. However, although a number of monitoring instruments were adequate to track the implementation of measures and main outputs, they fell short of allowing the measurement of results.

Further improvements in institutional capacity were needed to strengthen the mechanisms for M&E and the government's capacity to coordinate the overall M&E framework and improve results orientation.

M&E was negligible for Armenia's programmatic PRSCs. While M&E design did a commendable job of providing baseline and target values for most of the indicators, the target values were unrealistic in many cases and a good many had to be dropped after PRSC2 and some target values had to be revised. Monitoring of progress in program implementation was done by the World Bank while ascertaining compliance with triggers for the subsequent operation, but the monitoring was hampered by data difficulties. The analysis of the results framework suggests that not enough attention was paid to collecting, analyzing, and using the data on results indicators systematically.

M&E quality improved slightly in the subsequent DPO series in Armenia. But the monitoring framework was still insufficient for tracking results. A number of results indicators inadequately measured the intended outcomes and some objectives could not be thoroughly assessed due to their poor definition. The ICR offers little discussion of the use of data to either improve results or guide policy.

Some M&E challenges were more specific to tax reform components and present in almost all operations that were reviewed. Colombia exemplifies the limitations of the tax-to-GDP ratio as an outcome measure and of confining M&E to monitoring prior actions and progress indicators. In Peru, while tracking of progress indicators and actions was good, tracking of results was less successful and little evaluative material is available to explain why objectives were or were not achieved. Guatemala's FY2009-10 programmatic DPL series is a rare case where specific indicators were added to measure the direct effect of tax administration improvements.

Beyond monitoring prior actions and triggers, M&E of progress in tax reforms in the context of Colombia's DPOs has been hampered by several limitations: lack of comprehensiveness; lack of evaluation of the impact of various measures on tax collection; insufficient time to allow for the full impact of tax measures to materialize. The tax-to-GDP ratio was too broad to assess the impact of tax reforms on tax collection. It was improved in the second series, which focused on non-oil tax-to-GDP ratio. As for monitoring progress in increasing the equity of the tax system, indicators proposed in the last DPO were not reported in the ICR.

The 2008 PPAR on the first series demonstrates how assessing efficacy on the basis of compliance with prior actions and shortsighted progress indicators or weak outcome

indicators such as the tax-to-GDP ratio can be misleading. While all ICRRs (except for the fourth DPO) found that tax reform and administration objectives were achieved, the PPAR found a lack of progress on tax reforms supported by the operations.

While the central government had made a serious effort to increase tax revenues since the early 1990s, with good results – tax revenues rose from 10.3 to 14.9 percent of GDP over 1995–2005 – this improvement could not be attributed to the DPO series.

According to the 2008 PPAR, most of the increase in the tax collection beyond the increase related to the acceleration of economic growth resulting from improved terms of trade, would be explained by the very rapid improvement in tax administration supported by a World Bank technical assistance project rather than by the structural tax policy reforms supported by the DPO series which did not lead to significant improvement of the tax system. While the government complied with the formal conditions by enacting the 2002 and 2003 tax reform laws⁵, one of the laws left in place most of the existing distortions in the tax legislation and the other worsened the deficiencies of the system by increasing the tax on financial transactions.

The quality of M&E in Peru's second DPO series was high. According to the ICRR, it relied on an extensive and strong government M&E system, which is also used by other donors. The World Bank monitored actions and reviewed implementation progress based on various sources published by independent institutions. The ICRR says nothing specific to the tax component but the discussion in the efficacy section reports that there was no monitoring of the indicators that would have allowed (i) an analysis of the results, (ii) an estimation of the impact of tax reforms, and (iii) their contribution to the fiscal sustainability objective. Thus there is no evaluative material to explain why progress on eliminating tax exemptions, one of the main tax objectives, had been so limited.

The quality of M&E of Guatemala operations was substantial. The monitoring of progress toward the targets and of actions to be taken was good. However, as the reviewed ICRRs often noted, it focused on output rather than outcomes, thus providing limited evidence to inform or measure the expected benefits. On tax reform objectives, the ICRR for the third series provides some useful insights. The replacement of tax-to-GDP ratio in DPL1 by the income tax-to-GDP ratio in DPL2 to measure progress in strengthening tax policy and administration and raising tax collection was inappropriate as the tax reform covered both direct and indirect taxes as well as overall tax administration. The ICRR advocates keeping the broader measure (tax-to-GDP ratio) and complementing it with specific targets for both the direct tax ratio and the indirect tax ratio, as well as tax collection efficiency indicators such as tax collection-to-tax administration cost ratio. The indicator on

the number of taxpayers could have been better defined to allow comparison with prior rates of increase and to isolate trend effects.

On the positive side, monitoring has been used to conduct a number of activities to better understand the impact of reforms, including analyses of the quality of tax administration, and tax compliance. However, the results of these analyses have not been reported in the ICR or in the ICRR.

Analytical and Diagnostic Underpinnings and IMF and World Bank Collaboration

A substantial body of analytical and diagnostic work typically informed the design of DPOs, but there is little or no reference to such work on tax policy and administration issues in ICRRs. Most of this work may have been done by the IMF, especially for countries with an IMF program or where there was a specific tax revenue mobilization objective. In those cases, prior actions on taxation might have been based on analytical work by the IMF.

In both the Armenia PRSC1 and the Mozambique PRSC1, the ICRRs do not mention any specific analytic work related to taxation. Although the Armenia operation was based on a public expenditure review, poverty assessments, and a transport sector review none mentioned taxation. The Mozambique operation was also based on extensive analytic work but none of it, including a country economic memorandum that might have been expected to mention it, covered tax-related issues.

In most other countries, especially when there was an IMF program, it is usual for tax diagnostic work to be done by the IMF and the prior actions on taxation in DPOs implemented in conjunction with IMF-supported programs might have been based on the IMF's own analytical work. Overall, 70 percent of the reviewed operations with an objective to raise tax collection at the national level were implemented in parallel with an IMF program.

Unfortunately, very few ICRs or ICRRs refer to World Bank collaboration with the IMF or other donors on tax reforms, particularly the use of diagnostics, advice, policy dialogue, or technical assistance. According to IMF reports and IEG PPARs, the IMF led this work for stand-alone crisis response DPLs with no World Bank follow-up macro-fiscal operations, such as in Costa Rica and Dominican Republic, but also in countries where the World Bank has supported tax reforms over a longer period, such as Peru and Colombia.

Costa Rica has had no follow-up operation to the 2008 crisis response stand-alone DPL that targeted an increase in tax revenue. All recent diagnoses highlight the

urgent need for fiscal consolidation, which would require raising tax revenue collection. According to its May 2016 Article IV report, the IMF continues to provide policy recommendations on macro-fiscal issues, including the strategy of fiscal consolidation and tax reform with no mention of a role for the World Bank in these areas (IMF 2016 a).

While the IMF Stand-By arrangement in the Dominican Republic expired in 2012 and the latest Article IV review was concluded in 2013, the IMF is providing capacity building and technical assistance, including on strengthening the revenue base and on customs administration (IMF 2013). Also, the 2013 PPAR highlighted the critical role that the IMF played in monitoring and supervising macro-fiscal policies and providing advice on tax reforms under the World Bank's DPL.

Peru benefited from an IMF program, which provided a sound macroeconomic framework. The World Bank worked closely with the IMF at all stages. The dialogue concentrated on the macroeconomic background, setting of triggers, and assessing risks, and estimating fiscal implications of the World Bank's operations. Tax issues were analyzed in the 2002 public expenditure review and the ongoing Systematic Country Diagnostic covers a diagnosis of the tax system on both efficiency and equity dimensions. In between, the thrust of technical assistance and advice on tax reforms seems to have been provided by the IMF or donors other than the World Bank.

The 2008 PPAR for Colombia's first DPL series concluded that most significant progress in strengthening tax administration had been achieved with the support of technical assistance projects funded by the World Bank and other donors, in particular, the Inter-American Development Bank and IMF technical assistance and advisory services rather than as a result of tax policy changes supported by DPOs. ICRRs of more recent DPLs are silent on the technical assistance and advice provided by the IMF and other donors. Such IMF support is apparently quite significant. For instance, the most recent IMF Article IV report (IMF 2016 a) indicates that for the past two years, it has conducted six technical assistance missions on tax policy, custom administration, tax administration, 2012 tax reform, and attention to new challenges for tax policy (IMF 2016 a). While the 2015 Systematic Country Diagnostic for Colombia covers tax policy and administration issues, it refers mostly to other external sources rather than in-house work, in particular OECD 2015.

The Indonesia DPL series present a rare case where there was no parallel IMF program. The series, for which public expenditure, financial management, and procurement were the dominant themes, sought to support reform efforts in strengthening public financial management and enhancing poverty alleviation and

service delivery, with the public financial management objective calling for prior actions in tax administration designed to improve tax compliance.

Although it had no program at the time, the IMF's 2013 Article IV report for Indonesia observed that "recent market volatility and reserve losses highlight the need to deal decisively with macroeconomic imbalances and contain financial stability risks." These macro-fiscal risks were recognized in the DPL program documents, which argued that the macroeconomic framework was adequate, as the World Bank was dealing with macroeconomic issues through another (unspecified) operation.

However, the analysis of the macroeconomic basis for the operation in the ICR is described by the ICRR as being quite limited. Moreover, the ICRR takes the view that given the DPL series focus on public finances, and the fact that tax administration formed part of its title, the program should have included stronger tax policy measures to further increase revenues noting that this had become a primary focus of the government.

Synergies between DPOs and Investment Projects

The reform of tax policy and administration requires a combination of changes in policy and more time-consuming changes in the institutions tasked with implementing them. The World Bank's support through most DPOs had a broad policy agenda going well beyond tax reform. To a much lesser extent, its support through investment lending was designed to develop institutional capacity, including that required to implement tax reforms. Support to capacity building also took the form of nonlending technical assistance. However, IEG does not evaluate such nonlending technical assistance.

There is little evidence of substantial positive synergies between DPOs and investment projects focused on tax reforms. First, very few countries in the reviewed portfolio had DPO series and investment operations that overlapped. Even extending the review period for investment projects to those that closed over FY2005-15, only few have overlaps. Second, when there was an overlap, the investment project usually preceded the DPL series (Colombia, Guatemala, São Tomé and Príncipe, and Pakistan). In no case did an investment project specifically support a DPO series.

This limited experience summarized below supports several observations: an investment project in parallel with a DPL may help; an investment project preceding a DPL may inform the design of the tax component or support the implementation of the DPL series; potential synergies between the investment project and the DPO

have not been fully exploited; and potential synergies have been mooted by the lack of government ownership.

In Armenia, an investment project in parallel with a DPL may have helped. The thrust of the series was on regulation and competition policy. But tax policy and administration also was considered important. A commendable feature of the PRSC design was that it did not shy away from taking on Board reforms that were badly needed but faced opposition from vested interests, such as the reform of the tax and customs administration.

The Armenia's PRSC design was also well integrated with other lending and analytical activities supported by the World Bank under the country assistance strategy. In many areas, such as education, health, irrigation, and utilities, the PRSC supported policy and institutional reform, while investment operations in those areas financed infrastructure and technical assistance. Notwithstanding the declared importance of tax policy and administration, however, no World Bank-financed operation was designed to enhance capacity in tax and customs administration.

Overall progress in strengthening Armenia's tax and customs institutions was modest at best. Several of the institutional reform initiatives supported under the PRSCs—introduction of a self-assessment system, streamlining of the large taxpayer unit, and direct trader input—were slow to take off and were still to be fully mainstreamed by early 2010 when the ICRR was posted.

Progress under a subsequent DPO series supporting the adoption of international management standards to improve public sector efficiency and effectiveness in tax, customs, and public expenditure management was also modest. The slow progress reflects not only the complexities of the underlying institutional reforms but also, and more important, pushback from vested interests. According to the ICR, the prevalent perception was that tax administration has improved, but not significantly so.

While, the evaluative material does not support a clear inference that an investment project to strengthen capacity in tax and customs administration in parallel with the PRSC series would necessarily have yielded better outcomes such an operation could have been an additional instrument in the World Bank's arsenal.

In Guatemala, the tax components objectives of both the first DPL series and the investment project which was approved eight years before, were substantially achieved. Given the sequencing, the DPL series, which targeted mostly tax administration strengthening, may have built on progress made under the preceding investment project and may have used knowledge gained through the

implementation that project to design the tax component supported by the first DPL series.

Colombia's first DPL series was implemented in parallel with a public finance technical assistance project designed to support the strengthening of the tax and customs administration and public expenditure management. The DPO series had a tax administration improvement component. The actions supported by the program were taken from the modernization plan of the National Tax and Customs Office at the Ministry of Finance, which was supported through the World Bank-funded investment project. According to the 2008 PPAR, most significant progress in strengthening tax administration had been achieved with the support of the World Bank and other donor-funded technical assistance projects and IMF technical assistance and advisory services rather than as a result of tax measures supported by the DPOs.

The São Tomé and Príncipe DPO was designed to complement and support the investment project. In seeking to introduce a simpler and more equitable tax system, the DPO supported legislation creating new personal and corporate income tax codes, both of which were adopted in 2009. The legislation set a rate on corporate profits of 25 percent and established progressive personal income tax rates covering all sources of income. The investment project, which aimed in part to increase the capacity of the ministry of planning and finance to collect tax revenue, was able to strengthen revenue administration using the new tax codes and procedures resulting from the DPO prior actions. The tax-to-GDP ratio increased by 3 percentage points between 2005 and 2012.

This highlights the importance of DPLs in providing leadership on policy change. Some of the DPO prior conditions removed bottlenecks that had impeded the implementation of the investment project for three years. However, given that the technical assistance project had been approved much before the DPO, it could not play a supporting role relative to the DPO. The scope of the DPO was deemed too ambitious, given the limitations of the country's institutions, and its overall design failed to adequately address institutional weaknesses. Potential synergies between the DPO and technical assistance investment project were not fully exploited.

In Pakistan the tax content of a single-tranche DPO was very high (30 percent). Originally conceived as part of a new PRSC series, the DPO was converted to a stand-alone operation late in the processing cycle. The tax content of Pakistan investment project was also high (40 percent). However, their implementation overlapped by only a year: FY2005–12 for the investment project and FY2010–11 for the DPO.

The tax aspects of the investment project aimed to improve organizational efficiency and effectiveness of revenue administration, promote compliance through strengthened audit and enforcement capacity and transparent and high-quality tax services, and improve integrity and fairness of tax administration. These objectives were far-reaching and ambitious and the project was substantially restructured and scaled down in FY2011, a feature that further limited synergies with the DPO.

The project resulted in an increase in the number of taxpayers, reduction in customs clearance time, and improved efficiency in completing administrative appeals. However, resistance to reform, in particular an inability to secure consensus within the government for a broad-based VAT, is cited as a factor compromising efficacy. In fact, the tax-to-GDP ratio was lower at the completion of the project than in 2004.

The DPO, in addition to tax policy and administration, had debt management and fiscal sustainability as its other major theme. Its implementation was marked by half-hearted execution of the key actions needed to reduce the fiscal deficit, with frequent delays and backtracking due to resistance by vested interests. Consequently, it was not successful. There is no indication of synergies between the two World Bank projects and, in any event, lack of government ownership rendered the question moot. Under the circumstances, it is doubtful that better coordination between the DPO and the investment project would have made much difference.

Efficiency and Equity

Efficiency. Conspicuously missing from ICR reviews of World Bank DPOs that include tax policy and administration is any reference to actions to improve the efficiency of the tax system. While consideration of such choices may not be available to policy makers in the context of a single budget support operation triggered by an emergency, such as the 2008 global economic crisis, improving the structure of the tax system would have been expected in programmatic DPO series that are spread over several years or even decades.

Among the DPOs that supported an increase in tax collection, very few aimed at doing so while reducing tax system distortions. For those very few operations that aimed at increasing tax revenue while improving tax system efficiency, none monitored or reported on progress toward achieving efficiency targets. In Latin America and the Caribbean countries, many of the DPOs supported an increase in the tax ratio through a mix of tax policy and tax administration measures that in most cases, with Colombia being a notable exception, included measures and prior actions providing for the elimination or at least reduction of tax exemptions, a measure that

would have de facto contributed to reduce economic distortions and improve efficiency. These attempts largely failed.

One Jamaica DPO was to reduce distortions and enhance the efficiency of the tax system. However, the policies incorporated in prior actions to accomplish that objective called for measures to reduce compliance costs and bring more corporate and personal income taxpayers into the system. Increased ease of compliance, desirable though it is in its own right, is different from the notion of whether the tax system raises revenue at the lowest possible distortionary cost, which is the standard notion of efficiency of the tax system.

Indeed, the ICR noted that uniformity of the tax system had not been achieved in the earlier stand-alone DPO, hence leading to the adoption of a uniform tax code as a prior action in the DPL series that followed. This is not surprising in the context of a single budget support operation. But neither was uniformity achieved by the end of the follow-up programmatic DPL series. The ICRR noted that large waivers and exemptions continued. The evaluative material for the three DPLs does not explain what is meant by uniformity of the tax code. But the context suggests that nonuniformity referred to ad hoc exemptions introduced during implementation of the tax reform; a feature that, with the exception of supplementary excise taxes on items such as alcohol, fuel, and tobacco, would also be ruled out by an efficient tax system.

Both Peru DPL series aimed at making the tax system more neutral (less distortionary) and stable (more independent from mineral price cycles) through tax policy and tax administration measures targeted at eliminating tax exemptions. Tax policy measures focused on broadening the tax base by eliminating sectoral and regional tax exemptions.

Under the first series, tax collection had been increasing steadily and reached 15 percent of GDP in 2006, well above the program target of 13 percent of GDP. However much of the improvement was attributed to high mineral prices and the objective of eliminating sector tax exemptions was only partly met. According to the ICRR of the second series, substantial progress was made toward making the tax system more neutral and stable, suggest modest progress. The target for central government tax revenue to increase from 13.6 percent of GDP in 2005 to 16 percent end-2011 was formally met (15.5 percent end-2011), but this represented only a 0.5 percentage point increase compared with the level in 2006. The ICRR also noted that tax revenue fluctuated between 14 and 16 percent of GDP over 2007–11, which was relatively low compared with countries at a similar stage of development. Moreover, progress on eliminating tax exemptions was limited as even though some exemptions in certain

regions were eliminated, new ones were added. In any case, actual progress in reducing exemptions was not monitored and not reported in the ICRR.

Equity. ICRRs of World Bank DPOs that include tax policy and administration do not refer to improving equity of the tax system. As for tax efficiency, very few operations had equity as an explicit or implicit tax objective. The exceptions are a Jamaica stand-alone DPO (FY2005) and a Colombia stand-alone DPO (FY2014), and these provide little insight.

The Jamaica FY2005 DPO supported a tax reform package designed to reduce the unfairness of the income tax system toward lower-income groups by supporting measures that raised the tax threshold by over 35 percent and increased rates for high-income earners. They also imposed taxation of dividends, presumably in the fields of this being a form of withholding tax on shareholders, who would typically be higher-income earners. These actions would have had the effect of increasing the progressivity of the personal income tax. Customs duties and license fees on selected luxury products were raised as well. The ICR does not provide sufficient evidence of whether changing rates reduced the tax burden on lower-income groups. According to the report on the poverty and social impact of fiscal reforms (World Bank 2012), the impact of tax reform on poor households was limited due to excise taxes affecting items that are by and large demanded in larger proportion by better-off households.

The Colombia stand-alone DPL of FY2014 aimed at improving the progressivity of the tax system and reducing the cost of formal employment creation. As indicated above, while it is too early for a definitive assessment of the 2012 tax reform, the ICRR concludes that the impact on equity seems likely to have been positive though modest. While encouraging, these results would need to be consolidated and confirmed in particular through follow-up operations, a perspective that was not discussed in the ICRR.

¹ Given that on average investment projects have a life of over 6 years, the filter applied for selecting operations to be reviewed or being approved and closed over the FY2005–15 tend to limit the number of investment projects reviewed.

² The first DPL – the Fiscal and Debt Sustainability DPL – was a single-tranche standalone operation but the government’s medium-term reform program was ultimately supported by this and the two succeeding First and Second Programmatic Fiscal and Debt Sustainability DPLs. Thus, the three operations taken together can be regarded in effect as a programmatic DPL series.

³ Including property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and any other small taxes or fees.

⁴ For Bank operations, success is defined in the Note as the efficacy of the tax component or, following the Bank's evaluation framework for operations embedded in ICRs and ICRRs, the extent to which stated outcome objectives of these tax components were achieved. For IFC Advisory Services, success of business taxation components is defined as for the overall Advisory Services project.

⁵ The most important objectives of the December 2002 tax law (788) was the elimination of exemptions and the expansion of the tax base for the VAT. The December 2003, tax law (863) made further improvements in tax policy, but also introduced new distortions to the tax system.

3. Lessons

Lessons are based both on the lessons highlighted in the ICRRs when relevant for tax components of the reviewed operations and drawn from the findings of the review. Given the limitations of the available data and evaluative material, the lessons that can be drawn are provisional and need to be confirmed through deeper and more thorough evaluation work. It should be kept in mind that lessons in the available documents usually apply to the overall operation and not specifically to the tax component, which typically accounts for a small part of the reform program supported by the operation.

The review raises issues not only for the design and implementation of operations but also for country assistance programs and World Bank Group strategic engagement in tax policy and administration.

Operations

GOVERNMENT OWNERSHIP AND COMMITMENT

While government ownership is a generic prerequisite for any policy reform, it is particularly important for politically sensitive tax reforms. For many DPOs, success depended on government ownership of the objectives and the program. ICRRs of both the Dominican Republic stand-alone DPO and the Guatemala DPL series highlight this lesson.

In contrast, lack of government ownership of program objectives in Colombia's first DPL series limited positive results. The 2008 PPAR concludes that while the government was committed to improving the country's fiscal condition, it did not actually share the objective of reducing fiscal rigidities, including on the revenue side. Inefficiencies in the tax system actually worsened as a result of laws enacted under the DPO program which included increasing the tax rate on financial transactions. Lack of government ownership in the Pakistan stand-alone DPO also compromised success.

For investment projects, which are usually implemented over a much longer period than DPOs, sustaining government ownership was a major challenge. (See appendix D.) The Mexican investment project illustrates the importance of political ownership. When governmental interest for the project waned, it was eventually cancelled. In the Philippines' case the political ownership was weak during the tax administration reform project, which led to unsatisfactory outcome. A country's

political situation and government ownership are important success factors and should be accommodated in the project design. Hence, detailed assessment of the political situation and government ownership may help.

Commitment can be ensured through close alignment with the government's reform program. Tax administration measures that can be introduced under the authority of the executive can deliver short-term results. A number of country examples, especially in the Latin America and the Caribbean Region, where political opposition to structural tax reforms has been strong and the tax-to-GDP ratio has been low compared with countries at a similar level of development, illustrate that point. The first DPL series in Guatemala shows that policy lending is more likely to achieve its objectives when it supports the government's reform program and the time frame for implementation takes into account the political barriers to reform and the capacity of the government to carry out the reforms. Costa Rica's stand-alone DPL supported focused and limited tax objectives. This choice was realistic and reasonable and, according to the ICRR, helped sustain government ownership and enhanced the prospects for positive results.

Tax reforms are not only technical and institutional in nature but also political. Government support for tax reforms may fluctuate during the life of a project, a possibility that design, monitoring, and supervision should reflect. The Guatemala Tax Administration technical assistance project addressed the creation of a new tax administration in the difficult and sometimes hostile environment of Guatemalan politics. Government support for the project's activities waxed and waned with changes in government: the project was approved under a supportive government but most project activities were halted under the subsequent government that was hostile to reforms. Then, under a third, more favorable government, project implementation resumed and the project objectives were eventually met. The political shifts were a major reason for a five-year extension of the closing date and a nine-year overall project duration.

STRUCTURAL AND SYSTEMIC TAX ISSUES

Correcting structural and systemic issues requires long-term substantial engagement. While some positive results could be achieved through limited and short-term tax administration measures or ad hoc policy measures, those have been largely ineffective against structural issues. Tax systems with structural flaws require a comprehensive and internally consistent tax reform program, including politically sensitive and controversial reforms. This is obvious for stand-alone DPLs where there has been no follow-up, such as Costa Rica and Dominican Republic, as well as in countries where the World Bank has been supporting tax reforms over extended periods both through programmatic DPL series and investment projects,

such as Colombia and Guatemala. In Colombia some of such ad hoc measures have even worsened the tax system.

The Costa Rica stand-alone DPL had been designed as a prelude to broader tax policy reform that the government was undertaking at the time the ICR was prepared (March 2011). The broader tax policy has still not been approved and thus has not been implemented. The tax reform approved in 2012 was nullified by the Constitutional court and the 2015 tax reform package submitted to the parliament in 2015 has not yet been approved. Although the 2008 public expenditure review (World Bank 2008) says little about tax revenue mobilization, it notes that reaching consensus on revenue-enhancing tax reforms had proven difficult and cited a previous failed attempt (the tax reform bills submitted to the Congress in 2006 had not yet been discussed by the time of the public expenditure review). All recent diagnoses highlight that fiscal consolidation is urgently needed and that entails raising tax revenue collection (IMF 2016 a, 2016b; OECD 2016; and World Bank 2015).

The ICRR for the Dominican Republic stand-alone DPL concludes that most of the objectives of the operation's tax component were achieved, some through measures taken under the DPL and others outside of its scope, but there is little evidence of progress on reducing exemptions, the main tax measure in the program. The ICR noted that the design of the tax policies was imprecise and lacked concrete targets or policies. Although tax exemptions were identified and quantified as a prior action, without a practical implementation plan there was little reason to expect that tax policy and administration would improve and contribute to improved fiscal sustainability. The 2013 PPAR noted that the achievement of tax subobjectives was difficult to assess. It pointed out that while efforts were launched in a number of areas, including improving tax collection, expected results would take much longer to materialize than the period of the operation. Moreover, it highlighted a history of back and forth on tax policies and administration depending on budget urgencies and the influence of interested and powerful groups and that this was unlikely to change.

Although the World Bank provided extensive support to Colombia on tax reforms over the review period through DPLs, investment projects, and more recently advisory services on business taxation (table B.1.), achievement of tax objectives was modest at best and comprehensive reform of the tax system is still needed. Lowering tax evasion, estimated at 2 to 4 percent of GDP (OECD 2015), and reducing or eliminating distorting tax exemptions, estimated at 1.5 percent of GDP (World Bank 2010), could significantly increase tax collection.

The ICRRs for the Guatemala operations point out the limits of short-term actions, such as those carried out as part of the series programs, in supporting politically controversial reforms. Given the difficulty of getting consensus and congressional approval for comprehensive tax reform, the DPLs focused mainly on strengthening tax administration. The DPLs also supported some tax policy measures but mostly expedient ones, including the creation of ad hoc temporary taxes. Despite the support to tax administration reforms and absent comprehensive tax policy reforms, the tax-to-GDP, at 11 percent, is still below the 12 percent target set in the 1996 Peace Accords and has not yet recovered from its precrisis level (12.1 percent in 2006 and 2007).

For investment projects, the design of tax system reform programs should consider the country's tax administration capabilities and limitations. Experience suggests a gradual approach to enhancing these capabilities. Modernization of revenue administration was one of the two components in the Cambodia project. The achievement of it was substantial, in part due to careful design, recognition of the limited public sector capabilities in this postconflict country, and through an implementation program based on a series of relatively simple activities such as administrative circulars or through promotion of banking sector for tax payments.

MONITORING AND SUPERVISION

Maintaining good monitoring and supervision helped in DPLs and complex investment projects, such as the Paraguay DPL and Mauritania investment project. By contrast, weaknesses in monitoring and supervision contributed to less success in the Dominican Republic and Indonesia Institutional, Tax Administration, Social and Investment (Indonesia) DPL series.

The Paraguay DPL is a positive example of a DPL with a large tax share (32 percent), extensive supervision during implementation, and close monitoring of progress toward achieving the triggers. The team brought to the task deep knowledge of the country context and its substantial quality monitoring contributed to good results.

For complex and ambitious investment projects, which frequently had to be restructured and the closing date extended, close monitoring and supervision and the ability to adjust the project's design when needed were especially important. Mauritania illustrates this point. The project anticipated reforms across five ministries, and was supposed to be completed within three years. The closing date was extended twice and the project was restructured. The project lacked a clear results framework and M&E activities were not properly designed. This led to challenges in implementation, project management, and cooperation with country agencies. In time, good results were achieved through close supervision and monitoring that helped identify and implement adjustments to the project design.

The 2013 PPAR for the Dominican Republic stand-alone DPL pointed out that monitoring arrangements were challenging to design in the time horizon of a single-tranche operation and a crisis context. M&E was not fully designed by the operation, as neither the World Bank nor the government collected and analyzed input, output, and impact data in a sound and timely manner. As a result, the World Bank was slow to identify and resolve threats to the achievement of the relevant development outcomes. Weak monitoring and supervision was partially compensated by stronger supervision in areas where there was policy overlap with World Bank sectoral interventions in social sectors and health or with other donors' support. This included IMF support for macro-fiscal issues, tax collection, and fiscal sustainability. In addition, owing to World Bank follow-up from the latter interventions, some important measures supported by the DPL were eventually implemented and results were achieved.

The quality of supervision and M&E for the Indonesia Institutional, Tax Administration, Social and Investment (Indonesia) DPL series was low, which absent a parallel IMF program, may have contributed to modest achievement of the overall program and of tax objectives. The ICRR concludes that more systematic supervision, monitoring, and reporting may have led to better results. Systematic formal supervisory reporting can assist monitoring when there are significant modifications to the program. There were changes in design between the first and second operation, and the cancellation of the third DPL had implications for results and policy dialogue that could profitably have been brought to management attention in a timely manner.

TAX REFORMS UNDER CRISIS CIRCUMSTANCES

Crisis can be an opportunity to further tax reforms and calls for flexibility. The negative impact of the 2008 global economic crisis on growth and the fiscal position of a number of countries prompted large coordinated budget support from the international financial institutions to maintain fiscal space for priority public expenditure. For some countries, having a comparatively low tax rate for their level of economic development and a long history of failed tax reforms, the dire fiscal situation provided the impetus and incentives for politically sensitive tax reforms to boost revenues. In Guatemala and Peru, the World Bank was already engaged in supporting tax reforms but in Costa Rica and the Dominican Republic this was not the case. The crisis opened a window of opportunity to successfully introduce tax revenue mobilization measures.

Country and Corporate Strategy

Tax policy and administration reforms are usually necessary but not sufficient to bring sustainable improvement in government revenue. Other well-functioning institutions, such as the judicial system, are necessary and other pervasive issues, such as corruption, must be addressed across the public sector.

The tax component of the Guatemala series was less successful in improving tax collection in the third DPO series than in its two predecessors as progress in tax policy and administration reforms was hampered by persistent governance weaknesses that were not addressed. According to the ICRR, the evidence points to improvements in income tax compliance offset by a deterioration of indirect tax compliance, particularly in customs. The ICR's assessment is that weak governance of tax administration continues to undermine tax collection efforts.

One of the factors that negatively affected the performance of the São Tomé and Príncipe stand-alone DPO was its weak design, which did not take into account public sector institutional weaknesses and did not address those weaknesses. Despite the fact that weak institutional capacity had been identified as an important risk for the implementation of the grant, the program design did not include adequate provision for strengthening the staffing of those institutions responsible for addressing the main policy areas. The ICR also noted that the DPO design and targets were too ambitious given the weakness of the country's institutions.

On the other hand, the tax component of the Nigeria investment project was successful as part of a project with a broader objective of supporting administrative reforms, including procurement reform and support to the anticorruption agency.

The World Bank may need in-house capacity to conduct analytical and diagnostic work to underpin tax components in DPOs, especially where the IMF does not have a relevant program. As noted in the findings, most of the analytical and diagnostic work on taxes may have been done by the IMF, and the definition of DPOs' prior actions and triggers may have been based on IMF work, raising the question of the World Bank's capacity to do this work in house. Furthermore, as noted in the Indonesia example, the World Bank is expected to conduct its own assessment of the macroeconomic framework in countries where development policy lending is envisaged. Where that framework is deemed adequate, it can proceed with DPOs without an IMF program. However, where the DPO has tax-related actions, the government is concerned about the inadequacy of tax revenue, and the IMF's Article IV report highlights the need to deal with macroeconomic imbalances, a fuller treatment of the macroeconomic framework as well as

diagnostic work on measures to address imbalances, including in tax policy and administration, would be expected in the World Bank's project documents.

When there was an IMF program in parallel with the DPOs, prior actions and triggers on taxation might have been based on the IMF's analytical and diagnostic work. If this is the case, it raises the question of whether the World Bank has the capacity to perform analytical and diagnostic work related to taxation or needs to cultivate such expertise in the context of the enhanced focus on domestic resource mobilization. Recently, the World Bank presented analytical tools and techniques to assess DRM that can be mainstreamed in public expenditure reviews and analytic and advisory reports (World Bank 2016). While this is a step in the direction of more in-house capacity to conduct such work, it would benefit from being part of a more comprehensive strategic engagement program.

The potential synergies between DPOs and investment projects need to be better exploited. The review has shown there was little experience with mutually supportive DPOs and investment projects in tax revenue mobilization and that most technical assistance was provided by the IMF, regional development banks, and other bilateral donors. Under such circumstances, the World Bank would need to better coordinate the timing and content of its support to tax revenue mobilization. It also raises questions about how the World Bank is partnering with other international organizations at the country level in this area. The recent joint paper on enhancing the effectiveness of external support in building tax capacity in developing countries (IMF and others 2016) shows how the level of support at the country level is low and fragmented. Hence, the World Bank may want to clarify its strategic positioning.

Trade-offs between increasing government revenue and improving tax system efficiency on the one hand and increasing equity on the other could be clear entry points for World Bank involvement in tax resource mobilization, especially under the shared prosperity agenda.

It is nevertheless surprising that ICR reviews of World Bank-supported operations in tax policy and administration reform do not refer to the trade-offs and choices involved in reforming the tax system to increase its efficiency. For example, measures to alter the corporate income tax rate would typically include whether changes are required in depreciation allowances, since the two, together with the tax treatment of dividends, affect the burden of corporate taxation. As another example, closing exemptions in an existing VAT, by broadening the base, generally raises revenue with less damage to efficiency than ad hoc taxation of intermediate inputs.

To this must be added that the trade-off with equity is virtually absent from the evaluative material on which this note is based. Evidence of a more rapid growth of income among the top 1 percent in emerging and developing countries suggests that tax systems should be made more progressive. That such choices were considered in analytical work underpinning tax-related lending certainly cannot be ruled out. But this is to be read in conjunction with an earlier observation that ICRRs do not refer to analytic and advisory work the World Bank may have done on taxation.

The omission of equity considerations from the tax policy and administration component of DPOs might reflect a judgment that there are limits to redistribution that can be brought about through tax reform in low-income and, to a lesser extent, middle-income countries, on account of the comparatively low proportion who pay personal income taxes. In such contexts, redistribution objectives are thought to be more effectively fostered through pro-poor public expenditure than through tax reforms.

Some support for this view is provided by the DPL program in Indonesia, an example of using tax reforms to create fiscal space that is then used to further equity objectives through public expenditure. The first programmatic DPL series (DPL 1–4) was initiated when the country was graduating from IMF-supported programs following the Asian financial crisis and during a transition from autocracy to democracy. The reform focus of the program evolved as these changes took place.

The three development objectives of DPLs 1 and 2 were macroeconomic stability and creditworthiness, the investment climate, and public financial management and anticorruption. The World Bank's support for reform of tax policy and administration was directed primarily toward improving the investment climate and secondarily toward raising non-oil and gas revenue to help bring about fiscal consolidation. But as macroeconomic stability took hold, and fiscal space was created for more pro-poor spending, DPLs 3 and 4 added a fourth area, improved public service delivery, to the list of development objectives. Reflecting further evolution of the program, the second DPL series (DPL 5–6) added another objective, to improve service delivery to the poor. This objective called for increased funding for poverty programs and improved poverty measures and targeting of poverty programs.

As indicated in paragraph 1.4, the review work done for this Learning Note could be expanded in a number of directions through an evaluation of World Bank Group Support to Public Finance envisaged for FY2018 (box 3.1).

Box 3.1. Future Evaluation Work on World Bank Group Support to Domestic Resource Mobilization

Deepen evaluation work on taxation. First, the scope could be extended to cover more systematically all support to tax policy and administration reforms, that is, tax components of operations: (i) with other tax objectives beyond tax revenue mobilization; (ii) not coded for tax theme code 28 by including DPOs with tax-related prior actions or covering tax reforms (textual analysis of project description and project development objectives).

Second, the desk review of tax-coded operations based on ICRRs could be complemented by a more thorough evaluation of selected operations. Priority could be given to programmatic DPOs that specifically target an increase in tax revenue, in particular those that either had this as a development objective or as tax-related prior actions. A more thorough review could help answer some of the questions that emerge from this note including: (i) to what extent was World Bank support to tax reform sustained over a period sufficient to reform the structure of tax systems and (ii) to what extent were operations designed on the basis of thorough diagnostic work led by the World Bank as opposed to being reliant on analytical work of other development partners, such as the IMF? This would necessarily include a review of related analytical work and nonlending technical assistance provided by the World Bank in this area. This work should be done at the country level covering overall World Bank Group support to tax reforms (World Bank operations and advisory services and analytics and IFC Advisory Services) over a meaningful period that could serve as inputs to country case studies for upcoming thematic or country program evaluations. More generally, this calls for programmatic clustered project evaluations by country rather than for single projects or DPO series.

Expand the evaluation scope to nontax revenue. Evaluation work could cover resource mobilization through user fees, subsidies, and other domestic financing instruments. (See the Concept Note for this report, World Bank 2016 a.) The scope could also be expanded to resource revenue in resource-rich countries where revenue from natural resources can represent up to 95 percent of government revenue (IMF 2011).

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Appendix A. World Bank Group Support to Tax Policy and Administration Reforms

1. This appendix provides an overview of the World Bank’s portfolio composition and of the reviewed operations by lending instrument, size of tax component, Global Practice, period of approval (precrisis, crisis, postcrisis), Region, country income category, country tax-to-GDP ratio and country status (fragile and conflict states, resource-rich developing countries).

World Bank Support to Tax Policy and Administration Reform

2. The analysis for the Learning Note focuses on World Bank Group projects coded with the theme “tax policy and administration” (code number 28; see data limitations in box B.1). During FY2005–15, the World Bank approved 205 projects that include a “tax policy and administration” component for a total commitment amount of \$28.4 billion (table A.1). About 20 percent of this amount, or \$5.4 billion, was allocated to tax policy and administration reforms.

Table A.1. World Bank Support for Tax Policy and Administration Reform by Instrument, 2005–2015

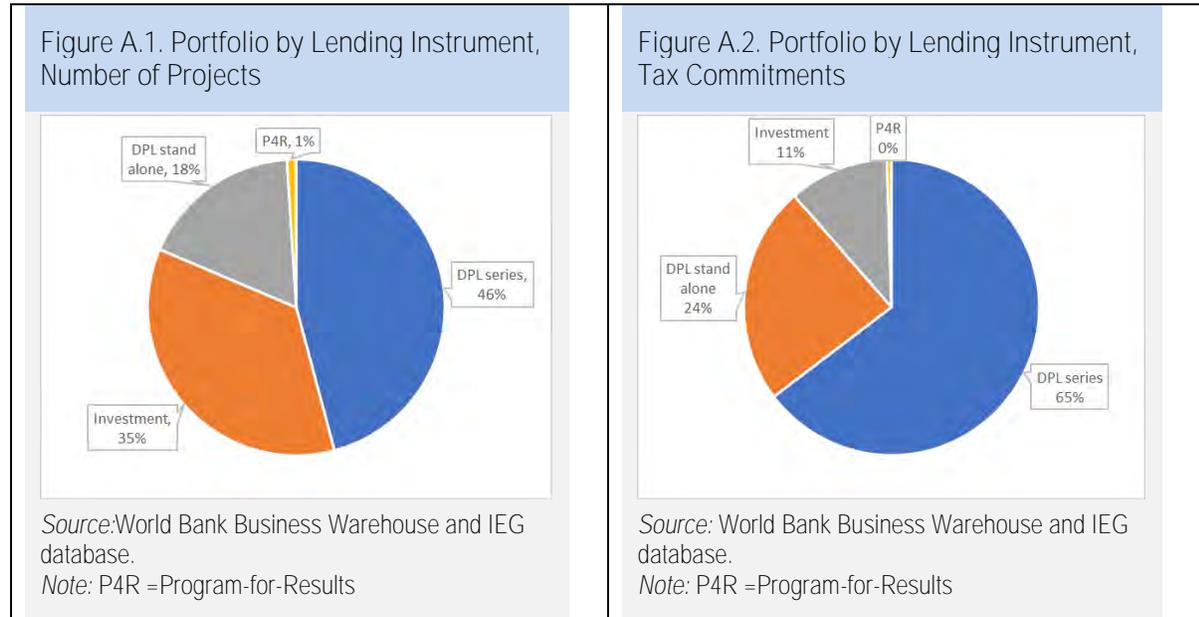
Lending instrument	Projects (no.)*	Comm. amount (US\$, millions)	Tax comm. amount (US\$, millions)	Countries (no.)	Closed projects (no.)	ICRs (no.)	ICRRs (no.)
Overall projects							
DPL	130	25,673	4,814	57	121	87	80
Investment	73	2,549	581	48	42	25	18
P4R	2	160	25	2	0	0	0
Total	205	28,382	5,420	81**	163	112	98
Reviewed projects							
DPL	80	16,188	2,782	57	80	80	80
Investment	18	581	122	15	18	18	18
P4R	0	0	0	0	0	0	0
Total	98	16,769	2,904	52**	98	98	98

Sources: World Bank Business Warehouse and IEG database.

Notes: * Includes Additional Financing; ** these are amounts extrapolated from percentage shares of projects coded with Theme 28, Tax Policy. comm. = commitment; ICR = Implementation Completion and Results Report; ICRR = Implementation Completion and Results Report Review.

3. The vast majority of the World Bank support to tax policy and administration reform is provided through programmatic DPOs. Out of the 205 projects in the portfolio, DPLs account for 46 percent of the operations and 65 percent of total commitments. With an 18 percent share of total projects, stand-alone DPLs committed 24 percent of total tax project funds. Investment projects, which represent 36 percent of total projects, had only 11 percent of total commitments (figures A.1

and A.2). In per unit terms, the commitment per project for DPL series and DPL stand-alones is almost the same at \$38 million and \$39 million respectively.



4. While about 20 percent of the commitment amount was allocated to tax policy and administration reforms, the share of tax components in projects is heavily concentrated below the 25th percentile of total project cost, with the highest concentration in the 10–14 percent group (80 projects out of 205), indicating that for most of the projects, tax reform was a minor component (table A.2).

Table A.2. World Bank Support to Tax Policy and Administration Reform by Share of Tax Code, 2005–15

Percentage group (%)	Projects (no.)	Commitment amount (US\$, millions)	Commitment for tax (US\$, millions)	Countries* (no.)
Overall portfolio				
0–9	15	1,104	62	14
10–14	80	14,473	1,776	47
15–19	20	2,957	519	18
20–25	37	5,010	1,134	28
26–50	48	4,601	1,739	27
>50	5	237	189	5
Total	205	28,382	5,419	81
Reviewed portfolio				
0–9	4	475	31	4
10–14	44	8,458	1,061	31
15–19	11	2,468	434	11
20–25	20	3,625	814	15
26–50	19	1,744	564	14
>50	0	0	0	0
Total	98	16,769	2,903	75

Source: Business Warehouse and IEG database.

Note: *Countries overlap between percentage groups.

5. Among global practices, Macroeconomics and Fiscal Management (MFM) and Governance committed the highest proportion of project funds to tax reform (table A.1.3). Out of the total tax reforms commitment of \$5.4 billion, 71 percent (\$3.8 billion) was committed by MFM and Governance committed 15 percent (\$819 million). The other Global Practices committed the remaining 14 percent (\$753 million). Immediately after the 2008 financial crisis, lending increased dramatically and has remained high to the present. The share of commitments by MFM reached 81 percent during the financial crisis as part of the World Bank crisis response.

Table A.3. Tax Commitments by Global Practice

US\$, millions

Global practice	FY2005–08	FY2009–10	FY2011–15	Total
Overall portfolio				
Macroeconomics & Fiscal Management	593	1,234	2,021	3,848
Governance	272	165	382	819
Poverty and Equity	112	0	258	370
Finance & Markets	100	8	75	183
Education		121	7	128
Transport and ICT	29	0	0	29
Social, Urban, Rural, and Resilience	14	0	5	19
Trade and Competitiveness	0	0	17	17
Energy & Extractives	4		1	5
Agriculture		1		1
Total	1,124	1,530	2,766	5,419
Reviewed portfolio				
Macroeconomics and Fiscal Management	593	1,187	343	2,123
Governance	129	46	184	358
Poverty and Equity	112			112
Finance & Markets			75	75
Education		121		121
Social, Urban, Rural, and Resilience	14			14
Total	847	1,354	602	2,804

Source: Business Intelligence as of February 2016.

Note: *Post 2008 global financial crisis. FY = fiscal year; ICT = information and communications technology.

6. World Bank commitments and number of projects with tax content has been increasing regularly over the period peaking in FY2009–10 and in FY2014 (figure A.3). The trend may reflect a stronger demand for tax work by the clients and a deepening response from the World Bank Group.

Figure A.3. Number of Projects and Commitments by Fiscal Year



Source: World Bank Business Warehouse.

7. The majority of tax-coded operations were approved in the Sub-Saharan Africa and Latin America and the Caribbean Regions (respectively 30 and 32 percent of total tax-coded projects). In commitment terms the Latin America and the Caribbean Region led with 42 percent of the total, while Sub-Saharan Africa represented only 9 percent (table A.4). Over time, commitments on tax in the Latin America and the Caribbean Region reached almost 50 percent of total commitments for tax-coded projects during the crisis period. Europe and Central Asia is second in total commitments with three projects approved on average each year and an average size of \$95 million. The average size of operations in the Region increased regularly over time and reached \$95 million in FY2011–15. Over the FY2005–15, both as a share of total commitments and in absolute amounts, East Asia and Pacific declined regularly from 35 percent of in FY2005–08, or \$389 million, to 6 percent, or \$154 million, over FY2011–15 although the average number of projects approved annually remained stable at around three.

8. The World Bank committed more funds to tax reforms in middle-income countries than low-income countries. Most of the projects and their corresponding high commitment amounts went to lower middle-income countries. Although, low-income countries received 24 percent of tax projects, they received only 5 percent of commitments (figures A.4 and A.5).

9. World Bank support to tax reforms has been targeted mostly to the countries whose tax-to-GDP ratio is between 10 to 20 percent (table A.5).

Table A.3. Tax Commitments by Global Practice

US\$, millions

Global practice	FY2005–08	FY2009–10	FY2011–15	Total
Overall portfolio				
Macroeconomics and Fiscal Management	593	1,234	2,021	3,848
Governance	272	165	382	819
Poverty and Equity	112	0	258	370
Finance and Markets	100	8	75	183
Education		121	7	128
Transport and ICT	29	0	0	29
Social, Urban, Rural, and Resilience	14	0	5	19
Trade and Competitiveness	0	0	17	17
Energy and Extractives	4		1	5
Agriculture		1		1
Total	1,124	1,530	2,766	5,419
Reviewed portfolio				
Macroeconomics and Fiscal Management	593	1,187	343	2,123
Governance	129	46	184	358
Poverty and Equity	112			112
Finance & Markets			75	75
Education		121		121
Social, Urban, Rural, and Resilience	14			14
Total	847	1,354	602	2,804

Source: Business Intelligence as of February 2016.

Note: *Post 2008 global financial crisis. FY = fiscal year; ICT = information and communication technology.

Figure A.4. Tax Projects and Commitments by Country Income Category, Overall Projects

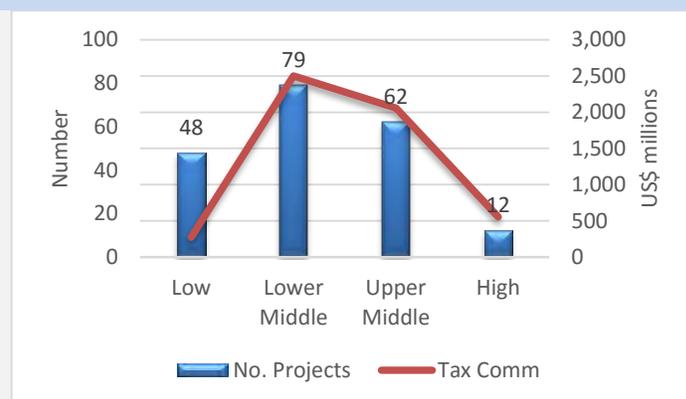
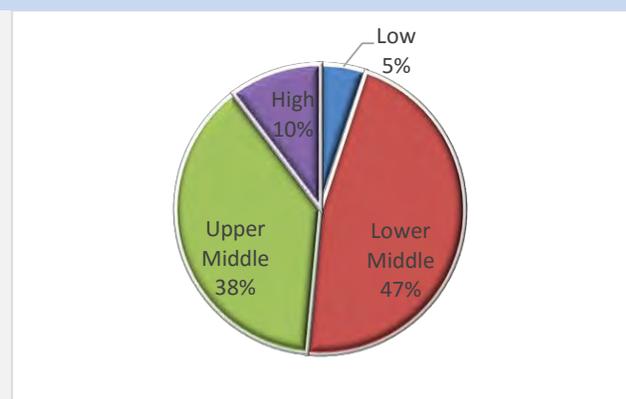


Figure A.5. Share of Tax Commitments by Country Income Category, Overall Projects



Source: World Bank Business Warehouse and IEG database.

Notes: List of Countries by Income category downloaded from **World Bank** Website April 2016; Low-income = \$1,045 or less (18 countries); Lower-middle-income=\$1,046 to \$4,125 (29 countries); Upper-middle-income = \$4,126 to \$12,735 (26 countries); High-income = \$12,736 or more (5 countries)

Table A.5. World Bank Support to Tax Policy and Administration Reform, by Country Tax-to-GDP Ratio, 2005–2015

Category (percentage)	Projects		Commitment amount		Commitment for tax		Countries	
	(no.)	(share, %)	(US\$, millions)	(share, %)	(US\$, millions)	(share, %)	(no.)	(share, %)
Overall projects								
0–10[	24	12	1,321	5	181	3	9	11
10–15[	72	35	13,150	49	2,882	53	23	28
15–20[	83	40	10,536	39	1,863	34	33	40
20–25[	8	4	1,135	4	159	3	6	7
>25	12	6	296	1	296	5	5	6
other*	6	3	279	1	37	1	6	7
Total	205		26,716		5,420		82	
Reviewed projects								
0–10[	9	9	540	3	90	3	2	5
10–15[	39	40	7,656	46	1,424	49	13	35
15–20[	39	40	7,180	43	1,158	40	15	41
20–25[	4	4	880	5	129	4	3	8
>25	6	6	462	3	97	3	3	8
other*	1	1	51	0	6	0	1	3
Total	98		16,769		2,903		37	

Sources: World Development Indicators, Government Finance Statistics, International Monetary Fund.

Note: *Regional projects with no specific country named.

10. This portfolio includes a significant number of fragile and conflict-affected situations (FCS) and resource-rich developing countries. FCSs and resource-rich developing countries each accounted for about 20 percent of the total number of

countries reviewed (table A.6). Out of the 205 tax projects, 38 projects were committed to 18 FCS for a total amount of \$191 million. There were 41 projects in 18 resource-rich developing countries for \$1,078 million. On average, the per unit tax project amount in FCS was low, just \$5 million, compared with overall tax project unit amount of \$26 million for resource-rich developing countries and an average of \$33 million for the other countries in this portfolio.

Table A.6. World Bank Support to Tax Policy and Administration by Country Status, 2005–2015

Projects	Countries (no.)	Projects (no.)	Tax amount (US\$, millions)	Average tax amount per project (US\$, millions)
Overall projects				
Fragile and conflict	18	38	191	5
Resource rich	17	41	1,078	26.3
Other states	52	126	4,151	32.9
Total	81*	205	5,420	26.4
Reviewed projects				
Fragile and conflict	10	14	135	9.6
Resource rich	10	21	709	33.8
Other states	34	65	2,068	31.8
Total**	52	98	2,904	29.6

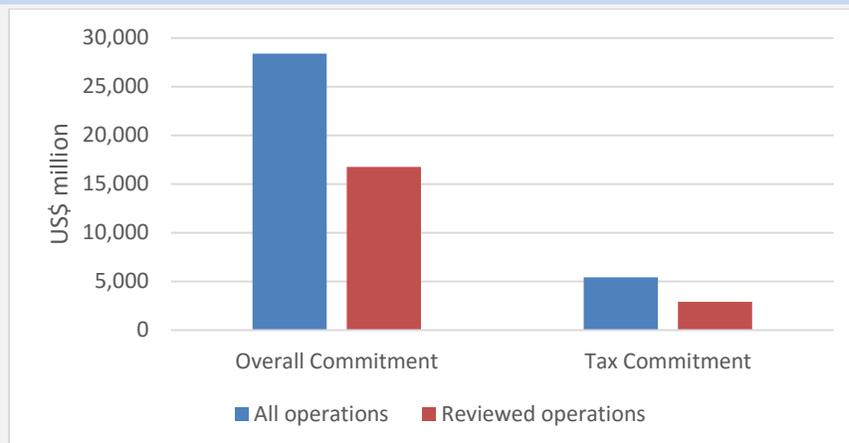
Source: World Bank Business Warehouse and IEG database.

Notes: * Five Countries are both fragile and conflict-affected situations and resource-rich countries: Guinea-Bissau, Mali Sudan, Timor-Leste, and Republic of Yemen, therefore the total adds up to 81; ** the total excludes overlaps for two countries, which are both fragile and conflict-affected and resource-rich states: Mali and the Republic of Yemen; List of FCS countries taken from the World Bank FCS website; downloaded April 2016; list of resource-rich developing Countries (IMF 2012).

WORLD BANK SUPPORT REVIEWED BY IEG

11. The Learning Note focused on existing IEG evaluation material, in this case tax-coded projects approved and closed during FY2005–15 for which the Implementation Completion Report has been reviewed by IEG and an Implementation Completion and Results Report Review (ICRR) is available. Out of the total tax-coded projects (205), 163 were closed, of which 112 have ICRs and 98 have ICRRs (table A.1.). The tax commitment for these projects amounted to \$2.9 billion, or 54 percent of the overall tax portfolio (table A.1. and figure A.6).

Figure A.6. World Bank Support to Tax Reforms, FY2005–15



Source: World Bank Business Warehouse.

12. As for the overall portfolio, the bulk of World Bank support to tax reforms was delivered through DPOs (80 percent of total operations and 96 percent of commitments compared with 64 and 89 percent for the entire portfolio respectively). The share of programmatic DPO series is also larger both in number of projects and amount committed at 65 percent and 71 percent respectively compared with the overall portfolio (46 percent of projects and 60 percent of commitments for the overall portfolio). Investment projects represent only 18 percent of the number of reviewed tax-coded projects for total commitments amounting to 4 percent of the total reviewed compared with respectfully 35 percent and 11 percent in the overall portfolio.

13. The composition of the reviewed portfolio by tax share compared with the overall portfolio is tilted toward smaller tax components in terms of number of projects but more significantly in terms of commitment amounts, reflecting an increase of tax share in projects approved more recently. By commitment amounts, the share of projects with a tax share of 26 percent or above is only 19 percent in the reviewed portfolio against 33 percent in the overall portfolio.

14. The composition of the reviewed tax portfolio by Global Practice is not different from the one of the overall tax portfolio. The reviewed portfolio contains slightly more MFM operations in the postcrisis period than the overall portfolio (88 percent versus 81 percent of commitments) while Governance is overrepresented in the reviewed portfolio (31 percent versus 14 percent; this may reflect the significant delays in implementing tax administration reform projects).

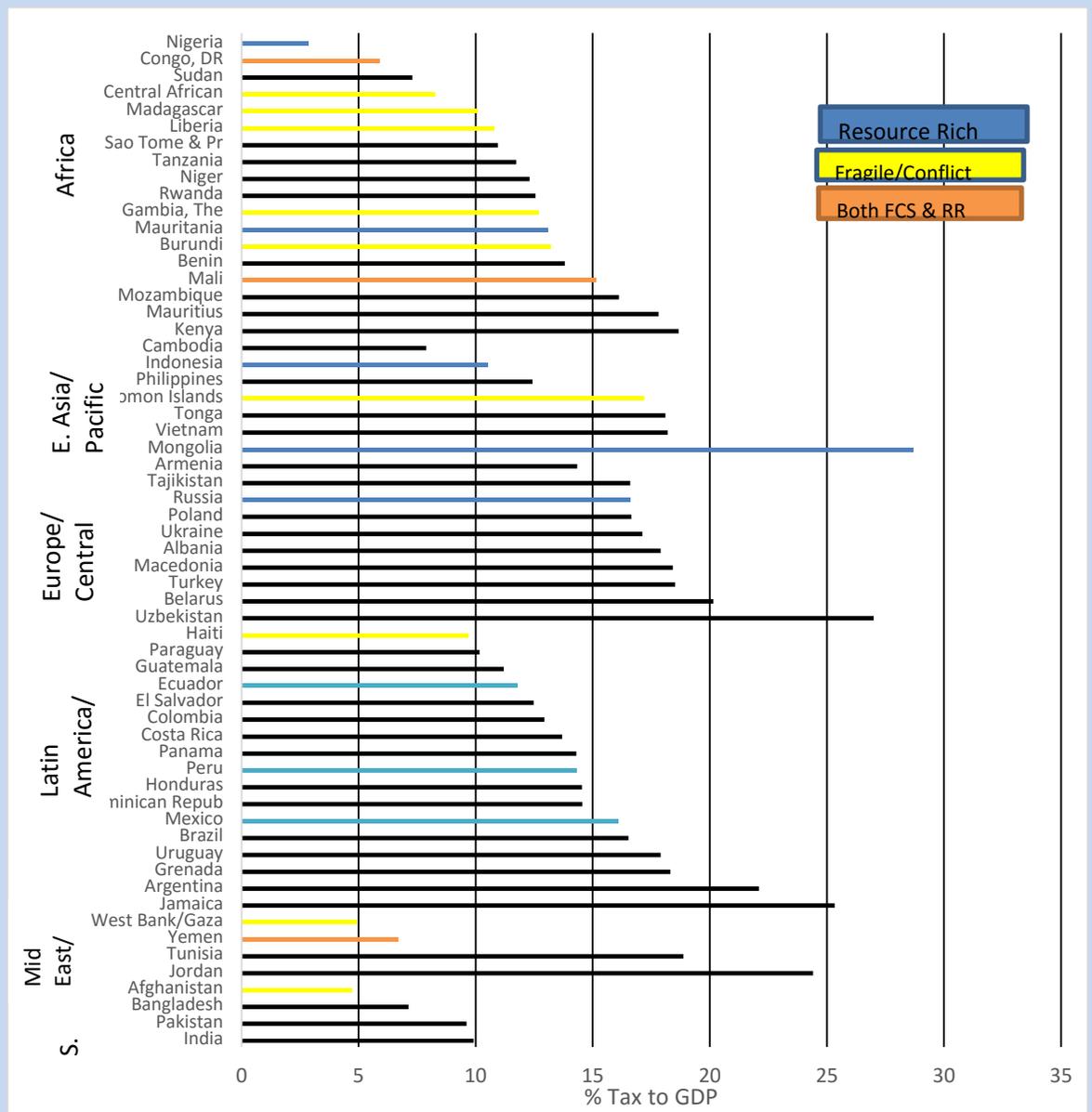
15. In terms of number of projects, the share of tax projects in Latin America and the Caribbean is higher in the reviewed portfolio compared with the overall

portfolio (respectively 43 percent and 32 percent) and lower in Sub-Saharan Africa (21 percent versus 30 percent). In terms of commitment amounts, Latin America and the Caribbean has the highest share, as in the overall portfolio, or 44 percent. Europe and Central Asia and East Asia and Pacific come second with 21 percent and 18 percent respectively, similar to the overall portfolio.

16. The coverage of countries by income category is broadly the same for reviewed projects and the overall tax portfolio. The share of tax-coded projects reviewed for low-income countries was slightly lower by number than in the overall portfolio (16 percent versus 23 percent for the overall project) and the share of projects in high-income countries was slightly higher by commitment amounts (17 percent versus 10 percent for the overall portfolio).

17. As for the overall portfolio, tax-coded projects were delivered mostly to countries whose tax-to-GDP ratio is comprised between 10 and 20 percent. By country status, there is no significant difference between the reviewed projects and the overall portfolio, except a slightly lower number of reviewed projects in FCS (14 percent for reviewed projects compared with 19 percent in the overall portfolio). The reviewed projects were delivered in countries with a great variation of tax-to-GDP ratios (figure A.7).

Figure A.7. Tax-to-GDP Ratio by Country, 2005



Source: World Development Indicators, AIV, Government Finance Statistics, cepalstat.
 Note: GDP = gross domestic product.

Appendix B. Methodology

1. This note covers only tax revenue. Because learning notes of this type are limited to using Independent Evaluation Group (IEG) evaluation material and the World Bank Group internal organization, the scope of this review has been restricted in several dimensions. (See the Concept Note for this Learning Note, World Bank 2016 a.) First, while domestic resource mobilization includes all government resources, tax and nontax, the World Bank's nontax interventions are mostly bundled in sector or thematic operations and difficult to find, in particular there is no specific theme code to identify them. A preliminary review of IEG thematic and sectoral evaluations found a wide variation in their treatment of resource mobilization through taxation, user fees, and subsidies.
2. Second, although revenue from natural resources can represent up to 95 percent of government revenues in resource-rich countries (IMF 2011), this area has been left out of the scope of this Learning Note for several of reasons: data on resource-related receipts are limited; taxing natural resources raises specific and complex challenges; the World Bank portfolio is difficult to identify, and evaluation evidence is limited.
3. The third restriction comes from the absence of IEG evaluative material regarding analytical work and nonlending technical assistance provided by the World Bank for domestic resource mobilization. Based on an initial scoping of World Bank Group support and mapping of IEG available evaluative material, the Learning Note focuses primarily on support to nonresource taxation.
4. **Scope.** The note reviews World Bank Group support to tax policy and administration reform in operations approved over FY2005–15, provided through development policy operations (DPOs), Investment Projects, and International Finance Corporation Advisory Services on business taxation. It draws on three sources: A systematic review of ICRRs of World Bank operations and EvNotes; Project Performance Assessment Reports (PPARs) when available; and country case studies from various IEG evaluations (appendix F).
5. **Tax code limitations.** The World Bank Group support is identified using the “tax policy and administration” operation theme code (number 28) under “Public Sector Governance.” Like for other sector and theme codes, this code is highly arbitrary. Cross-checking with the OPCS database of prior actions and a series of PPARs covering tax issues in operations not coded for tax suggest that using the tax policy and administration theme code assigned by task managers to identify tax

components probably leads to underestimating actual World Bank support to tax reforms. (See data limitations in box B.1.) During FY2005–15, the World Bank approved 205 projects that include a “tax policy and administration” component for a total commitment amount of \$28.4 billion. About 20 percent of this total commitment amount, or \$5.4 billion, was allocated to tax policy and administration reforms).

Box B.1. Identifying the Portfolio: Data Limitations

- All World Bank lending projects are coded in the operational database (also known as Business Warehouse or Business Intelligence) according to sectors and themes covered by the projects. The selection and the attribution of a share for sectors and themes is left to the discretion and judgment of the task team leader. Hence, application of the codes is highly arbitrary.
- The primary focus of most DPOs is on public expenditure and public financial management. Thus, a significant number of operations with tax content may have been coded under theme “Public Expenditure, Financial Management, and Procurement” (code 27), especially if the tax content is small.
- There are coding inconsistencies within DPO series. For programmatic DPO series, which constitute the bulk of the identified portfolio, it would be reasonable to expect that supporting a medium-term tax reform program would require that each DPO in the series is coded for tax. But most of the time it is the contrary, especially for operations with a small tax share. For instance, Peru Decentralization and Competitiveness programmatic DPL series (total disbursements equivalent to \$400 million) consisted of three DPLs (P082871, P083949, and P089826) all of which supported a medium-term tax reform program. Only the third operation was coded for the theme tax policy and administration (13 percent).
- There are significant inconsistencies between DPO coding and related prior actions coding. A comparison between the coding for operations and for prior actions for DPOs approved and closed over FY2005–15 for which an ICRR is available found that a significant number of operations whose prior actions were coded for tax policy and administration, were not coded for the same theme code.

6. The note reviews tax-coded projects approved and closed during FY2005–15 for which an Implementation Completion Report has been reviewed by IEG and an ICRR is available. Out of the total tax-coded projects (205), 163 were closed, of which 112 have an ICR and 98, an ICRR.

7. The note is based on a quasi-comprehensive desk review of 98 ICRRs (World Bank operations) covering 80 DPOs and 18 investment projects and 17 EvNotes (IFC Advisory Services). This desk review was guided by descriptive and evaluative questions listed in box B.2. When all the DPOs in a series were not coded for tax, the review was extended to all the DPOs to cover the overall tax reform program supported by the series.

Box B.2. Guiding Questions for the Review

Descriptive questions. What are the specific tax-related objectives supported by the World Bank Group? What is the content of the tax-related programs supported by the World Bank Group? What is the results chain?

Development effectiveness. Includes two subsets of questions:

Design/Relevance: On which basis taxation was prioritized? To what extent, project design was based on appropriate knowledge and diagnostic work by the World Bank and/or other development partners? To what extent tax reform measures supported by the operation were part of a comprehensive tax reform strategy and cognizant of a country tax system approach? What attention was given to timing and sequencing? To what extent the World Bank Group operation was coordinated at the diagnostic and design stages with other development organization support in this area including IMF, Regional Development World Banks, EuropeAid, Organisation for Economic Co-operation and Development, and United Nations Development Program?

Implementation/Efficacy: Have the tax operations achieved their intended objectives? To what extent have these operations contributed to increase government revenue in a sustainable way? Are there any unintended positive or adverse impact?

World Bank Group Performance: What is the World Bank Group performance in ensuring quality at entry? Supervision? In partnering with the government and other development institutions?

Borrower Performance: What was the government ownership and commitment? What was the performance of the implementing agency?

Monitoring and evaluation: What are the key challenges in designing, implementing and using an effective M&E system at the project level? To what extent the impact of the tax reform has been evaluated? To what extent the impact of the World Bank Group contribution to the country-level results have been evaluated?

Lessons: What are the key challenges is raising tax revenue collected and key success drivers? What are the lessons for replicating good practice in other countries? What are the lessons regarding partnerships? In terms of evaluating the impact of tax reforms?

Source: Concept Note for this Learning Note, IEG, 2016.

8. **ICRRs limitations.** The desk review was also hampered by the limited depth and breadth of available evaluation evidence on tax reforms. The review had to rely on second- or third-hand data, information, and analysis from ICR (self-evaluation) to ICRRs (IEG validation) on at best marginal subobjectives. (See box B.3 for more details.) Because of these limitations, the review findings and lessons are preliminary and would need to be firmed-up through more comprehensive, thorough and rigorous evaluation work.

Box B.3. Existing Evaluation Material: ICR Reviews Limitations

- Little or no detail on the tax measures and the underlying tax reform program overall design. The tax results chain is often not explicit and the links between outputs and outcomes are not always clear.
- No detailed information on tax-related prior actions and triggers.
- No information on tax-related diagnostic work and or analytical work.
- No information on coordination with other development partners in the area of tax reforms.
- No information on tax-related technical support by the World Bank and or other donors.
- Parallel IMF program in most of the cases but usually not mentioned in the ICRR.
- Sketchy discussions of results achieved in tax reforms let alone the project contribution to outcomes such as the targeted increase in the tax-to-GDP ratio.
- Ratings on relevance of objectives typically apply to an entire operation, of which the tax policy and administration component is only a part and, in most cases reviewed here, a small part.
- Although the link between measures on tax policy and administration and revenue raising is in principle clear, the evaluative material on which this note is based has only a few examples specifying the prior actions on tax policy that were supported in the World Bank's operation.
- As with the discussion of relevance, the assessment of monitoring and evaluation refers to an entire operation and not to its tax component; Discussion of monitoring and evaluation is uneven in the evaluative material with usually little concerning the use of M&E data to improve results or guide policy.
- Results may not be easily interpreted. The ICRRs do not provide enough information and details. In particular, the links between outputs and outcomes and impact are not always clear.
- ICRRs of World Bank-supported operations in tax policy and administration reform do not make reference to the trade-offs and choices involved in reforming the tax system in the direction of efficiency.
- Nor do ICRRs of World Bank DPOs that include tax policy and administration components make reference to improving equity of the tax system.
- Lack of consistency in standards applied by different ICR reviewers. A very common case, is for DPLs targeting an increase in the tax revenue-to-GDP ratio. Efficacy would be rated completely differently for similar achievements. One ICRR review would conclude that because the increase in the tax-to-GDP ratio could not be attributed to the tax measures implemented, the tax component was not successful while another ICRR would rate it successful. Similarly, efficacy of DPL missing the tax ratio target can be assessed as successful because the tax measure was successfully implemented while another ICRR would assess the tax objective as not achieved.
- As a result of these ICRRs limitations in the area of tax reforms, assessment of those reforms in the ICRR can be quite misleading. For example, the conclusions of the ICR and the ICRRs for the Republic of Yemen: Institutional Reform DPL, FY2008 (P101453) are contradicting.
- Except for Colombia and Dominican Republic, PPARs when available (6), did not bring much additional relevant evaluative material on World Bank's support to tax reforms. Both Colombia and Dominican Republic PPARs diverge from the ICRRs on the assessment of efficacy for the tax component. For example, 2008 Colombia PPAR on one

stand-alone structural fiscal adjustment loan and a Fiscal and Institutional programmatic series further highlights how ICRRs can be misleading. These four operations supported the removal of fiscal rigidities on both the revenue and expenditure side. On the revenue side, these four operations were aiming primarily at increasing tax revenue to reduce the fiscal deficit and improve fiscal sustainability through a combination of tax policy and tax administration measures. The ICRRs assessed the tax component as successful but the PPAR concludes that the increase in the tax collection as a percent of GDP beyond the increase associated with the improved terms of trade and overall economic performance was the result of the very rapid improvement in tax administration and a highly unsatisfactory progress in the structural reform of the taxes policies themselves. Moreover, the PPAR attributes the progress made in improving tax administration to the support of World Bank and other donor-funded technical assistance projects and IMF technical assistance and advisory services rather than tax policy changes supported by DPOs. To sum up, the PPAR contains much more relevant information to assess the efficacy of the tax component than the ICRRs which leads to opposite conclusions regarding the efficacy of the tax component and more broadly the outcome of the DPLs series.

9. **The review database and assessing the efficacy of tax components.** For the purpose of this note, a comprehensive database has been constituted with the results of the review of ICRRs and EvNotes. All DPOs, investment projects, and advisory services coded for tax and approved and closed over FY2005–15 have been manually reviewed following IEG standard criteria. In addition to ICRR ratings, the efficacy of tax components has been rated based on information available in the ICRR.

10. Also, to compensate for some ICRR limitations, the database has been supplemented with the information from OPCS on prior actions for each reviewed DPO and information on IMF programs for each country that received World Bank Group’s support on tax reforms. To get a sense of whether the country context had an impact on results, some country characteristics relevant for tax policies were added including the country income status, whether the country was a fragile and conflict-affected situation (FCS) or a resource-rich developing country, and the tax-to-GDP ratio at the beginning and at the end of the review period.

11. A statistical review of the overall tax portfolio has been conducted to identify major characteristics and trends of World Bank Group support to taxation over the last decade and ascertain the extent to which the reviewed tax portfolio was comparable to the overall one.

12. **Focus on DPOs with tax component aimed at raising tax revenue.** As the bulk of the tax portfolio consists of DPOs, the note covers mainly the DPOs while the review of the support provided through investment projects and advisory services is provided in two dedicated appendixes (appendixes D and E). Also, given the diversity of tax objectives and the focus of the Learning Note, all tax objectives

supported by DPOs have been reviewed and those focusing on an increase in tax revenue collection have been coded in the database (list in table B.1.).

13. Illustrative country examples for DPOs have been identified among the 60 operations targeting explicitly an increase in tax revenue to reflect the diversity of country contexts, regions and time periods (preglobal crisis, FY2005–08; crisis response, FY2009–10; postcrisis, FY2011–15). To avoid duplication with other IEG evaluation work, no country example has been selected among FCS and resource-rich developing countries. However, to allow for meaningful comparisons in the Latin America and the Caribbean Region, countries with significant natural resources have been included. For example, Colombia and Peru.

14. For a number of country examples, instead of focusing on operations, the review covered the overall World Bank's support to tax reforms over the period.

Table B.1. List of DPOs with Tax Component Aimed at Raising Tax Revenue

Country	Operation characteristics						Country characteristics			
	Project name	PID	Approval year (fiscal year)	Amount (US\$, millions)	Tax share (%)	Tax comm. (US\$, millions)	Income category	Tax-to-GDP ratio (%) Initial Year (usually 2005)	Tax-to-GDP ratio (%) Latest Year (2012–15)	IMF program (FY05–15)
SUB-SAHARAN AFRICA										
Central African Rep.	Econ. Mgmt. and Gov. Reform DPO II	P106458	2008	8	22	2	LIC	8.3	9.5	Y
Central African Rep.	Econ. Mgmt. and Gov. Reform II - DPO III	P113176	2009	5	20	1	LIC	8.3	9.5	Y
Central African Rep.	Econ. Mgmt. and Gov. Reform III DPO IV	P120534	2011	9	13	1	LIC	8.3	9.5	Y
Liberia	Re-eng. and Reform Support DPO	P102915	2008	42	17	7	LIC	10.8	18.8	Y
Liberia	Reengagement & Reform Support Prog. 2- Budget Support	P113450	2009	4	10	0	LIC	10.8	18.8	Y
Madagascar	Third Poverty Reduction Support Credit	P096102	2007	40	17	7	LIC	10.1	10.0	Y
Mauritius	Development Policy DPL	P101570	2007	30	14	4	UMIC	17.8	18.7	N
Mozambique	PRSC-1	P075805	2005	60	25	15	LIC	16.1	20.4	Y
Mozambique	PRSC-3	P083459	2007	70	17	12	LIC	16.1	20.4	Y
São Tomé and Príncipe	Public & Natural Resource Mgmt. Dev Pol Grant	P106468	2008	8	29	2	LMIC	10.9	13.9	Y
EUROPE AND CENTRAL ASIA										
Armenia	PRSC-1	P078673	2005	20	20	4	LMIC	14.3	17.5	Y
Armenia	PRSC-3	P093460	2007	28	17	5	LMIC	14.3	17.5	Y
Armenia	PRSC-4	P101486	2008	19	29	5	LMIC	14.3	17.5	Y
EAST ASIA AND PACIFIC										
Indonesia	DPL-1	P092663	2005	300	14		LMIC	10.5	11.4	N
Indonesia	DPL-3	P100327	2007	600	13	78	LMIC	10.5	11.4	N
Indonesia	DPL-4	P105637	2008	600	14	84	LMIC	10.5	11.4	N
Indonesia	Institutional, Tax Administration, Social and Investment 1	P126162	2013	300	13		LMIC	10.5	11.4	N
Indonesia	Institutional, Tax Administration, Social and Investment 2	P144775	2014	400	10		LMIC	10.5	11.4	N
Philippines	DPL-1	P100706	2007	250	33	83	LMIC	12.4	12.9	N
Solomon Islands	DPG-2	P143242	2014	2	15	0.3	LMIC	17.2	29.5	Y
LATIN AMERICA AND CARIBBEAN										
Dominican Repub	Prog.PubFinance & Social Sector DPL	P115145	2010	150	6	9	UMIC	14.6	13.8	Y
Haiti	3rd Econ. Governance Reform Operation	P117944	2010	13	21	3	Lo	9.7	12.9	Y
Jamaica	Fiscal & Debt Sust. DPL	P101321	2009	100	22	22	UMIC	25.3	26.6	N
Jamaica	1st Progr. Debt & Fiscal Sustain. DPL	P113893	2010	200	20	40	UMIC	25.3	26.6	Y

APPENDIX B
METHODOLOGY

Country	Operation characteristics						Country characteristics			
	Project name	PID	Approval year (fiscal year)	Amount (US\$, millions)	Tax share (%)	Tax comm. (US\$, millions)	Income category	Tax-to-GDP ratio (%) Initial Year (usually 2005)	Tax-to-GDP ratio (%) Latest Year (2012–15)	IMF program (FY05–15)
Jamaica	2nd Prog Debt & Fiscal DPL	P123241	2012	100	25	20	UMIC	25.3	26.6	Y
Costa Rica	CR Pub Fin & Compet. DPL/ DDO	P115173	2009	500	17	85	UMIC	13.7	13.2	Y
El Salvador	SV Public Finance and Social Sector DPL	P114910	2009	450	14	63	LMIC	12.5	15.4	Y
El Salvador	Public finance and Social Progress DPL-1	P122699	2011	100	40	40	LMIC	12.5	15.4	Y
Guatemala	Growth DPL 1	P094365	2006	100	14	14	LMIC	11.2	10.8	N
Guatemala	Broad-Based Growth DPL-2	P094897	2007	100	14	14	LMIC	11.2	10.8	N
Guatemala	DPL-3	P101311	2008	100	14	14	LMIC	11.2	10.8	N
Guatemala	Fiscal and Institutional DPL 1	P112312	2009	200	29	58	LMIC	11.2	10.8	Y
Guatemala	Fiscal and Institutional DPL-2	P114373	2010	350	29	70	LMIC	11.2	10.8	Y
Guatemala	Fiscal Space for Greater Opportunity	P131763	2013	200	50		LMIC	11.2	10.8	N
Guatemala	Enhanced Fiscal & Financial Mgmt for Greater Opportunity	P133738	2014	340	43		LMIC	11.2	10.8	N
Honduras	Emergency Recovery Dev Policy Credit	P121220	2011	75	40	30	LMIC	14.5	15.Y	Y
Honduras	1st Progr. Reduc. Vulner. Growth DPC	P127331	2012	86	14	12	LMIC	14.5	15.Y	Y
Panama	1st Competitive & PubFinancMgmt DPL	P105710	2008	75	14	11	UMIC	14.3	18.4	N
Brazil-Minas Gerais	Partnership for Development	P088543	2006	170	13	22	UMIC	16.5	14.Y	n.a.
Brazil-Alagoas	Fiscal & Public Mgmt Reform	P103770	2010	195	13	25	UMIC	16.5	14.Y	n.a.
Brazil-Rio State	Fiscal sustainability DPL-1	P117244	2010	485	25	121	UMIC	16.5	14.Y	n.a.
Brazil-Rio State	Fiscal sustainability DPL-3	P126465	2013	300	20		UMIC	16.5	14.Y	n.a.
Colombia	Third Fiscal and Institutional Adjustment Loan	P084762	2005	100	14	14	UMIC	12.9	13.4	
Colombia	First Programmatic Fiscal DPL	P123267	2012	200	14	40	UMIC	12.9	13.4	Y
Colombia	Second Programmatic Fiscal DPL	P129465	2013	300	20	42	UMIC	12.9	13.4	Y
Colombia	Fiscal Capacity for Shared Prosperity	P145605	2014	600	43	258	UMIC	12.9	13.4	Y
Paraguay	Public Sector DPL	P113457	2009	100	32	32	UMIC	10.2	12.8	Y
Paraguay	Public Sector DPL	P117043	2012	100	33	10	UMIC	10.2	12.8	N
Peru	Progr. Decentral. & Compet. DPL-3	P089826	2005	150	13	20	UMIC	14.3	16.5	Y
Peru	Prog Fiscal Mgmt & Competitiveness DPL-1	P101335	2007	200	14	28	UMIC	14.3	16.5	Y
Peru	Prg Fiscal Mgmt & Competitiveness DPL-2	P101590	2009	370	14	52	UMIC	14.3	16.5	Y
Peru	Prg Fiscal Mgmt & Competitiveness DPL-3	P106720	2010	150	12	18	UMIC	14.3	16.5	Y
Peru	Prg Fiscal Mgmt & Competitiveness DPL-4	P116214	2011	100	16	16	UMIC	14.3	16.5	N
MIDDLE EAST & NORTH AFRICA										
Jordan	Recovery Under Global Uncertainty DPL	P117023	2010	300	13	39	UMIC	24.4	15.3	N
West Bank and Gaza	Palestinian Reform and Development Plan Support IV	P123437	2012	40	30	12	LMIC	4.9	4.8	n.a.

Country	Operation characteristics						Country characteristics			
	Project name	PID	Approval year (fiscal year)	Amount (US\$, millions)	Tax share (%)	Tax comm. (US\$, millions)	Income category	Tax-to-GDP ratio (%) Initial Year (usually 2005)	Tax-to-GDP ratio (%) Latest Year (2012–15)	IMF program (FY05–15)
West Bank and Gaza	Palestinian Reform and Development Plan Support V	P129742	2013	40	34	14	LMIC	4.9	4.8	n.a.
Yemen, Rep.	Institutional Reform DPG	P101453	2008	51	11	6	LMIC	6.7		N
SOUTH ASIA										
Afghanistan	Programmatic Support for Inst. Bldg	P078618	2005	80	14	11	LIC	4.7	8.N	Y
India-Orissa	SAL I	P081882	2005	125	11	14	LMIC	9.9	10.8	n.a.
Pakistan	Poverty Reduction & Econ. Support Oper.	P113372		500	30	150	LMIC	9.6	11.2	Y

Sources: World Bank Business Warehouse; World Bank FCS website; downloaded April 2016; resource-rich developing countries (IMF, 2012); *World Development Indicators*, AIV, Government Finance Statistics, cepalstat (tax-to-GDP ratios)

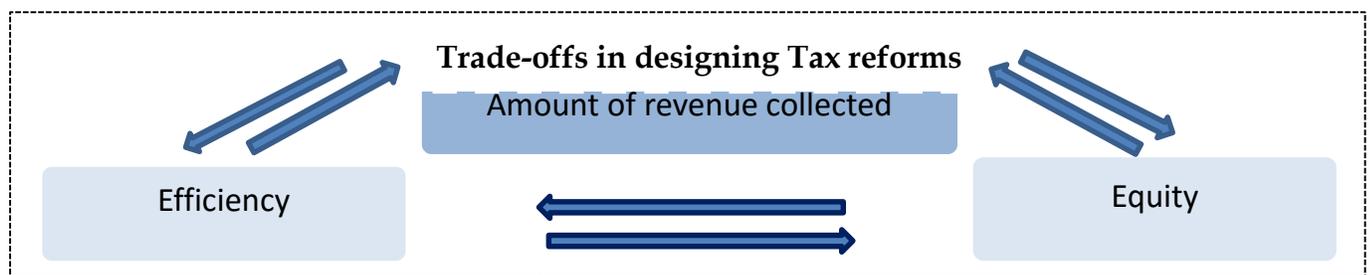
Note: This list does not include three DPOs that were cancelled and thus not rated: Ecuador Second Fiscal consolidation and Competitive Growth (P083856), El Salvador- Broad-Based Growth DPL 1 (P 093133), and DPL1 (P094146). Illustrative country examples are highlighted in green. comm = commitment.

Appendix C. Designing Tax Reforms: Overarching Results Chain and Trade-Offs

Figure C.1. World Bank Group Support to Taxation, FY2005–15-Results Chain



Figure C.2. Designing Tax Reforms: Trade-Offs



Appendix D. Review of Tax Components in Investment Projects, FY2005–15

Theory of Change

1. The objectives of the investment projects mostly focused on improvement of public financial management. Tax administration objectives are to be reviewed within this wider context. This is reflected in the tax commitments and the tax share of the projects. The share of tax commitments in reviewed projects ranged between 13 and 50 percent of the project’s cost. The projects carried out in Sub-Saharan Africa and Europe and Central Asia had the lowest tax share (table D.1 World Bank Investment Projects by Regions). Five projects had a share of tax commitments above 30 percent. Three reviewed projects (Nigeria P088150, Pakistan, and the Russian Federation P078420) had budgets for tax components above \$10 million (list of reviewed investment projects with tax component in table D.4). One project (Cambodia) had an objective “to strengthen the mobilization of the public resources (as measured in tax and nontax revenues as a percentage of GDP).”

Table D.1. World Bank Investment Projects with Tax Component by Region

Region	Projects (no.)	Total Commitments (US\$, millions)	Tax Commitments (US\$, millions)
Sub-Saharan Africa	6	213	29
East Asia and Pacific	2	25	11
Europe and Central Asia	2	114	17
Latin America and the Caribbean	6	104	21
Middle East and North Africa	0	0	0
South Asia	1	103	41
<i>Total</i>	17	559	119

Source: World Bank Business Warehouse.

2. Investment projects aimed at improving effectiveness and efficiency of public finance administration. They indirectly served to reach the general goals of tax systems, such as collecting financial resources, promoting private investment and employment, and increasing transparency, accountability, and fairness. Improving the effectiveness and efficiency of tax administration was expected to reduce taxpayers’ compliance and public revenue administration costs, while reducing tax evasion and tax avoidance and providing level playing field for business. Therefore, these projects were expected to contribute to sustainable growth and development.

3. Most of the investment projects (13 out of 17) had as objectives: increase transparency, equity, accountability and fairness of the public sector; only two projects¹ had explicit targets to increase tax revenue. The final results of the Cambodia and Philippines were to be high revenues. It means that for most projects, targets of reforming tax administration and improving tax system were to bring revenue results as by-product of these projects.

Description of Support: Objectives and Design

4. The specific objectives of investment projects vary. In some cases, a tax administration component was part of a particular project, which aims to improve performance of the whole public finance and/or resource management. There were also projects aimed exclusively at increasing the capabilities of customs and/or Inland Revenue administration. Some projects' objectives were to develop the capabilities of subnational or local administrative structures, while other projects dealt with national or central administration.

5. The measures and activities of the projects were tailored to these objectives. For instance, in Cambodia, a tax administration component had the objective "mobilization of public resources" and included: advising functional reorganization, strategic planning, and capacity development, strengthening of core tax administration functions, and improvement in accountability arrangements. It also promoted the use of banking systems for tax payments, an amendment of code of ethics for tax officers, and developed circulars on measures to collect revenue information. Additionally, it helped initiate a self-assessed regime on property tax, tax auditing, and collection of tax arrears.

6. The project Tanzania aimed at "assisting the government in supporting the Tanzania Revenue Authority to fulfill its mission as an effective and efficient tax administration that provides high-quality services with fairness and integrity." The project had high tax policy and administration component (50 percent). It is worth noting that it was built on experience gained under the Tax Administration Project closed prior to the reviewed project.

7. Under the wider objective "improving the efficiency and effectiveness of governmental processes in the management of its public finances," the project envisaged such activities as: (i) deploying an integrated tax administration information system in two pilot sites; (ii) improving and expanding disclosure of key data from the General Department of National Taxation; (iii) introducing a tax appeals mechanism in law; and (iv) enabling 17 different electronic forms including taxpayer registration, tax return, and payment obligation online.

8. While measures and activities of investment projects reflected countries' challenges and local needs, all projects had information technology components and most of projects had human resource management or training components. Improving effectiveness and efficiency of tax administration was carried out through activities such as enhancing and/or introducing tax identification number, e-filing of tax forms, support for data systems, improving the registration process, strengthening enforcement and control, setting up a tax monitoring and planning unite, training of tax administration. The interventions were to bring about moderation of taxpayers' compliance costs and tax administration costs.

Results: Effectiveness in Raising Tax Revenue

9. Most of these projects experienced significant implementation problems and many were extended by up to five years; only four were not restructured. The revisions during implementation usually led to changes of projects objectives and associated outcome indicators. For instance, a project with the tax-related objective "to strengthen provincial governments in such areas as those related to land tax and tax administration" initially aimed to support 50 percent of the provinces. After a major restructuring the number of provinces was reduced to one or two to focus on priority activities and the closing date was postponed by two and half years. Eventually, the revised outcomes' indicators were met, and two regions displayed an increase in tax collection. The implementation was challenging and a flexible approach was needed as well as revision of designed projects' activities and objectives.

10. There is no clear correlation between the achievement of project development objectives and that of tax components. Reviewed projects in Africa and Latin America and and the Caribbean countries met more problems in reaching their objectives than projects in other Regions. Projects in Europe and Central Asia performed better.

11. About half the reviewed projects had targets for indicators related to tax revenue including tax-to-GDP ratio, collected taxes or number of taxpayers. These targets were mostly met. In Cambodia, tax revenue as percent of GDP has increased from 7.6 percent in 2005 to 11.7 percent in 2013 exceeding its modest target of 9.2 percent set for 2012. The project helped to improve revenue administration and broadening the tax base, but it is not clear to what extent this achievement is linked to project's activities. In Nigeria P074447, the introduction of the unique tax identification number was instrumental to increase of taxpayer registration, but fiscal data showed that tax-to-GDP ratio did not improve and remained at a very low level.

12. Tax component of subnational projects were successful among the reviewed projects. Three projects addressed regional or local challenges in the federal countries: Argentina, Nigeria, and Russia. All of them achieved good results for tax components. In the Russian Federation: Cadastre Development Project, P078420 provided for developing linkages between the municipalities and land right registration offices. Together with implementing method of mass appraisal of real estates, it allowed to increase tax revenues at the local level, since land taxes are collected by municipalities. In Argentina: Subnational Government Public Sector Modernization Program, P070448, the target related to tax collection was exceeded as regions Formosa and Chubut displayed an increase of 40 percent and 25 percent in tax collection during the project life-span. The second target related to exchanging information between property registries and cadastre systems on a regular basis was partially met (Mendoza: 50 percent, Chubut: 65 percent and Formosa: 70 percent).

13. Information technology. There were projects with significant information technology components. In Grenada, the investment project was to upgrade customs data system with associated measures, to improve the tax registry, and to strengthen tax enforcement. The envisaged outputs were mostly achieved. The new custom data system replaced the outdated one. This enabled an efficient exchange of data between the customs administration and the trading community, along with electronic processing of collections and refunds. The tax administration part of the project was implemented, but the outcome indicators were mostly not met as the expected benefits such as reduced time to pay taxes or increase of tax compliance, have yet to materialize.

14. Deployment of information and communication technology may cause a challenge for tax administration. The Tanzania project (P100314) was successful in integrating its operation and introducing the VAT register through the information and communication technology systems. The ICRR clearly indicated the problems with sustainability of such projects. First, the new investment and current maintenance of information technology systems are needed to secure the tax revenue administration requirements. Second, the administration has to be able to attract information technology staff.

15. A general finding is that although successful implementation of the tax administration reforms may not lead to an immediate increase in tax collected, the reform achievements pave the way for meeting such a goal in future, in particular, if other fundamentals such as limited corruption and an independent judicial system are in place.

16. Results are not easy to interpret. The achieved results and indicators may not be easily interpreted. The ICRRs do not provide enough information and details. The links between outputs and outcomes are not always clear. For instance, increase or decrease of the tax-to-GDP ratio during project implementation may be affected by many factors not at all linked to project activities. Second, the positive or negative results of project's actions may come only after a few years. One should not expect that tax administration may accommodate changes overnight. Stable and predictable tax administration (and tax system) brings changes of taxpayers' behavior after months if not years. Eventually these changes may lead to an increase in collected taxes.

17. The same rule applies to internal structure of tax administration. Implementation of clear internal rules and stable regulations for tax officers and inspectors, including remunerations, promotions, internal controls, and evaluation of staff may bring positive effects, only if such activities are carried out for a long period of time.

Explaining Results

18. Projects' objectives were highly relevant, but their design was sometimes over-ambitious. The relevance of design was sometimes assessed as too ambitious given the government's low institutional and absorptive capacity. High relevance of design did not guarantee that the outcome of the project would be satisfactory, nor that a tax component would be highly relevant. Three projects (Tanzania, Philippines, and Pakistan) had high relevance of design and moderate relevance of the tax component. On the other hand, the Argentina (P070448), Cambodia, and Mauritania projects were modestly relevant and their tax components were also similarly relevant. The design and implementation of tax administration reforms should address universal challenges of the fiscal administration in terms of effectiveness and efficiency, and take into account the country context and for projects at subnational level, the local context, including equity considerations. The tax systems are usually deeply rooted in the national politics, institutions, and history. This context, capabilities of administration, and potential response to tax reform changes from tax payers and tax officers may significantly differ among countries, and should be considered as they may have an impact on behaviors and actual results including revenues, tax avoidance and evasion opportunities, costs of compliance, and enforcement.

19. The reviewed projects suggest that timing of administration tax reform could be crucial for its success or even for launching reform. Paraguay had strong commitment to capacity building in the areas of fiscal and economic planning for policy formulation, implementation, and monitoring. The project was considered high-risk due to the probability of a change the minister that was championing the

reform. The change of the Minister of Finance, soon after the project was approved by the Board, caused a considerable delay of 17 months in the signing the loan agreement. That led eventually to cancellation of the project. The new minister was interested in promoting a less ambitious reforms. Guatemala support for the project's activities ebbed and waned due to political situation, but the objectives eventually were met (Guatemala Tax Administration Technical Assistance Loan, P048654¹).

20. Political leadership of reforms. The cancelled project in Mexico illustrates the situation of vanishing government interest caused by the political cycle (box D.1). Most tax administration reforms bring immediate and concentrated political risks, and disparate long-term benefits. Therefore, it is not surprise that major reforms are usually launched after elections and not before them. Tax reforms are in most cases at the center of political campaigns and therefore are more sensitive to political cycle than other reforms.

Box D.1. Political Cycle as a Factor for Launching Tax Administration Reforms: Mexico

The government of Mexico was committed to perform major reform of customs administration because slow and inefficient customs service and high transactions costs impede the country's competitiveness, so the project did not directly target a rise in revenues. The country reached out to the World Bank for its international experience in the area of restructuring customs services. The project was prepared according to a plan put forward by the Mexican tax authorities under whose aegis customs operates. The project initially proposed an International Bank for Reconstruction and Development loan of \$10 million together with \$45 million of government financing.

The project was approved in April 2009, but the government delayed signing for 11 months until March 2010, then six months later formally requested a restructuring to reduce its contribution to \$24 million, while leaving the World Bank financing unchanged. Soon after the government decided to cancel the project. The project was formally closed in March 2012, three years after approval.

During preparation and appraisal, the government interest in completing the project gradually waned, in part due to delays and budget constraints. But the critical factor for withdrawing from this project was that it became clear it could not be completed before the end of the presidential term. Thus the political risk associated with the reform could materialize during the political campaign and its potential and dispersed benefits would only come after the election.

Source: ICRR, Mexico: Custom Institutional Strengthening, P114271.

21. Institutional gridlock may also have caused delays or a limited success of a project (box D.2). The tax administration reforms sometimes address major institutional malfunctions, and may call for dissolving old structures, establishing new ones, or merging some of them. Such actions inevitably confront strong vested interests opposed to reform. The same resistance may occur if a major organizational

change is planned. With weak or diminishing leadership and ownership of the reform, a chance for success is not high. Such a risk turned out to be a reality during the implementation of the Pakistan. It planned to restructure the tax-based structure of the tax administration into a unified function-based, decentralized, and automated tax organization. Strong opposition to the reform from the Federal Board of Revenue slowed down the process and limited government capacity to pursue the project's objectives was clear by the inability to secure parliamentary approval for the broad-based General Sales Tax legislation, an important assumption for project success after restructuring. Similar resistance of planned tax administration reforms was encountered in Philippines: National Program Support for Tax Administration Reform (P101964). Government ownership of the tax administration reform was weak there as well. Neither project was effective in its pursuit of reform.

Box. D.2. Institutional Gridlock and Change of Political Leadership: Paraguay

The Ministry of Finance of Paraguay objectives were to improve the sustainability and the quality of public expenditures. The project design was based on sound analytical work prepared by the World Bank and the relevance of its objectives and design were rated high. The project assumed that no legal change was required to implement the project.

After the World Bank's approval, the Minister of Finance was changed, and it caused a delay of 17 months in signing the loan agreement by the government. In addition, as in most countries in the Region, a loan agreement has to be approved also by the parliament. The World Bank agreed to extend the effectiveness date by three months, but it was not sufficient. The second request to extent the closing date of the project was refused, and the project was eventually cancelled.

This is a good illustration of diminishing political leadership of the project due to personal change and inability of the government to build broad political coalition for such reforms.

Source: ICRR, Paraguay: Modernization of the Ministry of Finance (P087036).

22. A flexible and proactive approach by the World Bank can be a decisive factor of success. However, changes of political leadership do not necessary imply that a project's objectives may not be achieved. In Mauritania, the project was conducted in a highly unstable political situation. During the project lifetime, the country experienced two presidential elections, a military coup, and several governments. The project was extended by five years and restructured, but eventually reached most of its initial objectives, including tax collection targets. After 2012, when political situation calmed the project's activities intensified. The World Bank's engagement increased. All three objectives (to improve performance, efficiency, and transparency of public resources management) were largely achieved. Efficiency was modest due to the lack of an economic efficiency analysis and significant delays in project implementation.

23. Significant responsiveness to changing demand and requirements is in many instances a key for success. Nigeria (P0088150) was restructured five times and the closing date was extended for two and half years. Progress in implementing this complex project was slow during the first five years, and resources were shifted from slow to fast-moving governmental agencies. Project linkages between inputs, outputs, and intermediate and final outcomes were vague. During implementation, the political aspects of the project became overwhelming. The project costs were to be funded in part by the government counterpart (\$16.69 million), but that funding was eliminated in third year of the project. This funding had been found to be a bottleneck due to “bureaucratic procedures” of the budget office for the processing, approval, and release of the counterpart funds. The outcome of the project was not satisfactory.

24. The ability to sustain the World Bank’s support to reforms may be challenged by changing governments. In Guatemala, after a supportive government, a new one was hostile to reforms. This was a main reason for a five-year delay. Here, the World Bank’s patience brought about good results.

25. Complexity and restructuring of projects. Many projects are overly complex and ambitious at the onset and the usual three-year project time frame is not realistic. The reviewed projects addressed wide and deep problems of public sector management, including high turnover of civil servants, and limited communication among the government organizations. In Mauritania, all civil servants and nine ministries were involved in the project and 12 pieces of legislation were passed. The Argentina (P070448) could not be completed in the three years as initially planned and after five years the scope had to be significantly reduced (box D.3).

Box D.3. Adjustment of Project’s Activities to Actual Capabilities: Argentina

The project’s objective was to improve the capabilities of the participating provinces and eligible municipalities to manage their resources more effectively and improve the quality of government administrative services. The project was to include half of the Argentina’s provinces. After five years, its scope was reduced to two provinces and the project was to focus priority activities as reflected in revised performance indicators and targets.

The project design proved to be overly ambitious and underestimated the time needed to pass legal acts. Eventually, two provinces, Formosa and Chubut, performed well, and their 15 percent increase in tax collection target was surpassed. But this restructuring came late, probably due to high rotation of task team leaders.

Source: ICRR, Argentina: Subnational Government Public Sector Modernization Program (P070448).

26. High rotation of task team leaders is a risk factor. During project implementation, World Bank supervision focuses on monitoring progress and

providing technical support. For more than half of the projects, the closing date was significantly extended, and actual project life was on average over six years. It is thus expected that more than one task team leader was responsible for a particular project. Among the investment projects there were some, which had up to five task team leaders (Mauritania and Argentina). In practice, high rotation of task team leaders reduced project oversight and might have been a cause for delays in project restructuring affecting negatively the project outcome.

27. A well-established leading borrower partner facilitates coordination and implementation. Insufficient coordination among the governmental agencies may hamper project implementation, for instance if the leading ministry is not well equipped or staffed for planned activities. The evidence of the investment projects suggest that the Ministry of Finance is best suited for tax administration reform projects. While some of the projects focused on public financial management, and a tax administration component was merely a part of it, it happened that a leading governmental entity of a project was ministry of interior or ministry of administration. This weakness usually led to unrealistic expectations and implementation problems. The effective approach to this problem is to anchor the project at the Finance Ministry and delegate some responsibilities to other governmental or regional entity (box D.4).

Box D.4. Competition Between States for Inclusion in the Project: Nigeria

The general objective of the project was to strengthen capacity in the relevant participating states. The project was established at the Federal Ministry of Finance. The tax administration objectives were to enhance tax registration and assessment measures in Bauchi and Kaduna States. The beneficiary states were selected on a competitive basis, whereby the record of, and commitment to, reforms before project approval were a key selection criterion. The target for internally generated revenue was exceeded in both states and tax payer's registration increased significantly.

The high-level ownership by governors and their advisors seem to have been supported by the competition between states for inclusion in the project. It also helped project implementation and achieved the satisfactory rate of outcomes

Source: ICRR, Nigeria: State Governance And Capacity Building (P074447).

28. As mentioned above, an average time-span of a project is over six years. During such a period, the external and internal conditions may change significantly. Administrations are living organizations, and may be influenced by many factors. And projects' activities should adjust to these changes. In some cases, the learning process within administration may also bring positive developments (box D.5).

Box D.5. **Learning Process of Cadastre Agency and Flexible World Bank's Approach: The Russian Federation**

During preparation of the project the State Cadastre Agency was not eager to consider a merge with the Right Registration Service. The World Bank provided evidence that such solution would be the best model, but did not force it on the Russian institutions during that stage. During the implementation, Russia itself came to the conclusion that the single agency model suited its needs best, and implemented it by creating the RosReestr (Federal Service for Registration, Cadastre, and Cartography Services). This merger disrupted the project's activities. The World Bank was flexible, and extended the closing date to adjust to this new situation. The project brought about an important institutional change.

This is an example where the World Bank's patience, persistence, and flexibility brought a good outcome.

Source: ICRR, Russian Federation: Cadastre Development Project (P078420).

29. Some projects had objectives to increase the number of taxpayers and taxpayer registration (Nigeria P74447 and P088150, Pakistan, and Philippines). These targets were achieved with high margin. However, the ultimate question is how these additional taxpayers may be served. The ICRRs were not clear whether the increase in the number of taxpayers and the resulted increase in service demand was addressed by an increase of the number of tax officers, or the previous staff was supposed to serve an increased number of taxpayers, and thus increasing its productivity, or the level and quality of taxpayers' service suffered. This is not a trivial issue, because compliance taxpayers' costs could rise, and in the end collected taxes may remain unchanged.

LESSONS

30. In a country with weak tax administrative capacity and highly unstable political situation, the project design, planned activities, and measures should be kept simple, and objectives should not to be too ambitious. Relatively simple measures such as e-filing, banking transfer for tax payments, well-developed circulars may bring major improvement in tax compliance.

31. **Tax administration reforms are not only technical and institutional in nature but also political.** The latter dimension predominates in many instances. Borrower support for these reforms may wax and wane during project life. The World Bank and the project management unit should take that into consideration (Guatemala).

32. When implementing tax administration reform, the World Bank needs to be proactive and responsive to changing circumstances and priorities and ready to

learn from implementation weaknesses and failures to adjust project activities and targets.

33. High complexity and ambition usually lead to frequent restructurings and extensions. For such complex projects, close monitoring and supervision and the ability to adjust project design, if needed, are especially important. A mid-term review with adequate benchmarks should be a natural framework to consider such revisions.

34. Tax administration reforms alone are not sufficient. Tax administration operates in a wider context of other governmental agencies and judicial entities and institutional framework, including the tax system itself.

35. Tax system reforms should consider tax administration capabilities and limitations. Experience suggest a gradual approach to enhancing these capabilities.

36. Tax administration reforms are context-specific, and should take into considerations country (or state) political, institutional, and historical characteristics. Therefore, such projects need detailed prior assessments of governmental ownership for reforms, and call for considerable preparatory work and careful design.

Table D.2. Investment Projects with Tax Component, by Share of Tax Code, 2005–2015

Percentage Group	Overall Portfolio						Reviewed Portfolio			
	Projects (no.)	Comm. Amount (US\$, millions)	Tax comm. (US\$, millions)	Countries* (no.)	Closed projects (no.)	ICRs (no.)	ICRRs (no.)	Comm. Amount (US\$, millions)	Tax comm. (US\$, millions)	Countries* (no.)
0–9	10	619	30	9	1	0	0	0	0	0
10–14	23	1,062	134	21	13	11	8	352	48	7
15–19	7	107	18	7	3	2	1	18	3	1
20–25	11	195	43	8	4	4	4	58	12	4
26–50	19	489	191	17	7	6	5	153	59	3
>50	5	237	189	5	2	2	0	0	0	0
<i>Total</i>	<i>75</i>	<i>2,709</i>	<i>605</i>	<i>67</i>	<i>30</i>	<i>25</i>	<i>18</i>	<i>581</i>	<i>122</i>	<i>15</i>

Source: World Bank Business Warehouse and IEG database

Note: *Country total includes overlaps. Comm. = commitment.

APPENDIX D

REVIEW OF TAX COMPONENTS IN INVESTMENT PROJECTS, FY2005–15

Table D.3. Investment Projects with Tax Component, by Region, 2005–2015

Region	Overall Portfolio							Reviewed Portfolio		
	Projects (no.)	Comm. amount (US\$, millions)	Tax comm. (US\$, millions)	Countries* (no.)	Closed projects (no.)	ICRs (no.)	ICRRs (no.)	Comm. amt. (US\$, millions)	Tax comm. (US\$, millions)	Countries *(no.)
Africa	29	1,253	134	17	9	8	7	235	36	5
EAP	14	379	192	8	9	6	3	39	10	3
ECA	11	422	136	9	3	2	1	100	14	1
LAC	17	441	67	12	8	8	6	104	21	5
MNA	1	1	0	1	0	0	0	0	0	0
SAR	3	213	76	1	1	1	1	103	41	1
<i>Total</i>	<i>75</i>	<i>2,709</i>	<i>606</i>	<i>48</i>	<i>30</i>	<i>25</i>	<i>18</i>	<i>581</i>	<i>122</i>	<i>15</i>

Source: World Bank Business Warehouse and IEG database.

Note: *Country total includes overlaps; AFR=Sub-Saharan Africa; comm = commitment; EAP=East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR=South Asia.

Table D.3. Investment Projects with Tax Component, by Global Practice, 2005–2015

Global Practice	Overall Portfolio							Reviewed Portfolio		
	Projects (no.)	Comm amount (US\$, millions)	Tax comm (US\$, millions)	Countries* (no.)	Closed projects (no.)	ICRs (no.)	ICRRs (no.)	Comm. amt (US\$, millions)	Tax comm. (US\$, millions)	Countries* (no.)
Governance	54	1,946	508	38	21	19	14	442	98	12
Energy & Extractives	5	52	5	5	2	0	0	0	0	0
Transport & ICT	3	211	29	2	2	2	0	0	0	0
Finance & Markets	3	37	10	3	2	2	2	34	9	2
Social, Urban, Rural, and Resilience	2	144	19	2	1	1	1	100	14	1
Macroeconomics & Fiscal Management	2	6	1	2	1	1	1	5	1	1
Education	1	130	7	1	0	0	0	0	0	0
Trade & Competitiveness	1	12	1	1	1	0	0	0	0	0
Agriculture	1	10	1	1	0	0	0	0	0	0
Health, Nutrition & Population	1	2	0	1	0	0	0	0	0	0
<i>Total</i>	<i>73</i>	<i>2,549</i>	<i>581</i>	<i>56</i>	<i>30</i>	<i>25</i>	<i>18</i>	<i>581</i>	<i>122</i>	<i>16</i>

Source: World Bank Business Warehouse.

Table D.4. Investment Projects with Tax Component: List of Reviewed Projects, 2005–2015

Country Name	Income Category	Tax/GDP 2005	Tax/GDP 2015	PID	Project Name	Global Practice	Approval FY	Completion FY	Funding Amount (US\$, millions)	Tax Share (%)	Tax Funding (US\$, millions)
Sub-Saharan Africa											
Kenya	LMIC	18.7	15.9	P085007	MSME Competitiveness	FAM	2005	2012	22.0	13.0	2.9
Kenya	LMIC	18.7	15.9	P090567	Inst Reform and Capacity Bldg.	GOV	2006	2012	25.0	14.0	3.5
Mauritania	LMIC	13.1	13.4	P082888	Publ. Sect. Capacity Bldg.	GOV	2007	2014	13.0	14.0	1.8
Nigeria	LMIC	2.9	1.6	P074447	State Governance and Capacity Bldg.	GOV	2005	2012	18.1	17.0	3.1
Nigeria	LMIC	2.9	1.6	P088150	Econ Reform and Govern SIL (FY05)	GOV	2005	2013	140.0	13.0	18.2
São Tomé and Príncipe	LMIC	10.9	13.9	P083400	Gov. Capacity Bldg.	MFM	2005	2011	5.0	14.0	0.7
Tanzania	LIC	11.7	11.7	P100314	Tax Modernization Project	FAM	2006	2012	12.0	50.0	6.0
East Asia and Pacific											
Cambodia	LIC	7.9	13.4	P087945	PFM and Accountability	GOV	2006	2014	14.0	20.0	2.8
Mongolia	UMIC	28.7	15.3	P098426	Governance Assistance	GOV	2006	2015	14.0	23.0	3.2
Philippines	UMIC	12.4	12.9	P101964	Support for Tax Administration Reform	GOV	2007	2013	11.0	33.0	3.6
Europe and Central Asia											
Russian Federation	HIC	16.6	14.3	P078420	Cadastre Development	SURR	2006	2011	100.0	14.0	14.0
Latin America and the Caribbean											
Argentina	HIC	22.1	29.2	P070448	Subnational Gov. Publ. Sect. Modernization	GOV	2006	2013	40.0	14.0	5.6
Argentina	HIC	22.1	29.2	P101171	SOC&FISC NTL ID SYS II	GOV	2009	2013	20.0	20.0	4.0
Colombia	UMIC	12.9	13.4	P106628	Consolidation of Natl. Publ. Mgmt. Inf.	GOV	2010	2015	25.0	30.0	7.5
Grenada	UMIC	18.3	18.7	P101322	TAC	GOV	2008	2012	1.9	33.0	0.6
Mexico	UMIC	16.1	17.4	P114271	Customs Institutional Strengthening	GOV	2009	2012	10.0	20.0	2.0
Paraguay	UMIC	10.2	12.8	P087036	Modernization Ministry of Finance	GOV	2005	2007	7.5	14.0	1.1
South Asia											
Pakistan	LMIC	9.6	11.2	P077306	Tax Administration Reform Project	GOV	2005	2012	102.9	40.0	41.2

Source: World Bank Business Warehouse.

Note: FY = fiscal year; FAM = Finance and Markets; GDP = gross domestic product; GOV = Governance; HIC = high-income country; LMIC = low- and middle-income country; LIC = low-income country; MFM = Macroeconomics and Fiscal Management; MSME = micro, small, and medium enterprise; PFM = public financial management; PID = project identification number; SIL = special investment lending; SURR = Social, Urban, Rural, and Resilience; UMIC = upper-middle-income country.

¹ Given its overlap with a DPL series supporting tax reforms), Guatemala (P048654): Tax Administration Technical Assistance Loan although approved outside the review period (approved in FY1998 and closed in FY2007) was also reviewed.

Appendix E. Review of IFC Advisory Services for Business Taxation, FY2005–15

IFC Approach

1. IFC Advisory Services (AS) projects covering business taxation were part of IFC AS projects supporting investment climate reforms. As indicated in IEG evaluation of World Bank Group support to investment climate reforms (see appendix F, World Bank 2015b), IFC support was implemented through stand-alone AS structured under a set of defined products and tend to form focused, short-term, and rapid interventions. IFC intervention tend to be standardized and narrowly focused. In some regions, Latin America and the Caribbean among them, investment climate work is jointly managed by the World Bank and IFC and Investment Climate AS are part of a broader investment climate agenda. As noted in the same evaluation, World Bank Group support to investment climate tends to be heavier in the regulatory areas such as business registration, taxation, and trade, which are covered by the most common diagnostic tools, Doing Business and Enterprise Surveys.
2. AS on business taxation focus on tax administration reforms rather than on tax policy. Business tax administration reforms are usually carried out with other reforms along the Doing Business indicators covering issues, such as starting a business, dealing with construction permits, and resolving insolvency.
3. The tax payment aspect of the Doing Business indicators (payments, time and total tax rate for a firm to comply with all tax regulations) generally guides the business tax work that often includes drafting/enactment of tax laws. Harmonization of legal environment is sometimes addressed through regional projects (for example, in East Africa). Doing Business measures have also been used for AS projects at the subnational level (for example, in India).
4. More so than the World Bank, IFC relies on government requests or stakeholder consultations when designing investment climate projects. Historically, IFC's investment climate projects have relied on the Facility for Investment Climate AS diagnostic reports on administrative barriers. Over time, Doing Business started to become a de facto diagnostic tool for IFC. Among projects that used a diagnostic tool, 62 percent used the Doing Business report in their design.

5. At the country strategic level, in the recent past IFC has increased its collaboration with the World Bank in the context of Country Partnership Frameworks. When there is no World Bank Group Country Partnership Framework, IFC relies on its Regional Strategies to guide its AS activities in country level, but there is no framework for assessing their development impact at that level. The 2013 IEG biennial report on operations evaluation that assessed IFC M&E systems indicated that the framework for understanding the development impact of AS operations is based on the logic model that links outcomes with project activities (see appendix F, World Bank 2013 a). IFC's evaluation program comprises donor-funded facility reviews, and thematic, product, and program assessments of its operations.

Scope and Composition of IFC Support to Tax Administration Reform

6. IFC AS on business taxation are much smaller than World Bank interventions and are managed by the revenue authorities. Over the review period, IFC initiated 117 AS that include a component on business taxation. Among those, 82 were closed during the same period. Based on IFC selective evaluation policy, which has been in effect since 2008, only 17 of those projects were evaluated (table E.1.).

7. Among the 17 IFC AS projects reviewed for this note only the Vietnam) was a stand-alone business taxation reform project. These 17 IFC AS projects ranged in their expenditures between \$99 thousand and about \$5 million, with a median of \$1.3 million, and were much smaller than World Bank interventions. Expenditures on tax administration reform were about a third of the total expenditures or just above \$400 thousand on average. (See the list of evaluated project in table E.2.)

8. The IFC AS projects reviewed differ from the overall portfolio for a number of reasons. First, AS projects have been selectively evaluated only since 2008, thus projects completed earlier cannot be part of the review. In effect the oldest projects part of this review were completed in 2008. Also because of this cutoff date, the variations over time may not be reflected in the set of reviewed projects. For instance, the average size of AS projects with a business taxation component increased significantly from FY2005 to FY2012 and has since been declining.

9. Second, the selection for evaluation is applied on the universe of Investment Climate AS not sorted by subcategories. Thus the 17 AS on business taxation that have been evaluated (and reviewed) may not be representative of the overall portfolio.

10. Third, recent trends may not be reflected as FY11 is the most recent approval year for the projects evaluated (and reviewed). This includes the recent increase in demand from Latin America and the Caribbean countries. While so far the majority of Investment Climate AS projects including those with a component on business taxation have been conducted in the Sub-Saharan Africa and Europe and Central Asia Regions, demand for those AS has been recently increasing in the Latin America and the Caribbean Region (for example, Colombia and Guatemala). Given the specific business taxation challenges in the Region, the design of AS on business taxation may have evolved recently in ways not reflected in the set of reviewed projects, which does not include any Latin America and the Caribbean country-specific project. According to Doing Business indicators: South America has the highest corporate income tax rate and time to comply and Central America and the Caribbean (the other part of the Region) are two sub-Regions where profit taxes account for the greatest share of the tax rate.

11. For instance, the Colombia Tax Reform project (ID 599785) approved more recently (FY14; \$2.1 million) was designed to improve the business tax-related investment climate and fostering private sector competitiveness, both at the national and subnational level in Bogota (as a pilot). (See box E.1.)

12. Also, changes in IFC's approach moving away from a narrow focus on Doing Business indicators to include, for example, increase in formal tax compliance of micro, small, and medium enterprises, may have affected the design of more recent AS projects still active and thus not yet subjected to evaluation. Finally, the recent merger of the IFC Business Environment and Investment Climate unit with the World Bank team under the Trade and Competitiveness Global Practice might have led to further changes in the design of more recent projects compared with those that have been evaluated and reviewed for this note. Only one project managed by the Trade and Competitiveness Global Practice is covered by the review (Rwanda). This project, completed in FY2014, has a relatively small tax share (15 percent) but is much bigger than the average size of the reviewed projects (total funding amount: \$4.6 million).

Theory of Change

13. IFC AS on business taxation aim to reduce costs and time to comply with tax regulations (covering mainly corporate income and other profit taxes, and social contributions and labor taxes paid by the employer but sometimes property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and any other small taxes or fees) through the creation of tax brackets, reducing frequency of reporting from monthly

to quarterly, combining various taxes, rationalizing administrative processes that include elimination of duplicate inspections by tax authorities, simplification of code, and making available “commentary” to improve comprehension or reduce uncertainty, introduction of information communication and technology and mobile methods of payment and introduction of taxpayer appeals system.

Box E.1. One Recent Active IFC Tax Administration Project—Colombia, FY2014

In Colombia, an IFC Tax Reform project approved in FY2014 and still under implementation aims to improve the business tax-related investment climate and foster private sector competitiveness, both at the national and subnational level in Bogota (as a pilot) by enhancing tax simplification and reducing compliance tax burdens for all enterprises.

The Colombia Tax Reform project, among other objectives, specifically addresses increase in formal tax compliance of micro, small, and medium enterprises, by reviewing and rationalizing the micro, small, and medium enterprise tax regime, and lowering barriers to formalization and improvements in the tax compliance culture. According to project documents, over half of the Colombian firms identify tax avoidance practices of competitors in the informal sector as a major constraint. To increase tax compliance, the project is also expected to harmonize changes at national and subnational levels. For M&E indicators, in addition to the usual ones for IFC AS business taxation projects such as average number of days to comply with business regulation, and direct compliance cost savings, the project includes new indicators, such as number of business taxpayers that are registered with the tax authority and number of firms that file tax returns, both with baselines and targets.

The project is supposed to draw on the World Bank-Fund Integrated Assessment Model of Tax Administration. This methodology, project documents elaborate, is expected to allow the government to conduct self-assessments and implement reforms according to international good practices. The IFC Colombia Tax Reform AS Project is expected to complement the World Bank support to the modernization of the Colombian tax administration (including taxpayers’ segmentation, auditing, withholding system, refunds, and electronic invoices).

Source: Colombia: Tax Reform Project, (ID599785) Implementation Plan, 2014

14. The link of IFC AS projects to macro and broader development objectives, such as with improved firm-level productivity (Albania) and increased investment from domestic and foreign sources (Albania and the Republic of Yemen), were rarely made. Even then, they are usually not tracked under the M&E system and there is no explicit results chain or counterfactuals. Rarely (Rwanda and the Republic of Yemen) did the IFC AS projects explicitly link project activities to the objective of increasing government revenue, maybe because the AS projects are in parallel with activities by other institutions, such as the IMF or that the revenue authorities are expected to look out for that objective on their own without IFC support.

Data Limitations

15. When tax administration reforms constitute a large component of the reform package, standard and well-established IFC Business Taxation indicators may be measured, such as: average number of days to comply with business regulation; and average official cost to comply with business regulation; along with measures for draft tax bill, training modules for taxpayers and tax administration staff, and promotion and outreach programs. The value of aggregate private sector savings from recommended changes is then the main impact indicator for the tax component. However, a model is often used to estimate the impact of tax reform instead of actual savings.

16. However, when tax reforms account for 25 percent or less of the overall IFC AS project, the M&E system may not collect beneficiary data specific to tax administration reform. Usual outcome results may indicate “number of procedures eliminated or streamlined” (nothing specific to taxation). Sometimes, these are supplemented by various details emerging from recommendations that were adopted by the authorities.

17. Another data limitation comes from the Doing Business indicators themselves. A recent article by Hallward-Drimeier and Pritchett has the following critique of the Doing Business framework (Hallward-Driemeier and Pritchett 2015). Doing Business indicators are problematic, because among other things, there is huge variance reported by firms within the same country. This observation fits well with the finding by the recent investment climate evaluation (see appendix F, World Bank 2015b) which indicated that barriers to dynamic and well-functioning markets may benefit privileged economic participants at the expense of competitors, potential entrants, and consumers. Though details along these lines are generally unavailable, one EvNote (Uzbekistan: Small and Medium Enterprise Policy Project [542564]) did signal that the situation away from the capital was much worse than in the capital indicating that Doing Business reforms of tax administration are likely to have the same issues of high variance within the same country with the benefits coming to privileged economic participants, at least initially.

Results

18. The tax components were successful in 67 percent of the cases for projects at country level (15 projects), a success rate similar to Investment Climate AS projects, and in 65 percent of the 17 reviewed projects (including 2 Regional projects in Africa and Latin America and the Caribbean). However, this review found that development effectiveness was often inferred with a model rather than through an

actual measure because there was not enough time immediately following the passage of laws/changes in regulatory environment for the private sector to reap actual benefits from the changes.

Box E.2. Government Commitment Can be Enhanced with Clearly Quantified Cost and Benefits that Demonstrate that the Project Is Good for the State: India-Bihar

For the Bihar Investment Climate Reform Phase II, IFC aimed to improve the investment climate in the State of Bihar, India.

Even though the overall project was unsuccessful, the project introduced improvements in business taxation. These include a simplified tax regime for small businesses; introduction of an audit-based inspection regime applied to a random sample of taxpayers; introduction of anti-tax-avoidance provisions; and setting up “one-stop” service centers for small businesses.

For the taxation component, IFC was able to enhance client commitment with clearly quantified cost and benefits that demonstrated the benefit of the project to the state of Bihar.

Source: EvNote Bihar: Investment Climate Reform Phase II (ID568031).

19. In some cases, to find out actual benefits to the beneficiaries, IFC was able to undertake postcompletion surveys. These surveys revealed that, although the enactment of the laws was necessary for cutting compliance time and costs, they were far from being sufficient and additional corrective actions were necessary to improve the situation.
20. The modest size of AS projects, particularly with the tax authorities as counterparts, allowed them to avoid many of the challenges faced by World Bank interventions. In addition, IFC combined private sector consultations to improve relevance and focused on legal and administrative changes, usually with some international expertise, as part of its project design. These positive features were enhanced when there were a series of projects because such sequencing permitted IFC to build a better relationship both with the private sector as well as the tax authorities (Tajikistan: Business Enabling Environment III & IV ID [542544]).
21. The limits of the Doing Business approach lay with the relative rigidity which does not take into account the actual strength of the public tax authorities. (Sudan: Administrative Barriers Reform Program (ID 549806) and the Democratic Republic of Congo: Investment Promotion, Taxes and Doing Business [ID 559845]).
22. However, the participation of the tax authorities in project implementation, even when they were weak, is critical and usually led to some increase in tax-to-GDP ratio. Pakistan is a counterexample (box E.3). In addition, when they were stronger as was the case in India-Bihar, for example, the formalization of the sector

that came with the Doing Business reforms led to considerable increase in tax revenue and tax-to-GDP ratio. However, when the formalization had already taken place, as was the case in many countries in Europe and Central Asia, the increase in tax appears not to be that dramatic.

Box E.3. Tax Administration Projects Require the Participation of Revenue Authorities: Pakistan

In Pakistan, IFC followed up a successful project with the Pakistan Business Council (PBC) with a Phase II that was to “initiate but not implement,” among other things, business taxation reform. Both the government and the private sector had recognized the urgency of tax reform, because, at approval, Pakistan had one of the lowest ratios of direct tax-to-GDP.

The PBC had been formed by some of the largest and most renowned private companies of Pakistan and wanted to establish itself as a strong, nonpolitical voice of the private sector. According to IFC, PBC was a truly independent – politically and financially – advocacy body that had been successful in positively influencing the government.

However, the IFC AS project activities targeted at the PBC did not result in any reforms. In contrast, the project completion report indicated that the World Bank had launched a long-term tax reform program with tax authorities and in collaboration with the IMF. PBC was to collaborate to this program for private sector inputs “when necessary.”

Source: EvNote, Pakistan: Assistance to Business Council Phase II (ID564227).

23. Lastly, AS projects reviewed did not target an increase in government revenue as part of their objectives and almost never reported on increase in compliance or increase in tax collection. In general, at approval, the result chain is not well articulated and counterfactuals are not considered. For example, that an increase in tax revenues as a percentage of GDP could take place without any marginal increase in compliance in the formal sector, for example, the Republic of Yemen: Investment Climate (ID553505).

24. From the point of the broader development objectives, this study found that when the tax-to-GDP ratio was either low or high at the inception of the project, the benefits to this broader development objective were limited. However, if the tax-to-GDP was in the “middle of the pack,” as was the case in India-Bihar, the benefit to this broader development objective was considerable. In addition, the longer-term impact in terms of competitiveness or governance (particularly in addressing corruption) were not considered when support for institutional development was provided under AS projects, may be because they were inherently limited in size.

Lessons

25. **Going beyond Doing Business reforms, though desirable, has yet to be tested.** The EvNote of an unsuccessful AS project indicated (and the IEG Investment Climate Reform Evaluation agrees) that Doing Business indicators should not be used as either a goal or a main source of evidence for measuring project results. In an FCS country, where availability of reliable data is a constraint, the M&E plan should be properly budgeted for and include baseline, relevant indicators, data collection activities, and when possible triangulation of information through focus groups, interviews or direct observation (Sudan). Nonetheless, the reform program may be unable to secure government ownership and commitment much beyond Doing Business reforms, and important developments, such as the tax appeals tribunal as well as the all-important in-depth reform legislation, may not gain traction (Rwanda). Vietnam: Business Tax Simplification (ID564330) is an example where going beyond Doing Business reforms requires strong support and political will beyond tax authorities (box. E.4.).

Box E.4. Going Beyond the Tax Authorities for Approval May Create Bottlenecks: Vietnam

For the Vietnam Business Tax Simplification AS project, IFC had a Memorandum of Understanding signed between IFC and the General Department of Taxation (GDT) to provide technical assistance for reforming the tax system.

The project set out to achieve a number of rather ambitious tax policy reform targets within a fairly abbreviated three-year time frame. Most importantly, the design failed to appreciate that the GDT does not have the authority to make any policy or regulatory changes. All legislative changes initiated by the GDT had to go through a chain of approvals including the provincial offices, Ministry of Finance, the government, and the National Assembly.

Although the project was finally able to secure buy-in for the establishment of the VAT threshold, the “centerpiece” of a small business tax regime, the National Assembly had not enacted at project completion the revised VAT Law and Law on Tax Administration. Consequently, the reduction in cost of compliance was only partially achieved.

Source: EvNote, Vietnam: Business Tax Simplification (ID564330).

26. The involvement of other partners such as the World Bank and IMF lend credibility to IFC AS projects (the Republic of Yemen), particularly in an FCS country. However, while a high-level committee is necessary for validation, endorsement, and championing of reforms with government, parliament and industry groups, they would not be available for the duration of the project to act as day-to-day counterparts. For that task, IFC should promote the participation of empowered technicians and private sector (Madagascar). In this regard, beyond the

most nascent stage of state-building, the revenue authorities are quite well placed to lead the formalization process leading to increase in the tax-to-GDP ratio.

27. For countries where a functioning tax-related legal and regulatory framework exists, major policy reforms require changes in law, which entails a time-consuming process. IFC requires a thorough scoping exercise to better comprehend the complexity of undertaking tax-related reforms and set more realistic time frame and targets. In addition, it is critical to prioritize and sequence activities to ensure quick wins to create and maintain momentum while working on longer-term reform initiatives (Vietnam).

28. To improve equity and ensure better implementation of reforms, the following drivers should be considered: a clear identification of responsible entities for implementation; provision of adequate information and training of officials at the local level; provision of necessary tools and resources to implementing agencies at the local level; establishment of an incentive structure with feedbacks on the quality and reward/punishment system. Building local partnerships with stakeholders such as business associations, nonprofits, training centers, academia to implement training on the regulatory reforms are more cost-effective and efficient methods and ensure greater sustainability of the reform agenda (Tajikistan).

Table E.1. IFC Advisory Services—Business Taxation, by Share of Tax code, FY2005–2015

Percentage Group	Overall Portfolio							Reviewed Portfolio		
	Projects (no.)	Funding amount (US\$, millions)	Commitment for tax (US\$, millions)	Countries (no.)	Closed projects (no.)	Client-facing* (no.)	EvNotes (no.)	Funding amount (US\$, millions)	Commitment for tax (US\$, millions)	Countries (no.)
0–9	1	2.0	0.1	1	1	0	0	0	0	0
10–14	11	12.5	1.3	7	8	6	1	0.89	0.09	1
15–19	4	10.0	1.5	3	2	2	2	6.10	0.91	2
20–25	47	31.0	6.1	23	37	37	8	14.27	3.22	8
26–50	18	29.9	10.3	18	15	14	4	3.82	1.29	4
>50	36	46.1	45.6	30	19	18	2	1.42	1.42	2
Total	117	131.5	64.9	62	82	77	17	26.50	6.93	14

Source: IFC AS Operational Portal.

Note: *IEG selects a percentage of client-facing AS projects to review. The internal AS are not included in the selection.

Table E.2. Advisory Services—Business Taxation Projects, by country, 2005–2015 Reviewed by IEG

Country Name	Income Category	Tax/GDP 2005	Tax/GDP (most recent year)	PID	Project Name	Business Line	Completion FY	Funding Amount (US\$, millions)	Tax Share (%)	Tax Funding (US\$, millions)
Sub-Saharan Africa										
Congo, Dem. Rep.	LIC	5.9	8.8	559845	Investment Promotion, Taxes, and Doing Business	IC	2010	0.26	33	0.09
Eastern Africa region	N/A			569528	EAC Investment Climate Reform Program	IC	2013	1.98	25	0.49
Madagascar	LIC	10.1	10.1	561587	Investment Climate Reforms - Business Licensing	IC	2010	0.89	10	0.09
Niger	LIC	12.3	15.1	548746	Doing Business Indicator Solution Design, Admin Barrier, and METR	IC	2008	0.66	25	0.17
Rwanda	LIC	12.6	13.4	576907	Investment Climate Reform Program	T&C	2014	4.56	15	0.68
Sudan	LMIC	7.3	6.1	549806	Administrative Barriers Reform Program	IC	2011	1.61	30	0.48
East Asia and Pacific										
Vietnam	LMIC	18.2	19.1	564330	Business Tax Simplification	IC	2013	1.28	100	1.28
Europe and Central Asia										
Albania	UMIC	17.9	16.9	543824	Better Regulation - Action Plan	IC	2008	0.10	20	0.02
Armenia	LMIC	14.3	17.5	564407	Regulatory Simplification - Doing Business Reform	IC	2013	1.54	15	0.23
Tajikistan	LMIC	16.6	19.0	542544	Business Environment III, IV	Enabling Phases IC	2014	5.04	20	1.00
Uzbekistan	LMIC	27.0	28.5	542564	SME Development phase IV	Policy Project, IC	2010	0.71	25	0.18
Uzbekistan	LMIC	27.0	28.5	559085	Building Capacity for Better Regulation	IC	2011	0.65	50	0.33
Latin America and the Caribbean										
Latin America and the Caribbean Region	N/A			552825	Municipal Scorecard Phase II	IC	2010	1.51	20	0.31
Middle East and North Africa										

APPENDIX E
 REVIEW OF IFC ADVISORY SERVICES FOR BUSINESS TAXATION, FY2005–15

Yemen, Rep.	LMIC	6.7	N/A	553505	Investment Climate Reform Program(Tax)	IC	2008	0.14	100	0.14
South Asia										
Bangladesh	LMIC	7.1	8.7	571047	BICF-Regulatory Reform Phase II	IC	2012	4.05	25	1.01
India, Bihar	LMIC	9.9	10.8	568031	BIHAR Investment Climate Reform Phase II	IC	2011	1.30	30	0.39
Pakistan	LMIC	9.6	11.2	564227	Assistance to Business Council Phase II	IC	2009	0.22	20	0.04

Source: *World Development Indicators*, AIV, Government Finance Statistics, cepalstat

Note: IC = Investment Climate; LIC = low-income country; LMIC = low-middle-income country; PID = project ID; T&C: Trade and competitiveness; tax/GDP = tax-to-GDP ratio UMIC = upper-middle-income country.

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