

DOMESTIC REVENUE MOBILISATION



IMPORTANCE

Effective Domestic Revenue Mobilisation and sound Public Finance Management are key to governments' efforts to achieve inclusive growth, poverty eradication and sustainable development. Because domestic public finance is vital in providing public goods and services, the EU is committed to its 'collect more and spend better' strategy.

Reaching a tax to percentage of GDP ratio of 15% is vital for any country to provide basic services to its citizens. Yet tax revenues are reaching only around 10% of GDP in many low-income countries.

To counter the impact of COVID-19, advanced economies were able to spend 15% of their GDP in 2020, while low-income countries were only able to spend 2%.

Every year, an estimated USD 88.6 billion, equivalent to 3.7% of Africa's GDP, leaves the continent as illicit capital flight, and tax havens cost low-income countries USD 200 billion a year in lost corporate tax revenues.

In 2019, the EU and its Member States have committed almost EUR 1 billion in ODA support for domestic revenue mobilisation and public finance management to over 90 countries notably contributing to improving partner countries' fiscal strategy and budgeting, improving transparency of public finance and strengthening accountability.



1

To combat international tax evasion and avoidance, the EU and its Member States support the Global Forum on Transparency and Exchange of Information for Tax Purposes, which helped identify more than EUR 100 billion in additional revenues.

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The EU and a number of Member States are keen supporters of the Addis Tax Initiative that aims to improve transparency, fairness, effectiveness and efficiency of tax systems. The EU and Member States surpassed their commitment of doubling technical cooperation on domestic resource mobilisation. The recently endorsed Addis Tax Initiative Declaration 2025 provides the direction for further improvements in the field.



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All EU Member States are committed to the Base Erosion and Profit Shifting framework to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment.

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