Taxation Policy in Developing Countries What is the IMF's Involvement?

For: The Bretton Woods Project

DV406 Consultancy Project

April 28th 2008

Authors

Damme, Lauren

Misrahi, Tiffany

Orel, Stephanie

Acronym List

COB: Central Obrera Boliviana (Central Bolivian Labour Union)

EASF: Enhanced Structural Adjustment Facility to lend to poor countries, which replaced in 1999 by the PRGF

FAD: Fiscal Affairs Department (of the IMF)

GDP: Gross Domestic Product

GNP: Gross National Product

HIPC: HIPC – Heavily Indebted Poor Country – debt relief program

IDH: Impuesto Directo sobre los Hidrocarburos (direct tax on Hydrocarbons and its Derivatives-Bolivia)

IEO: Independent Evaluation Office (of the IMF)

IFI: International Financial Institution

IMF: International Monetary Fund

ISR: Impuesto Sobre la Renta

IVA: Impuesto al Valor agreagado (or VAT)

LDC: Less Developed Country

NGO: Non Governmental Organization

OECD: Organisation for Economic Co-Operation and Development

PIT: Personal Income Tax

PRGF: Poverty Reduction and Growth Facility – lending program which replaced EASF in 1999

PRSP: Poverty Reduction Strategy Papers (of the IMF)

PSIA: Poverty and Social Impact Analysis

RC-IVA: Complementary Tax to VAT (in Bolivia)

TA: Technical Assistance

VAT: Value Added Tax

WB: World Bank

Table of Contents

Executive Summary 4
Introduction 7
Section I- Taxation in the Developing World 8
Section II – The Origins of IMF Tax Policy 11
Section III- The Fund's Article IV Consultations 12
Section IV- Case Studies 17
Bolivia: Simplicity and Inequality 17
The Mexican Challenge 19
Mozambique, VAT, and the IMF 21
Section V- Recommendations and Conclusions 23
Bibliography 27
Appendices 33
Appendix A: Elements of the EU and US tax model in South–East Asia 33
Appendix B: Methodology 35
Appendix C: Low Income Countries chosen for Analysis 36
Appendix D: Lower-Middle Income Countries chosen for Analysis 37

Executive Summary

Taxation is an essential source of revenue for a state and is central to the development of Southern nations. Hence, over the past three decades, the IMF has been heavily involved in the tax reforms of less developed countries (LDCs), whether it is in the form of advice or demands linked to the Fund's loans. The standard prescription of the IMF is fewer taxes, fewer rates, fewer exemptions and the implementation of the Value Added Tax (VAT) while avoiding corruption.

The advice the IMF offers to LDCs has its origins in the European model of taxation in which taxes and redistribution are relatively high and VAT is employed. The ideology behind this tax system is that social inequality is linked to income inequality, thus the need for redistribution. Although the VAT has a number of advantages and has proven to be growth-generating in the European context, it is questionable as to whether it is the right tax strategy for developing countries.

Some key differences between developed and developing nations must be accounted for when applying a tax model, such as LDCs' comparatively weak institutions, high inequality, low accountability, and high levels of corruption. In addition, there is a high degree of tax evasion, and on average over 50% of citizens in LDCs are part of the informal economy. Much debate has surrounded the VAT's regressivity and the administrative costs linked to its collection. IMF advice centres around efficiency; meanwhile many LDCs struggle to form more equitable tax systems.

An analysis of Article IV Consultations for developing countries shows that the VAT was recommended or endorsed by the IMF in 90% of the overall sample and 80% of the consultations advised a decrease in tax exemptions. However, the distributional consequences of abolishing tax exemptions were only addressed in 25% of cases. Tax compliance is a major problem in developing countries, but simplifying tax compliance was never recommended in the low-income sample. The VAT refund system is another problem for LDCs, yet improved administration of VAT refunds was only addressed in 15% of the total sample. Technical assistance on tax reform was given in 80% of the sample overall, but a study by the Independent Evaluation Office of the IMF indicates that TAs may need restructuring to be more responsive to countries' needs and address priorities identified by PRSPs (2005). Generally, the IMF does not make use of the World Bank's few PSIAs. Finally, although most Article IV Consultations refer to 'outreach' activities that involve consulting with non-governmental actors, the true nature of these 'outreach' consultations is unknown, pointing to a lack of transparency of the IMF.

Case studies of Bolivia, Mexico and Mozambique are explored to examine the experiences of developing countries with the IMF.

Bolivia has been extensively advised on tax reform by the IMF since 1986. Although the reforms initially benefited Bolivia, the simplification of the system, the introduction of a highly regressive VAT, and the government's reluctance in introducing a PIT has led to compounded inequities in tax collection. The IMF's TA missions on fiscal policy have not resulted in significant improvements in the tax system. However, through a newly introduced direct tax on hydrocarbon, developed domestically, Bolivia has finally generated a surplus.

With its regressive tax system, 40% of its revenues from oil, and its taxes accounting for only 11.3% of GDP, Mexico is in serious trouble. The country has high inequality, high tax evasion and a large informal sector. Recent advice provided by the IMF has been unofficial, with no technical assistance missions on tax reforms. An unnamed IMF official stated that *any* tax reform would be an improvement to the current situation. Indeed, the IMF was supportive of both a failed VAT reform on food and medicine as well as subsequent successful reforms, passed in 2007. Notably, Agustin Carstens, the current minister of finance who passed the latest reforms, was a former IMF official.

In the aftermath of Mozambique's civil war, the IMF provided loans and entry to the HIPC debt relief programme, conditional upon a swift VAT implementation, among other requirements. Without other options, the government implemented VAT in June 1999. Administrational problems with refunds have unintentionally raised prices on products important for the poor, created greater corruption amongst tax officials, and pushed more people into the informal sector. IMF documentation and press conferences from the period of implementation show that the IMF did not consider the distributional impact of their advice, and continues to neglect outside consultations and opportunities for PSIA work.

Based on our research, we have come to conclude that the relatively standardized advice provided by the IMF is sound from an efficiency perspective but may be inappropriate for LDCs, which have characteristics different from the European countries where VAT was designed. In addition, the IMF's recommendations to decrease trade taxes have been very damaging for LDCs in terms of revenue collection and thus should be reconsidered.

The analysis of Article IV Consultations has revealed that the IMF is not addressing distributional consequences, hence the need to consult with outside organizations and collaborate more closely with the World Bank in the production of PSIAs. Difficulty in compliance with requirements for VAT bookkeeping is largely not addressed, and PSIA work may be especially useful in this area. Transparency is also a serious problem at the IMF. Little specific information is disclosed about either TA missions or "outreach consultations" with non-governmental actors. Greater transparency and accountability of the IMF would not only increase the incentives to provide better policy, but openness would lead to less suspicion regarding the IMF's activities. A larger, more in-depth study is needed to draw more robust conclusions.

The case studies have offered insight into the experiences of LDCs with IMF tax policy advice. Bolivia's experiences showed that tax simplification can create regressivity in the long term unless policies are responsive to economic changes and country-specific characteristics. The experience of Mexico has shown the importance of administrative capacity in LDCs as well as the need to reduce tax evasion and the informal sector. Regressivity in the tax system can end up pushing people into the informal sector, causing social unrest in the process. The case of Mozambique has illustrated how complex compliance requirements can push more people into the informal sector and increase corruption, while problems with the administration of VAT refunds can unintentionally harm the poor, and finally, the need to improve TA by consulting with external (non-governmental) local agents.

On the whole, the IMF does not often consider the negative distributional effects of its tax policy advice. It is questionable whether the IMF's advocacy for 'regressive' VAT is a suitable strategy for nations that are weak administratively, as it can lead to further informality, inequality, tax evasion and fraud.

Introduction

"Revenue is the chief preoccupation of the state. Nay more it is the state" (Burke in Di John, 2006)

Burke highlights the central role that taxation plays in the development of a nation. In effect, it is "the new frontier for those concerned with state building in developing countries" (Brautigam et al, 2008). The South's dependence on more regressive means of taxation has led to tax structures throughout the developing world that are largely "complex, inelastic, inefficient, inequitable, and quite simply unfair" (Khalilzadeh-Shirazi and Shah, 1991). The inability of Southern nations to collect taxes efficiently is a serious problem that has the possibility to result in the failure of the state's provision of basic social services and infrastructure (Khalilzadeh-Shirazi and Shah, 1991).

Over the past three decades, since the economic crises of Latin American countries during the 1980s, the IMF has been heavily involved in the economic reforms that have taken place in developing countries. Starting with the conditionality of loans in structural adjustment programmes, developing countries have often been virtually forced to make reforms ranging from trade liberalization and the reduction of tariffs and quotas to tax reforms, although others have voluntarily implemented IMF recommendations.

Through this paper we will aim to determine what kind of domestic tax advice the IMF has been offering to developing nations and how they are addressing the distributional impact of that advice. We will focus our analysis of domestic revenue mobilization on the Value-Added Tax (VAT), while consciously choosing not to address corporate taxes, which is an area other studies have addressed. In *Section I*, we will carry out a literature review on taxation in developing countries, while considering what general guidelines the IMF has been offering to Southern nations. More specifically, we will examine the characteristics that make developing countries unique and consider the advantages and drawbacks of implementing distinctive types of VAT. *Section II* will examine the origin of IMF taxation advice through an examination of different tax models employed in the developed world. *Section III* considers the IMF's advice to developing countries in more detail, making use of Article IV Consultation reports from the IMF to determine what type of advice and technical assistance is given to developing nations and whether the IMF accounts for the distributional impact of that advice. *Section IV* will look at the specific experiences of Bolivia, Mexico, and Mozambique with tax reforms and the IMF. The case studies will examine the individual countries' tax systems as well as the IMF's involvement in the countries' tax reforms. Lastly, *Section V* will offer recommendations and conclusions with regards to IMF's taxation advice to developing countries as well as the type of advice offered by the IMF on domestic revenue mobilization.

Section I- Taxation in the Developing World

Taxation, albeit often neglected, is a central component in the development of both low and middle-income nations (Curtis, 1989; Di John, 2006). As Levi once stated, "the history of the state revenue production is the history of the evolution of the state." (1988). Indeed, taxation not only enables states to fulfill their objectives, but also shapes the relationship between state and society, determines state capacity, and helps in meeting the distributional demands of its citizens (Braugtigam et al, 2008; Toye, 2000). The failure of a state to raise revenues successfully may effectively restrict its ability to develop (Brautigam et al, 2008). Thus, given the importance of taxation, it is essential "that governments should get tax policy right" (Moore, 2007).

There are significant differences between developing and advanced economies that must be accounted for when designing tax policies, suggesting that one might not be able to simply reproduce the tax policies of developed nations in their developing counterparts. Being at a lower level of economic development, the institutions in many of these countries are weaker, with little accountability and higher corruption, their informal sectors significantly larger, and considerably higher inequality than in many OECD nations (Auriol and Warlters, 2005; Gupta, 2007; Kaldor, 1963, Newbery and Stern, 1987). In addition, numerous less developed countries (LDCs) rely heavily on natural resources, such Chile with nitrate or Mexico with petroleum, as a means of collecting domestic revenues (Brautigam et al., 2008).

Data reveal that in the late 1990s, the tax take was on average of 38% of GDP in OECD nations, but only 18% in LDCs (Moore, 2004). The distinctive characteristics of LDCs diminish their capacity to rely on certain types of taxation (direct taxes), causing them to be more dependent on indirect taxes such as foreign trade taxes and consumption taxes, resulting in a lower overall level of tax revenue (Di John, 2006). Even then, the IMF has pushed developing countries to reduce their trade taxes, and according to Baunsgaard and Keen, (2005) low-income countries have only been able recover the resultant losses for 30% of every dollar, while middle income countries have recovered only 45-60% of their losses, through other means of domestic revenue mobilization, such as a VAT. Research also shows that revenues from personal income taxes, property and wealth taxes only contribute a small proportion of total revenues in the South (Khalilzadeh-Shirazi and Shah, 1991).

In contrast to developed economies, the economic situation of many LDCs and their dependence on aid has often entailed significant global influence from international financial institutions (IFIs) in the design and implementation of tax reform. Pressure to decrease trade barriers, export taxes and increase or implement indirect taxes such as VAT has often come from the IMF, which has played a key role in the instigation of tax reform in the South since the 1980s (Gloppen and Rakner, 2002; Mahon, 2004).

Following its success in Europe, the VAT has been implemented in numerous LDCs under "the structural adjustment and stabilization policy conditionalities of the IMF and World Bank" (Emran and Stiglitz, 2005; Khan and Sharma, 2001; Bird and Gendron, 2007). The standard IMF package of tax reform consists of a decrease in trade taxes, lowering of both income and corporate taxes, broadening the tax base, the implementation of the VAT at a rate usually between 11 and 19%, and the simplification of the tax system to decrease administrative costs. (Di John, 2006; Tanzi and Zee, 2000, Moore, 2004). The general idea is: "fewer taxes, fewer rates for individual taxes, fewer exemptions and less discretion on the part of the tax collector, with the attendant incentives for corruption" (Moore, 2004).

Currently, personal income taxes are of relatively little importance in developing nations, while taxes like the VAT have become central to domestic revenue mobilization (Newbery and Stern, 1987). It has been established that the VAT can be an effective means of increasing revenue and improving economic efficiency. However, it is still deemed to be quite a regressive means of taxation and yet accounts for a significant proportion of the total tax burden in many Southern nations (Di John, 2006; Toye and Moore, 1998). While the VAT has been successful in raising revenue and reducing the costs of taxation in numerous countries, including Indonesia, Turkey, Brazil, South Korea and Malawi, it has also been the source of many debates in LDCs (Keen, 2007). Indeed, the implementation of the VAT has been opposed quite forcefully in certain LDCs, leading to large-scale protests and riot deaths in both Ghana and Uganda (Moore, 2004). The opposition arose from the insight that the VAT was being implemented at the request of the IFIs (World Bank, 2001). In addition, local businessmen were discontent with the burden that VAT would impose on small businesses owing to the increased and more complex record-keeping requirements (Dosser, 1981; Moore, 2004).

The general resistance towards taxes such as the VAT also stems from their regressivity, which has the potential to worsen inequality, cut the tax base, and cause a decrease in overall tax revenues (Gupta, 2007). The experience of LDCs with VAT has been mixed, as the regressivity of the VAT is dependent on the structure of the tax. Indeed, when implementing the VAT there are numerous decisions to be made, including the rate at which it should be applied, the number of rates, what should be exempted from the VAT, etc. Additionally, the VAT described in textbooks is significantly diverse from that which prevails in the majority of LDCs, owing mainly to administrative constraints and equity concerns. The decision to apply multiple VAT rates, exemptions, and zero ratings with refunds can only be realized at significant "administrative and compliance costs" (Gillis et al, 1990).

The recommendations of the experts are in line with the IMF: "there should only be one rate, administratively more rates seem clearly to be associated with higher administrative and compliance costs and hence reduced VAT efficiency" (Cnossen, 2004 in Bird and Gendron, 2007). Bird claims that "taxing one commodity but not another distorts consumer choices and reduces the tax intake at a given rate" (Ebrill et al., 2001). Although policymakers in the developing world are fully conscious of the advantages of employing a single rate and an uncomplicated rate structure, many have opted for multiple rates and a rather more complex structure so as to mitigate the regressive nature of the VAT (Gillis et al, 1990). Indeed, to protect the poor, basic necessities such as food and medicine are often exempted (Tait, 1988). According to Ebrill et al, however, the exemptions of tax on necessities are often "poorly targeted and ineffective as the rich may spend relatively less of their income on basic food, but they are likely to spend absolutely more and hence receive more benefit than the poor from such concessions" (in Bird and Gendron, 2007).

Although the VAT has been an effective means of tax collection for several countries, the experiences of LDCs such as Mexico, India and Morocco demonstrate that simply implementing a VAT does not solve a country's problems of tax administration (Khalilzadeh-Shirazi and Shah, 1999; Bird, 2007; IMF, 2003; Tseng and Fisher, 2004). Studies show that the majority of countries have been faced with problems when introducing the VAT including "flaws in tax design [and] failures in implementation, such as weak registration procedures, poorly functioning refund systems and insufficient audit" (Bird and Gendron, 2007).

One of the key drawbacks of the VAT is its inability to "cover economic activities carried out in the informal sector or the shadow economy" (Keen, 2007). The evasion of VAT through the informal sector has proved to be a big problem for LDCs in broadening their tax bases and increasing revenue mobilization (Bird 2007, Bernardi 2006, Due 1988). Data reveals that the average size of the informal economy between 1997 and 1998 in terms of labor force employed is 50.1% for developing economies, although this figure reaches 70% in some nations (Emran and Stiglitz, 2005). Emran and Stiglitz (2005) claim that once the informal sector is accounted for, "the standard revenue neutral selective reform of trade taxes and VAT reduce welfare under plausible conditions". So as to be able to tax the informal sector, Bird and Gendron (2007) have proposed taxing untaxed goods including necessities and inputs used by the informal sector, claiming that this would be more efficient than increasing taxes on the formal economy (Auriol and Warlters, 2005). Simply increasing personal income taxes could have detrimental consequences such as an increase in tax evasion (Khalilzadeh-Shirazi and Shah, 1991).

The implementation of VAT in developing countries has often proved to be flawed. This may be due to its origins, as VAT was designed by and for developed nations.

Section II – The Origins of IMF Tax Policy

The following section will establish where the basic principles of the standard IMF tax policy advice outlined above have their origins. Since the IMF is based in and funded by industrialized nations, the two prevailing tax models, the US and EU systems, will be examined to see whether any parallels between the Fund's guidelines and the fiscal policies of these two regions can be drawn. *Appendix A* examines the influence of the US and EU models in South-East Asia.

The US system is mainly based on low taxation and low redistribution, whereas the European model is generally defined by high levels of taxation but also high levels of redistribution (NBER, 2003).

A possible explanation for these differences is that both regions have widely differing notions about social justice and welfare policies: whilst the US is based on ideals of individuality and the ability to determine one's income, the EU has more deterministic values, such as birth status, luck and the intrinsic injustice of social inequality as determinants of one's remuneration (NBER, 2003). Consequently, the European fiscal model of high redistribution reflects the preference to reduce the degree of inequality caused by an individual's unfortunate status or bad luck, whereas the low redistributional level of the US clearly reflects their ideas of 'man forges his own destiny'. These two attitudes are clearly reflected in the total tax burden of the two regions, with Europe administering a rate about 50% higher than that in the US (NBER, 2003).

The European model is places considerable emphasis on the VAT; which was first introduced in France in 1953[1] (Voyez, 1994; Davies, 1986; Webber, 1986), spreading to the rest of Europe, and shortly after, to a range of developing countries, starting with Latin America (Bird, 2007; Davies, 1986). Personal income tax (PIT) plays an important role within Europe, currently accounting for 25.3% of the total standard European tax intake, but VAT averages around 30% and is therefore the dominant component of European tax policy (Bernardi, 2003).

The US tax system, on the other hand, does not have a federal VAT, and the numerous attempts to implement one have failed (Davies, 1986; Steuerle, 2004). Only a few states have adopted VAT at the state-level. US domestic revenue mobilization is strongly based on PIT (and corporate income tax), which is progressive overall, although the sales excise and payroll taxes are regressive (Messere, 1998).

[1] In the late 1960s, Brazil and Uruguay preceded even France in implementing VAT (Gillis, 1989 15). Most other developing countries in Latin America implemented VAT in the late 1970s or mid 1980s reference (Mahon 2004)

Currently, about 140 countries worldwide have implemented some form of VAT, which mostly follow the European model (Bird, 2007; Due, 1988). It is important to note that the IMF's Fiscal Affairs Department (FAD) is one of the major advocates for VAT in LDCs, especially in Latin America, where its standard tax policy advice is strongly based on the European VAT model (Bird, 2007). The main reason for this strong advocacy of VAT is that it had proven to be a very successful motor of economic growth in Europe, and has therefore been expected to have the same positive effect on other regions throughout the world (Davies, 1986; Bird, 2007). However, FAD has not created its own tax system, but draws predominantly on the European model in terms of its focus on VAT (Bird, 2007).

Owing to the high dependence of LDCs on IMF programmes in obtaining aid and loans, it is not surprising to see that many implemented the IMF guidelines of uniform VAT rates and few exemptions. In this context, the IMF has had significant influence in shaping the tax structures of new VAT-implementing countries (Bird and Sanchez, 2006; Mahon, 2004).

Today, VAT is the single most important domestic taxation in many countries and its implementation has often been directly associated with successful, revenue-raising tax reforms (Bird, 2007; Gillis 1989; Jenkins, 2003). However, as noted in *Section I,* it has also proved to be quite problematic to implement in a number of developing countries due to low levels of development at the time of implementation, as the case study of Mozambique (*Section III*) will show.

These complications raise the question of whether the VAT, which is an intrinsically European fiscal tool, is really a suitable strategy for revenue mobilization in LDCs, given the differences explained in *Section I.* The following section will empirically explore the prevalence of pro-VAT IMF advice, and examine whether the IMF accounts for the distributional repercussions of VAT on already highly unequal societies when recommending this European model of taxation.

Section III- The Fund's Consultation IV Analysis

This section describes results of an analysis of the IMF's Article IV Consultations for low and lower-middle income countries. It contains: 1) a short overview of the results, including a graphical representation of major variables by country income levels; 2) a discussion of how the IMF addresses the distributional consequences of taxation advice; 3) an assessment of technical assistance on domestic taxation; 4) information on Poverty and Social Impact Analyses (PSIAs); 5) information on IMF meetings with outside representatives, or 'outreach'; and finally, 6) limitations of this study and recommendations for further research. The methodology of this analysis, the chosen countries, and the data sets are outlined in detail in *Appendices B – D*.

1. Overview of Findings

- VAT was recommended or endorsed by the IMF in 90% of the overall sample, the percentage of which was identical (90%) both low-income and lower-middle income country groups. However, of the three oil-exporting countries in the sample (Azerbaijan, Cameroon, and Yemen), VAT was recommended or endorsed only in one (Cameroon).
- Oil-exporting countries had no other results that varied from general trends of the total sample. However, oil-exporters comprised only 15% of the total sample.
- 80% of the Article IV Consultations recommended a decrease in tax exemptions, but in only 25% of the total sample were the distributional consequences of abolishing tax exemptions addressed.
- The improved administration of VAT refunds was addressed in 15% of the total sample: in 10% and 20% of low and lower-middle income countries, respectively.
- Simplifying tax compliance was never recommended in low-income countries, but was recommended in 40% of the lower-middle income sample. However, simplifying tax *administration* was advised in 50% and 20% of low and lower-middle income countries, respectively.
- Broadening the tax base was recommended in 80% of the total sample, or 100% of the low-income group and 60% of the lower-middle income group.

Table 1: Low-Income Country Data

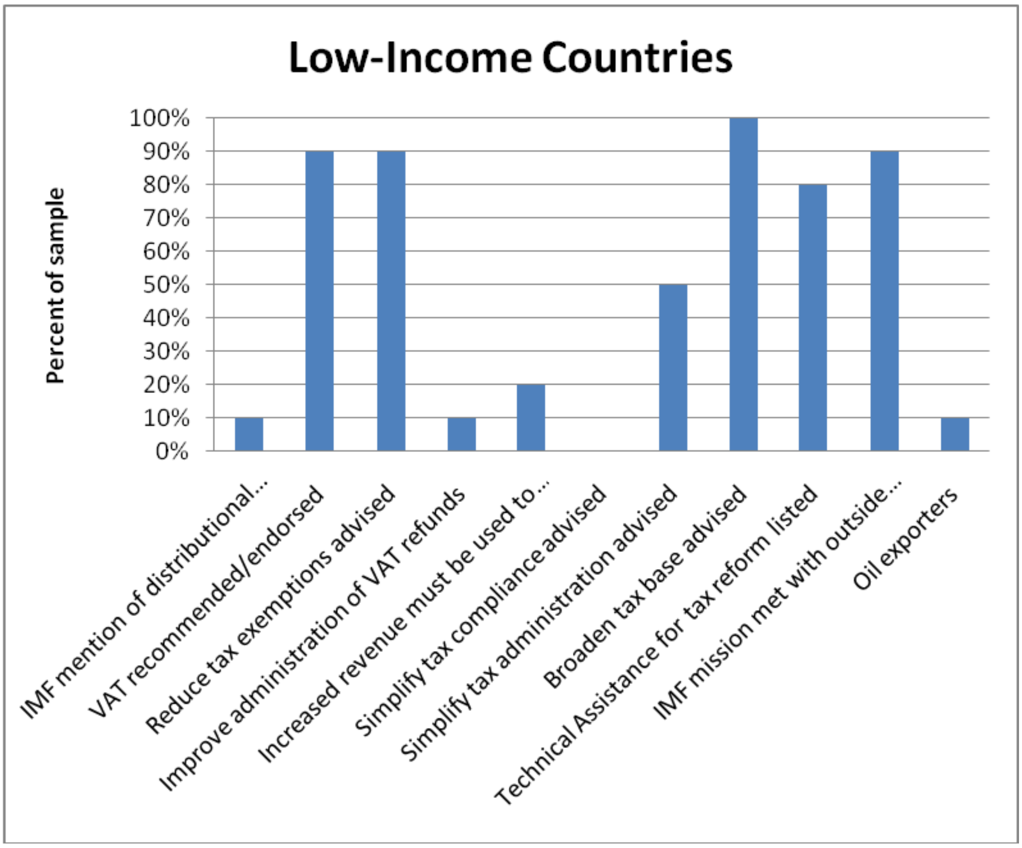
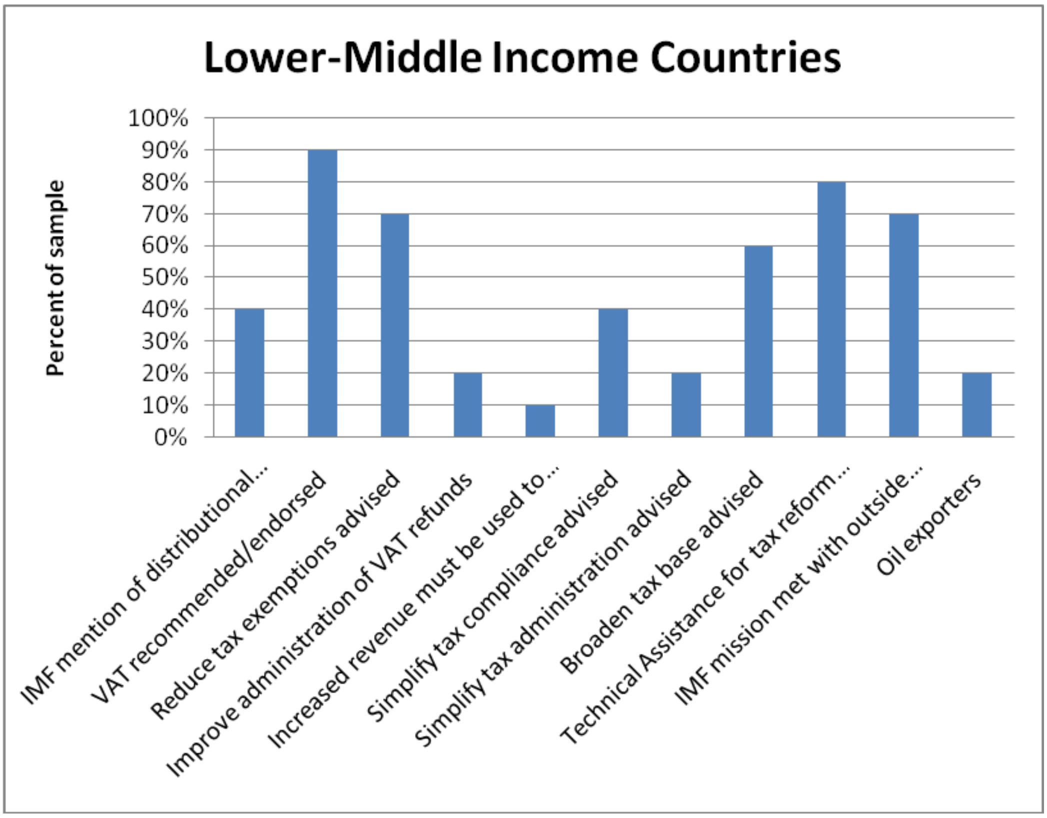


Table 2: Lower-Middle Income Country Data



2. On Distributional Consequences

The IMF mentions distributional consequences of their taxation advice in 25% of the total sample, or 5 countries. However, only one of these instances occurred in a low-income country, whilst the IMF acknowledges or addresses distributional consequences in 40% of the lower-middle income country sample.

Distributional consequences addressed in three of the countries (two lower-middle income and one low-income) are concerned with compensation for the poor to offset increased fuel prices as a result of reduced tax exemptions. In each case – Cameroon, Moldova, and Yemen – the IMF advocates 'well-targeted social spending' instead of tax exemptions for the poor. However, the capacity and efficiency of these countries to target social spending is not addressed, and it is therefore unknown if this is a feasible alternative to tax exemptions for the poor.

In the other two cases the IMF staff advice is pro-poor. In Albania, IMF staff support the government's commitment to reducing labor taxes and increasing spending on education, health care, and infrastructure to "help the poor enter the labor market" and fight poverty. The staff statement states that this is because "poverty reduction is also essential to improving non-price competitiveness" (Chopra and Brown, 2006). In the Samoa Article IV Consultation, IMF staff advises for the removal of tax exemptions on "electricity consumption, except for low income households…", and therefore addresses the social impact of their taxation advice (Takeda and Hadjimichael, 2005).

The results indicate that IMF officials are not unaware of the social implications of the taxation advice given, especially in the lower-middle income sample, but that distributional consequences are not a priority in the Article IV Consultations.

The low-income country results (only one case in which distributional consequences are addressed) indicate that less attention is paid to distributional consequences in poorer countries. This may be due to low income countries' lack of expertise and resources. Lack of expertise may result in unchallenged IMF prescription, and fewer resources increase the probability of dependence upon IMF approval for donor grants and loans. However, there were some examples of government awareness of distributional consequences in the low-income consultations. In Haiti, for instance, the "authorities" indicate that the government is concerned about distributional consequences:

> "The authorities cautioned that decisions to increase selected tax rates should be taken in the context of a comprehensive review of the tax system, among other things, to ensure that social implications of the envisaged changes are duly considered, a point that was well taken by staff." – (Atkinson and Plant, 2007)

3. On Technical Assistance (TA)

Technical assistance on tax reform was given in 80% of the sample overall, and this percentage was identical (80%) for both low-income and lower-middle income country groups individually.

The Article IV Consultations include a list of TA provided to the given country, but these lists only include the date, IMF department, the mission topic, and sometimes, the length of the mission. The country residential representatives of the IMF we contacted were not forthcoming with more detailed information about TA missions, and the IMF's official Independent Evaluation Office (IEO) suggested that a wider dissemination of TA reports is needed (2005).

The IEO also found that TA has "only a weak link" to the priorities identified in countries' Poverty Reduction Strategy Papers (PRSPs) and policy concerns identified in Article IV Consultations, and that TA priorities were driven by internal IMF initiatives instead (2005, 2007). The IMF's Office of

Technical Assistance Management found that TA is a "relatively untapped" resource with regard to PRSPs (2005).

This indicates a gap between distributional concerns and IMF advice. Paul Collier's critique of the structure of TA as "unresponsive to country circumstances" (2007) is confirmed by the IMF's own evaluation.

4. On Poverty and Social Impact Analyses (PSIAs)

PSIAs are not generally mentioned in the Article IV Consultations, and, according to the IMF Survey Magazine (2007), the WB, as opposed to IMF staff, should supply PSIAs. However, these are completed only sporadically and not in every country. The PSIAs (42 in total) are available on the WB's website (see bibliography), but only three, undertaken in Tanzania, Mozambique, and Uganda, have been related to taxation.

A conversation with a senior economist of the WB revealed a complete lack of knowledge about cooperation between the WB and IMF on the assessment of social and distributional impacts of IMF advice in general, and cooperation on PSIAs in particular.

The IEO (2007) found that "IMF communications on aid and poverty reduction have contributed to the external impression that the IMF committed to do more on aid mobilization and poverty-reduction analysis" when in reality, the IMF has not, resulting in a "distrust of IMF activities in Sub-Saharan Africa and other low-income countries." The IMF defended itself in a response to the evaluation, stating that IMF staff "should be mindful of the distributive consequences" but that they are not responsible for the creation of PSIAs (Staff Response, 2007).

5. On "Outreach": Outside Consultations

The IMF stated that 'outreach' consultations were conducted in 90% and 70% of the low and lower-middle income country sample of Article IV Consultations, respectively.

Almost all Article IV Consultations refer to 'outreach' activities that involve consulting with outside (non-governmental) actors with interest in IMF advice, such as private businesses, donor representatives, WB officials, and NGOs. However, this study has been unable to uncover more information about these outreach activities, as specific organizations are never listed in the Article IV Consultations. Does the IMF consult with outside actors with detailed discussions of policies that take outside opinions into account, or are these meetings presentations by IMF staff of the IMF's plans for the country? The extent of their participation is unknown.

6. Limitations and recommendations for further research

As previously mentioned, the small sample size makes drawing robust conclusions difficult. In light of this, a more comprehensive study of the Article IV Consultations' tax advice is recommended for a better understanding of the IMF's advice. Indeed, a larger sample, which was beyond the scope of this project's resources, would provide more robust results, and the use of a time comparison to monitor changes in advice (which is currently being undertaken by an Oxford University-based group) would provide a representation of how the IMF's taxation theory and advice has changed over time.

We have encountered difficulty in obtaining more detailed information about taxation advice from IMF staff. The frequent changes of IMF residential representatives leave no institutional memory – hence reticence may be caused by a lack of knowledge– nevertheless the poor transparency of IMF activity hindered this study.

Additionally, because this research is, out of necessity, divided by country and not population, it is not representative of how IMF advice is affecting proportions of the developing world.

Further research should aim to obtain additional country officials' input to gain a clearer picture of what is happening in the field: the 'informal', or 'soft' taxation advice and power struggles between the IMF and country governments.

Lastly, this study only examined Article IV Consultation documents, and a more comprehensive study should analyze the other published documents reporting on IMF-country interactions.

Section IV- Case Studies

This section contains case studies detailing of the experiences of Bolivia, Mexico and Mozambique with the IMF and domestic taxation.

Bolivia: Simplicity and Inequality

It is difficult to establish a clear before and after picture concerning IMF tax policy advice in Bolivia. However, the long history of strong IMF involvement in Bolivia suggests that the IMF has been influential in the formation of Bolivia's tax structure (Mahon, 2004).

Until 1986, Bolivia's tax system was simply chaotic. It consisted of more than 150 taxes and provided decreasingly little revenue, bottoming out at 2% of GDP in 1985 (Ciblis et al. 2006).

Although official sources won't comment on any direct involvement of the IMF in Bolivia's major tax reform of 1986, there is evidence that the IMF was indeed involved, since the Fund had, according to Mahon, established a deadline as to when the reform should be finished (Mahon 2004). Additionally, the year prior, the IMF had implemented its first Structural Adjustment Programme (SAP) in Bolivia. SAPs often came with the condition for the respective country to reform their taxation system (Thiele 2003). Furthermore the major changes in the Bolivian tax system – overall simplification, fewer exemptions and introduction of the VAT – followed the IMF's standard advice given to several other LDCs at the time quite precisely (Sanchez, 2006).

In the subsequent two decades, from 1986-2006, Bolivia implemented several Fund-created programmes (de la Barra, 2008), many of which were attached to a 'sine qua non' conditionality of getting funding from the IMF, and reforming the tax system according to the IMF's policy (IMF, 2005; CEDLA, 2003; Sanchez, 2006). The most significant changes to Bolivia's fiscal structure were the implementation of a VAT at a 10% rate and the elimination of PIT, which raised insufficient revenues in 1986 (Ciblis et al., 2006; IMF, 2005; Gillis, 1989). Following the abolition of the PIT, Bolivia adopted a pseudo-form of PIT, the RC-VAT. However, the suitability of PIT for Bolivia is questionable, as it raises only marginal revenue, has a regressive dynamic, and is plagued by massive invoice fraud in the informal market (Atkinson and Hadjimichael, 2007; Ciblis et al. 2006; De la Barra, 2008). The IMF has repeatedly recommended Bolivia to abolish the tax, and although the government stated intentions to create a well-designed PIT in 2004, following IMF advice, it still hasn't done so (IMF, 2004; De la Barra, 2008; Atkinson and Hadjimichael, 2007).

With regards to tax regressivity, the simplicity of the Bolivian tax system, highly lauded after the 1986 reform, seems to have compounded extensive inequities in revenue collection (Ciblis et al., 2006). Indeed, Bolivia has one of the most regressive tax collection structures in the region: tax pressure on the wealthiest quintile of households is 14%, whereas it amounts to a striking 25% in the poorest quintile (Ciblis et al., 2006). This dynamic is caused by a heavy reliance on VAT and its fixed rate, which applies to all economic classes of the population (CEDLA, 2003). In recent years, it has also been hampered by extensive fraud and evasion through Bolivia's large informal sector (Atkinson and Hadjimichael, 2007).

Despite the evident social inequity created by the structure of the Bolivian tax system, the IMF does not evaluate the distributional impact of its advice in the country, and even the WB, the creator of PSIAs, has not conducted any analysis on the topic. Even though TA on fiscal policy, including tax administration, has been provided, IMF documentation does not detail content of or evaluate TA in Bolivia (Rodlauer and Cottarelli, 2006).

In 2006, Bolivia achieved its first fiscal surplus in decades, (5%) owing primarily to the newly created direct tax on Hydrocarbons and its Derivatives (IDH) that accounted for 6.1% of GDP (Atkinson and Hadjimichael, 2007; Banco Central de Bolivia, 2006). Although The IDH clearly runs counter to IMF advice to reduce dependency on hydrocarbon revenues (Atkinson and Hadjimichael, 2007), it is unlikely that Bolivia will change its reliance on the IDH any time soon. This can be explained by both Morales' strategy of nationalization of natural resources and the fact that currently the IMF has little conditional power over Bolivia, which finished paying its debt to the IMF in 2006 (De la Barra, 2008; Movimiento Al Socialism, 2006).

With regard to outreach, according to IMF officials and documents, the IMF consults with the major economic and political players of the country, including oil companies, civil society organizations, and political parties, to assess the economic situation when creating Article IV Consultations (De la Barra, 2008; Atkinson and Hadjimichael, 2007). The Fund has consulted with the COB, Bolivia's oldest and most important labor union, so as to evaluate the country's socio-political and economic prospects (De La Barra, 2008). Confronted with the question of what the consequences of COB's hypothetical disapproval of a current situation would be, Victor-Hugo De La Barra, an IMF Official for Bolivia, stated that the Fund would take into consideration COB's perspective but would consider whether or not to note their remarks in the Article IV reports (De la Barra 2008).

The Fund does not appear to be addressing the regressivity of the current Bolivian tax structure, a result of IMF policy advice, and so ignores the distributional impact of the tax system. This is odd considering the level of outreach activities reportedly conducted. However, the consultations may not be as extensive as they appear, or perhaps IMF advice is invisible to outside researchers due to its informality, or lastly, its waning influence means that its advice has not resulted in government action.

The Mexican Challenge

According to an IMF official, Mexico's tax system is in bad shape and needs much more than fine-tuning. The Mexican state has one of the lowest rates of tax collection in the region, and is highly dependent on its oil reserves, which are in decline (Reuters, 2007; Di John, 2006). The state relies on oil for 40% of its revenues, and when returns from oil are discounted, taxes solely account for 12% of the Mexican GDP (Universia Knowledge, 2007; Thomson, 2007; Bird and Gendron, 2007).

The personal income tax includes 5 tax brackets, which range from 3 to 30%. Still, the system is quite regressive: anyone earning over $8654.4 annually is liable to pay 30% of their income in taxes (FITA, 2007). The corporate income tax (ISR) is currently set at 28% and the VAT has a standard rate of 15% as well as a reduced rate set at 10% that applies at frontier zones (FITA, 2007).

Throughout the 1980s and 1990s, the IMF was actively involved with the reforms undertaken by the Mexican government (Woods, 2006). But recently the Fund has officially taken the backseat and has not given technical assistance to the government. However, the Fund still offers unofficial advice on a number of subject matters, including tax policy (Interview with unnamed IMF Official). This advice is in line with standard IMF advice: fewer taxes, fewer rates, fewer exemptions and a broader base. The IMF does not analyze the distributional impact of the unofficial advice it offers. **(**Interview with unnamed IMF Official**)** The World Bank, which produces PSIAs, has also not undertaken a study assessing the distributional impact of Mexico's tax reforms.

Undertaking tax reform in Mexico can be a challenging task. In 2001, President Fox attempted to pass a reform that would place a VAT on food and medicine. Although both the Ministry of Finance and the President approved the proposal, Congress denied it. This reform generated much debate in the media, as many claimed that the VAT would be regressive and the burden of this tax rest on the poor. Even though the IMF did not advise the Mexican government officially, the Fund was supportive of this initiative (Interview with an IMF official). According to this IMF official, exemptions on food and medicines are not the best way to help the poor; in effect, these exemptions benefit the middle class rather than the poor, as described in *Section I*.

In 2007, however, President Calderon was able to pass tax reforms that included a "tax of 2% on all cash bank deposits above 25,000 pesos, the equivalent of USD $2,270, a 5.5% increase in the price of gasoline and diesel oil to take place gradually over 18 months" as well as the introduction of a tax (IETU) which is parallel to the corporate tax of 17.5% (Thomson, 2007). One of the main objectives of these tax reforms is to limit tax evasion through the elimination of loopholes and targeting the informal sector. According to an IMF official, Calderon's tax reforms were developed entirely inside the country without IMF advice. However, prior to his appointment as the current Minister of Finance, Agustin Carstens worked as the Deputy Managing Director of the IMF. His policies would therefore be likely to be in line with the IMF's philosophy. In any case, the IMF endorsed these tax reforms as well.

Tax evasion is a serious problem in Mexico, owing to the lack of administrative capacity to collect taxes, the many exemptions, and the decision of a substantial proportion of Mexican citizens to not file their taxes (Pampillon in Universia Knowledge, 2007; Bird and Gendron, 2007). In addition, the informal economy in Mexico accounts for over 50% of Mexican workers (Migration News, 2007). There is also high-income inequality in Mexico, as in the rest of the region in general, which poses problems when approving tax reforms. Fox's reform, which would have instituted a VAT on food and medicine, was rejected by the Mexican congress due its regressive nature. Finally, Mexico's substantial corruption makes it "very hard to sell to civil society on the idea of increasing taxes"

(Pampillon in Universia Knowledge, 2007). Creating an effective tax system in Mexico will be complex, as it will entail gaining the confidence of taxpayers, devising progressive tax reforms while limiting further tax evasion, and accounting for the lack of administrative capacity.

Mozambique, VAT, and the IMF

Mozambique ended over a decade-long civil war in 1992 badly in need of aid. By 2004, under the IMF's PRGF lending agreement, Mozambique owed over 104.5 million British Pounds (IMF, 2004). At the time, loan conditionality and donor requirements to qualify for aid from IMF programmes (Mozambique News Agency, 1998) meant that IMF had almost absolute power over Mozambican policymaking (Hanlon, 1996).

Mozambique entered into the HIPC debt relief initiative with the IMF in these circumstances in 1998. To qualify at the HIPC "completion point" in July 1999, which entailed $1.4 billion USD in debt forgiveness and badly-needed aid (Mozambique News Agency, 1999), Mozambique was forced to implement VAT by June 1999. Although businesses and civil society supported the introduction of VAT in general, they wanted more than the 11-month preparation time for both themselves and the government (Mozambique News Agency, 1998; BBC, 1999).

Prior to the implementation of VAT, Mozambique had a flat sales tax, or cascading tax. In response to private sector complaints (Hanlon, 1996), the government decided to shift to a simpler and easier-to-implement turnover tax system that would reduce the cascade effect and to formalise (tax) more of the informal economy while sustaining the same level of revenue. The IMF rejected this proposal, and HIPC conditionality meant that the VAT reform went through in 1999 (Jubilee, 2000; Hanlon, 1999).

Many believe the implementation of VAT in Mozambique has led to both increased corruption and simultaneously pushed more people into the informal sector (Hanlon, 2008), among other problems associated with VAT, as described in *Section I*. A study by USAID (2007) found that the manner of VAT refund assessment and problems with refund delays in Mozambique have created incentives for corruption with tax officials and actually acts as a tax to increase the prices of "zero-rated items, such as medicines, wheat flour, and mosquito nets" because refund delays act as a disincentive for businesses to produce items for which they will not receive refunds. This has obvious implications for the poor. Although the IMF has encouraged a number of external audits of outstanding VAT refunds, the problem continues, and according to Joe Hanlon, many businesses now budget to not receive refunds (2008).

In a 1998 press briefing with Stanley Fischer, then First Deputy Managing Director of the IMF, a questioner stated that Mozambican living conditions were not improving despite growth, to which

Fischer replied that he did not have information on the distribution of growth, but that he would be "very surprised" if the growth rate didn't affect everyone in the country. The 1998 HIPC final document does not address distributional consequences of VAT either, but does plan for the government to put social safety nets into place. These safety nets, however, are not specified.

In the 1998 ESAF policy framework paper, the Mozambican government stated their intentions for simplified taxation for small firms, and exemptions for very small firms, such as street vendors. Although this would help to formalise the market and address concerns about the complexity of VAT, the IMF consistently pushes for fewer exemptions and a 'broadening of the tax base', among other conditions, such as wage bill ceilings for government employees (teachers, doctors, etc.), which impacts both the poor and corruption levels of employees (IEO, 2007).

Considering Mr. Fischer's obvious speculation and IMF documentation, it seems unlikely that the IMF was considering the distributional impact of their advice when forcing Mozambique to adopt VAT.

However, more recently, a 2004 IEO evaluation of the PRGF mechanism reported that Mozambican authorities felt that there is now a "greater willingness of IMF staff to consider distributional impacts of proposed measures and to allow time for analytical work to be undertaken to inform policy choices" (IEO, 2004). But IMF documentation since 1998 has revealed that distributional consequences of taxation are not addressed. Additionally, a 2007 study of the Fund's PRGF found that IMF emphasis on poverty reduction has been lost, and that they have "gravitated back to business as usual" (IEO, 2007).

Only two PSIAs have been completed in Mozambique, one of which focused on effects of petroleum tax reform (Nicholson et al, 2003). The 2004 IEO evaluation reports that, in Mozambique "not much has happened with respect to undertaking social impact analysis of major macroeconomic adjustment and structural reforms. One exception was PSIA of a proposed fuel tax increase, where the policy decision was postponed until the assessment was completed." The Mozambican government used the PSIA in their decision making, but the 2003 PSIA is not referred to in IMF documentation until 2005, and even then, not in the context of policy advice.

The IEO 2004 evaluation stated that there is little public discussion of macroeconomic policy and TA missions in Mozambique. Civil society organizations reported that the IMF was "invisible" to them, and the private sector expressed a wish to be involved and provide assistance in the TA process and formation of policy recommendations for VAT and income tax reforms.

Although the IMF provides a great deal of TA to Mozambique in the area of taxation, no detailed information on the content of the TA is available. The IEO found that donors also providing TA in Mozambique "expressed concern about IMF staff heavy-handedness in pushing through aspects of the reforms of the public financial management system" (2004).

Joseph Hanlon has called VAT in Mozambique 'a disaster' (2008). It appears that the IMF had and continues to have little thought about the distributional consequences of the rushed VAT implementation, and that consulting with actors outside the government, especially in the areas of technical assistance and PSIA formation, has been neglected.

Section V- Recommendations and Conclusions

Theory and Origin

Research has made it evident that the IMF has played a central role in tax reform in LDCs, especially in the implementation of the VAT through both loan conditionality and through general tax advice. On the whole, the IMF has proved to be more likely to offer official tax advice to countries during an economic crisis, implying that many LDCs are pressured to implement a VAT when they might possess the least administrative capacity to do so.

The IMF provides relatively standardized advice to Southern nations consisting of "fewer taxes, fewer rates for individual taxes, fewer exemptions" and broadening the tax base (Moore, 2004). Although this advice is sound from a theoretical perspective in terms of efficiency, this one-size fit all approach has proved inappropriate in that it doesn't account for differences between developed countries and LDCs, country-specific disparities among LDCs, nor equity concerns.

In its push towards liberalization, and consequent decrease in trade taxes, the IMF has deprived numerous LDCs of their main source of revenue. Research has shown that low-income countries have only recovered 30% of every dollar lost on trade taxes (Baunsgaard and Keen, 2005). In effect, the VAT has not been sufficient to compensate for the losses in revenues. One then needs to consider whether the significant reduction of trade taxes may have been an effective strategy for developing countries in terms of domestic revenue mobilization, as it is essential to consider alternative means of tax collection. Although the VAT has been effective in raising tax revenues in several countries, it requires a certain administrative capacity that some LDCs may not possess.

It has become apparent that the IMF "blueprint" advice is based on the principles of the European taxation model, with its focus on VAT and redistribution. However, when implementing tax reform it is essential to account for the distinctive characteristics of developing nations, including a substantial informal economy, high inequality, high tax evasion and a lack of administrative capacity. One possible way of reaching the informal sector is the taxation of goods typically used by members of the informal sector (Bird and Gendron, 2007). Administrative capacity can be enhanced through the professional training of tax officials, and corruption potentially reduced through the provision of adequate financial incentives, meaning no IMF ceilings on wage bills.

Article IV Consultation Analysis

It should be first noted that due to the relatively small sample of size of this study, it is difficult to draw robust conclusions. A larger, more in depth study of all available IMF reports that includes country authorities' views would provide a clearer picture of IMF taxation advice.

Analysis of the Article IV Consultations has revealed that the IMF is not addressing the distributional consequences of their taxation advice, nor are the few PSIAs produced by the World Bank being used. When contacted, certain IMF officials were not even aware of the nature of PSIAs, and a senior World Bank official made it clear that there was little cooperation in the production of these reports. Eighty percent of the Article IV Consultations recommended a decrease in tax exemptions, but in only 25% of the total sample were the distributional consequences of abolishing those tax exemptions addressed. It is essential that the IMF integrate distributional consequences into policy formation; the IMF should consult more closely with the World Bank regarding tax advice to developing countries to jointly consider where PSIAs should be undertaken.

Sections I and *III* illustrated that some groups within LDCs have difficulty complying with VAT requirements, which can serve to further exacerbate the problem of the informal sector. However, simplifying tax compliance was never recommended within low-income countries in the sample. This may be an area in which PSIAs could meaningfully contribute to revenue mobilisation.

As previously known, lack of transparency is a serious problem for those seeking information on the activities of the IMF. When investigating "outreach" consultations, we were unable to determine even the topics under discussion at IMF meetings with external organizations, and thus whether ideas put forth had, in fact, influenced the policy advice of the IMF. External organizations were never listed by name, but rather by category in the Article IV Consultations. Regular publication of these consultations should be instituted. In any event, consultation with outside actors offers the advantages of enhancing transparency, forming more appropriate policy advice, and building greater national "ownership" of taxation advice, with the result of creating more successful outcomes.

On a similar note, the publication of the specifics of TA missions is essential to creating more transparency and accountability in the IMF, as well increasing incentives to provide well-tailored advice since the Fund's activities would be monitored externally. For example, although VAT refunds are a major source of problems for LDCs, this issue was addressed in only 15% of the total Article IV Consultation sample, indicating that the IMF may need to do more to address this issue, perhaps through better targeted TA. Alternatively, this could be a part of the transparency problems addressed above. In any case, more widespread knowledge about the IMF's programmes will also lead less distrust and suspicion about policy advice and also provide opportunities for better communication and feedback. In addition, the recent results of Collier's study indicate that a large restructuring of TA programmes is needed to increase their effectiveness, and more studies on the effectiveness of TAs on taxation and taxation administration are required in order to increase accountability of Fund TA missions.

Research carried out by the IEO indicates that false expectations of IMF commitment to poverty reduction have been fostered by the IMF's own publications and press. This could either be caused by a communication problem and confusion within the Fund, or the intentional spread of false information. In order to resolve this issue the IMF should make its commitments clear to their staff by publishing standardized internal guidelines.

Case Studies

The case studies have given us insight into the experiences of developing countries with the IMF with regards to tax reform. We have been able to draw the following lessons from the experiences of Bolivia, Mexico, and Mozambique:

The Bolivian example has demonstrated that the simplification of a tax system and the introduction of VAT can initially have a positive impact on the domestic revenue mobilization. However, such a simplistic approach in the long-term, which is in line with the IMF's standard advice, can lead to a regressive system overly reliant on VAT. The IMF needs to incorporate a more flexible, dynamic approach to forming policy advice that can take regional development initiatives and inter-country differences into account.

The weak Mexican tax system points to the need for IMF advice to place greater emphasis on administrative capacity building through technical assistance. Implementing new taxes in a country without the administrative capability to collect them renders the new policy ineffective. The significant informal sector and amount of tax evasion in Mexico, as well as in numerous other developing countries, needs to be addressed through tax policies directly aimed at solving these problems. Such a policy was developed in 2007 through the taxation of 2% of bank deposits above $2300 a month (25,000 pesos). Additionally, in the case of Mexico, the failure of the VAT on food and medicine reform highlights potential for social unrest and failure of policy recommendations when introducing greater regressivity in tax systems. The IMF should consider alternative taxation methods when making tax reform recommendations to developing nations.

Mozambique's experience has shown that the VAT and its refund system can have negative consequences for the poor in a country without a sufficiently evolved administrative system to implement such a complex tax. The severe refund delays in Mozambique created a disincentive for businesses to produce zero-rated products, and a need to raise prices of products essential for the poor. The Fund should be advising developing nations on how to offset the distributional consequences of these policies. The IMF should also consult with NGOs, donors and civil society on TA missions and get advice on how to target public spending so as to reach those that need it most.

On the whole, it is questionable that VAT, a model based on the experience of industrialized countries, is a suitable strategy for nations that are weak administratively, have high internal inequality, and large informal sectors, and therefore problems of VAT compliance, evasion, and fraud. The IMF could better determine the most appropriate forms of taxation by including analyses of distributional consequences during the formation of policy advice.

Bibliography

Alesina, A. and G-M. Angeletos (2003) "Fairness and Redistribution: US versus Europe", *NBER Working Paper Series (No 9502)* Available at: <http://www.nber.org/tmp/66284-w9502.pdf>

Atkinson, C. and M. Hadjimichael (2007), "Article IV Consultation: Bolivia" *IMF Country Report (07/248),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07248.pdf>

Atkinson, C. and M. Plant (2007), "Article IV Consultation: Haiti" *IMF Country Report (07/293),* Washington DC: International Monetary Fund, Available at: < http://www.imf.org/external/pubs/ft/scr/2007/cr07293.pdf>

Auriol, E. and M. Warlters (2005) "Taxation Base in Developing Countries" *Journal of Public Economics,* Vol. 89, Issue 4, April, pp. 625-646

Banco Central de Bolivia (2006) "Evaluación de la Economia Boliviana" *Publicación del Banco Central de Bolivia,* Available at: < http://www.bcb.gov.bo/pdffiles/iniciales/memorias/2006/cap3.pdf>

Baunsgaard, T. and M. Keen (2005) "Tax Revenue and (or?) Trade Liberalization" *IMF Working Paper (WP/05/112)*, Washington DC: International Monetary Fund

Bennett, A. and A. Mazarei (2007), "Article IV Consultation: Republic of Yemen" *IMF Country Report (07/334),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07334.pdf >

Bernardi L., Profeta, P. and V. Tanzi (2003) *Tax systems and Tax reform in Europe*, New York: Routledge

Bernardi L., Fraschini A, and P. Shome (2006), *Tax systems and tax reforms in South and East Asia*, London: Routledge

Bird, R.M. and P-P. Gendron (2007) *The VAT in Developing and Transitional Countries,* Cambridge, UK: Cambridge University Press

Bird, R. and O. Oldman (Eds) (1990) *Taxation in developing countries*, Baltimore, MD: John Hopkins University Press

Brautigam, D., Fjeldstad, O-H. and M.P. Moore (2008), *Taxation and State Building in Developing Countries: Capacity and Consent*, Cambridge: Cambridge University Press

Chopra, A. and A. Boote (2006), "Article IV Consultation: Republic of Moldova" *IMF Country Report (06/184),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2006/cr06184.pdf>

CEDLA (2004) "Economia y sociedad Boliviana después de octubre 2003" *Centro de estudios para el desarollo laboral y agrario: Documentos de Coyuntura*, N°9

Chopra, A. and S. Brown (2006), "Article IV Consultation: Albania", *IMF Country Report (06/286)*, Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2006/cr06286.pdf>

Ciblis V.F., Giugale M. and C. Luff (2006) *Bolivia –Public Policy options for the Well-Being of All,* Washington, DC: World Bank publication

Citrin, D. and M. Hadjimichael (2007), "Article IV Consultation: Republic of Korea" *IMF Country Report (07/344),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07344.pdf>

Citrin, D. and A. Mazarei (2007), "Article IV Consultation: Mongolia" *IMF Country Report (07/30),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr0730.pdf>

Cnossen, S. (2004), "Reform and Coordination of Corporation Taxes in the EU: An Alternative Agenda", *Bulletin for International Fiscal Documentation,* 58, pp.134-150

Corker, R.J. and A. Boote (2007), "Article IV Consultation: Benin" *IMF Country Report (07/6),* Washington DC: International Monetary Fund, Available at: < http://www.imf.org/external/pubs/ft/scr/2007/cr0706.pdf>

Curtis, J.L. (1989) "Review *of Rule and Revenue*. By Margaret Levi and *Taxation by Political Inertia* by Richard Rose and Terence Karran" *American Political Science Review,* Vol. 83, No. 4, p.1424-1426

Davies, D. (1986), *United states taxes and tax policy*, Cambridge: Cambridge University Press

De La Barra, V.H. (2008), *Telephone Interview with Victor Hugod de La Barra, Advisor to the Executive Director of the Bolivian Country Office at the IMF, HQ in Washington,* 27/03/2008; 08/04/2008; 09/04/2008; 10/04/2008

Di John, J. (2005) "Economic Policy Implications from Phase 1 of the Crisis States Programme", *Development Studies Institute,* London School of Economics and Political Science

Di John, J. (2006) "The Political Economy of Taxation and Tax Reform in Developing Countries" *UNU WIDER Research Paper (No. 2006/74)*, Helsinski, Finland: UNU World Institute for Development Economic Research

Dosser, D., (1981) "The Value Added Tax in the UK and the EEC" in Peacock, A. and F. Forte (Eds.), *The Political Economy of Taxation,* Oxford, UK: Basil Blackwell

Due, J.F. (1988), *Indirect Taxation in developing economies: The Role and Structure of Customs,* Baltimore, MD: John Hopkins University Press

Dunaway, S. and M. Hadjimichael (2007), "Article IV Consultation: Solomon Islands" *IMF Country Report (07/304),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07304.pdf>

Ebrill, L., Keen, M., Bodin, J-P. and V. Summers (2001) *The Modern VAT,* Washington DC: International Monetary Fund

Emran, M.S. and J.E. Stiglitz (2005) "On Selective Indirect Tax Reform in Developing Countries" *Journal of Public Economics,* Vol. 89, Issue 4, April, pp. 599-623

FITA (2007) "Mexico: Taxes and Accounting" *The Federation of International Trade Associations,* Available at: <http://www.fita.org/countries/mexico.html>

Fauvet, P. (1999) "Mozambique's Foreign Debt" *BBC Special Report,* 8th of June, Available at: <http://news.bbc.co.uk/2/hi/special_report/1999/06/99/debt/359978.stm>

Gillis, M. (1989) *Tax Reform in Developing Countries,* Durham, NC: Duke University Press

Gillis, M., Shoup, C.S. and G.P. Sicat (1990) *Value Added Taxation in Developing Countries,* Washington DC: The International Bank for Reconstruction and Development and the World Bank

Gloppen, S. and L. Rakner (2002), "Accountability through Tax Reform? Reflections from Sub-Saharan Africa", *IDS Bulletin,* Vol. 33, No. 3, pp.30-41

Gupta, A.S. (2007) "Determinants of Tax Revenue Efforts in Developing Countries" *IMF Working Paper (WP/07/184)*, Washington DC: International Monetary Fund

Hanlon, J. (1996) *Peace without Profit: How the IMF blocks Rebuilding in Mozambique*, Portsmouth, NH: Heinemann

Hanlon, J. (1999) "Mozambique Notes" *Africa Files: Southern Africa Report Archive,* Vol. 14, No. 4, p.31, Available at: < http://www.africafiles.org/article.asp?ID=3737>

Hanlon, J. (2006) "Donor Concerns over IMF cap on aid Increases" *The Reality of Aid,* Available at: <http://www.realityofaid.org/themeshow.php?id=27>

Hanlon, J. (2008) *Phone Interview with Joseph Hanlon, Journalist based at Open University,* 14/4/2008

IMF. (1998) "Press Briefing by Video Conference on Southern Africa of *Stanley Fischer,* First Deputy Managing Director IMF" *International Monetary Fund,* 29th of October, Available at: <http://www.imf.org/external/np/tr/1998/tr981029.htm>

IMF (1998) "Final Document on the Initiative for Heavily Indepted Poor Countries (HIPC)", *International Monetary Fund and International Development Association,* March 31st, Available at: <http://www.imf.org/external/np/hipc/pdf/mozfin.pdf>

IMF. (2003) "Enhanced Structural Adjustment Facility Policy Framework Paper for 1998-2000", *Republic of Mozambique, International Monetary Fund,* Available at: <http://www.imf.org/external/np/pfp/mozam/moz.htm>

IMF (2003) "IMF Concludes 2003 Article Consultations with India" *Public Information Notice (03/104),* International Monetary Fund, Available at: <http://www.imf.org/external/np/sec/pn/2003/pn03104.htm>

IMF (2004), "Bolivia: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding" Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/np/loi/2005/bol/032405.pdf>

IMF. (2004) "Mozambique: History of Lending Arrangements from May 01, 1984 to December 31, 2004" *International Monetary Fund,* Available at: <http://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=685&date1key=2004-12-31>

IMF (2004) "Republic of Mozambique: Evaluation of the Poverty Reduction Strategy Paper (PRSP) Process and Arrangements under the Poverty Reduction and Growth Facility (PRGF)", *Independent Evaluation Office (IEO), International Monetary Fund,* July 6th, Available at: <http://www.ieo-imf.org/>

IMF (2005), "Bolivia: Ex-Post Assessment of Longer-Term Program Engagement" *IMF Country Report (05/139),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2005/cr05139.pdf>

IMF (2007) "An Evaluation of the IMF and Aid to Sub-Saharan Africa" *Independent Evaluation Office (IEO), of the International Monetary Fund,* March 12th, Available at: <http://www.imf.org/external/np/ieo/2007/ssa/eng/index.htm>

IMF (2007) "Evaluation Report: The IMF and Aid to Sub-Saharan Africa", *Independent Evaluation Office of the IMF,* Available at: < http://www.imf.org/external/np/ieo/2007/ssa/eng/pdf/report.pdf>

IMF (2007) "Staff Response to the Independent Evaluation Office Report on the IMF and Aid to Sub-Saharan Africa" *Executive Board Meeting, International Monetary Fund,* March 5th, Available at: < http://www.imf.org/external/np/ieo/2007/ssa/eng/pdf/response.pdf>

IMF. (2008) "Mozambique: Financial Position in the Fund as of February 29, 2008" *International Monetary Fund,* Available at: <http://www.imf.org/external/np/fin/tad/exfin2.aspx?memberkey1=685&date1Key=20080229>

Jenkins G. P., Kuo C.-Y. and K.N. Sun (2003), Taxation and economic development in Taiwan, Cambridge, MA: Harvard University Press

Kaldor, N. (1963) "Will Underdeveloped Countries Learn to Tax?", *Foreign Affairs,* Vol. 41, Issue 3, p.410-419

Keen, M (2007) "VAT Attacks!" *IMF Working Paper (WP/07/142)*, Washington DC: International Monetary Fund

Kahkonen, J. and S. Brown (2007), "Article IV Consultation: Bosnia and Herzegovina" *IMF Country Report (07/268),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07268.pdf>

Khalilzadeh-Shirazi, J. and A. Shah (1991) "Tax Policy in Developing Countries" *A World Bank Symposium*, Washington DC: The International Bank for Reconstruction and Development/The World Bank

Khan, M.S and S. Sharma (2001) "IMF Conditionality and Country Ownership of Programs" *IMF Working Paper (WP/01/142)*, Washington DC: International Monetary Fund

Kochhar, K. and A. Boote (2007), "Article IV Consultation: Bangladesh" *IMF Country Report (07/234),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07234.pdf >

Kochhar K. and M. Fisher (2007), "Article IV Consultation: India" *IMF Country Report (08/51),* Washington DC: International Monetary Fund, Available at: < http://www.imf.org/external/pubs/ft/scr/2008/cr0851.pdf>

Krueger, T. and A. Boote (2007), "Article IV Consultation: Namibia" *IMF Country Report (08/83),* Washington DC: International Monetary Fund, Available at: < http://www.imf.org/external/pubs/ft/scr/2008/cr0883.pdf>

Levi, M. (1988). *Of Rule and Revenue*. London: University of California

Liuksila, C. (2005) "Review of the Fund's Regional Technical Assistance Centers" *Office of Technical Assistance Centers, International Monetary Fund,* July 28th, Available at: <http://www.imf.org/external/np/pp/eng/2005/062805.pdf>

Mahon, J.E. (2004) "Causes of Tax Reform in Latin America, 1977-95", *Latin American Research Review,* Vol.. 39, No. 1, pp. 3-30

Martijn, J.K. and S. Tareq (2007) "IMF Moves to Clarify Aid Role" *IMF Survey Magazine: In the News,* July 20th, Available at: <http://www.imf.org/external/pubs/ft/survey/so/2007/NEW0720B.htm>

Messere K. (1998), The tax system in industrialized countries, New York: Oxford University Press

Migration News (2007) "Mexico: Remittances, Jobs, Economy", *Migration News,* Vol. 14, No. 3, Available at: <http://migration.ucdavis.edu/mn/more.php?id=3299_0_2_0>

Moore, M.P. (2004) "Taxation and the Political Agenda, North and South" *Revised Paper for Forum for Development Studies (30th of April, 2004)*, Sussex, UK: Forum for Development Studies

Moore, M.P. (2007) "How does Taxation affect the Quality of Governance" *IDS Working Paper (No. 280)*, Sussex, UK: Institute of Development Studies

Movimiento al Socialismo (2006) "Program del Gobierno" *MAS,* Available at: <http://www.masbolivia.org/mas/gobierno/programa.htm>

Mozambique News Agency. (2006) "IMF Praises Tax Performance" *Agencia Infomracao Mocambique (AIM),* No. 318, 19th of April, Available at: <http://www.poptel.org.uk/mozambique-news/newsletter/aim318.html>

Mozambique News Agency. (1998) "IMF Criticized despite 14% Growth in Economy" *Agencia Infomracao Mocambique (AIM),* No. 138, 13th of July, Available at: <http://www.poptel.org.uk/mozambique-news/newsletter/aim138.html#story3>

Mozambique News Agency. (1999) "Government wants Dialogue on VAT" *Agencia Infomracao Mocambique (AIM),* No. 152, 23rd of February, Available at: <http://www.poptel.org.uk/mozambiquenews/newsletter/aim152.html#story10>

Nellor, D. and A. Boote (2007), "Article IV Consultation: Republic of Mozambique" *IMF Country Report (07/262),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07262.pdf>

Nellor, D. and A. Mazarei (2007), "Article IV Consultation: Cameroon" *IMF Country Report (07/285),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07285.pdf>

Newbery, D. and N. Stern (1987) *The Theory of Taxation for Developing Countries,* Oxford UK: Oxford University Press for the World Bank

Nicholson, K., O'Laughlin, B., Fransisco, A. and V. Nhate (2003), "Poverty and Social Impact Analysis: Demonstrations A Possible Rise in Fuel Tax in Mozambique" *World Bank,* Available at: <http://povlibrary.worldbank.org/files/14685_Mozambique_PSIA_Summary.doc>

Perez, L. and A. Mazarei (2006), "Article IV Consultation: Republic of Armenia", *IMF Country Report (06/433),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2006/cr06433.pdf>

Perez, L. and A. Cheasty (2007), "Article IV Consultation: Republic of Azerbaijan" *IMF Country Report (07/191),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07191.pdf>

Reuters (2007) « Factbox : Key Facts about Mexico's Tax Reform » *Reuters,* published September 14th 2007, Available at < http://www.reuters.com/article/bondsNews/idUSN1419707820070915>

Rodlauer, M. and C. Cottarelli (2006), "Article IV Consultation: Bolivia" *IMF Country Report (06/270),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2006/cr06270.pdf >

Sanchez, O. (2006), "Tax System Reform in Latin America: Domestic and International Causes" *Review of International Political Economy,* Vol. 13, No. 4, pp.772-801

Selowsky, M. (2005) "Evaluation of the Technical Assistance Provided by the International Monetary Fund", *Independent Evaluation Office (IEO), International Monetary Fund,* January 31st, Available at: <http://www.ieo-imf.org/eval/complete/pdf/01312005/Vol%201_main_report.pdf/>

Steuerle E. (2004), Contemporary US tax policy, Washington: Urban Institute Press

Tahari, A. and M. Fisher (2007), "Article IV Consultation: Morocco" *IMF Country Report (07/323),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07323.pdf>

Tait, A.A. (1988) *Value Added Tax: International Practice and Problems,* Washington DC: International Monetary Fund

Takeda, M. and A. Boote (2006), "Article IV Consultation: Vanuatu" *IMF Country Report (07/92),* Washington DC: International Monetary Fund, Available at: < http://www.imf.org/external/pubs/ft/scr/2007/cr0792.pdf>

Takeda, M. and A. Boote (2007), "Article IV Consultation: Lao People's Democratic Republic" *IMF Country Report (07/360),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07360.pdf>

Takeda, M. and M. Hadjimichael (2005), "Article IV Consultation: Samoa" *IMF Country Report (05/220),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2005/cr05220.pdf>

Tanzi, V. and H. Zee (2000) "Tax Policy for Developing Countries" *IMF Economic Issues (No. 27),* Washington DC: International Monetary Fund

Thiele R. "The social impact of structural adjustment in Bolivia" *Journal of International Development, Vol.15/3 2003, p. 299-319*

Thomson, A. (2007) "Cautious start to Mexico's overdue tax reform", *Financial Times,* published September 18th, 2007, Available at: <http://www.ft.com/cms/s/0/9d0ef422-660d-11dc-9fbb-0000779fd2ac.html?nclick_check=1>

Toye, J. (2000), "Fiscal Crisis and Reform in Developing Countries", *Cambridge Journal of Economics,* Vol, 24, No. 1, pp.21-44

Toye, J. and M.P. Moore (1998), "Taxation, Corruption and Reform", in Robinson, M. (Ed.), *Corruption and Development,* London: Frank Cass

Tseng, W. and M. Fisher (2004), "Article IV Consultation: India" *IMF Country Report (05/86),* Washington DC: International Monetary Fund, Available at: <http://www.imf.org/external/pubs/ft/scr/2005/cr0586.pdf >

Universia Knowledge (2007) "Tax Reform: Mexico Marks the Path to Follow in Latin America", *Finanzas e Inversion, Wharton,* Available at <http://www.wharton.universia.net/index.cfm?fa=viewfeature&id=1414&language=english>

USAID (2007) "The Economic Costs of VAT Refund Delays in Mozambique" *USAID/Mozambique Trade and Investment Project, Nathan Associates,* January, Available at <http://www.tipmoz.com/page.php?cat1=117&cat2=262&cat3=541>

Voyez, J. (1994) *Tolley's VAT in Europe*, Nexia International, Hyperion Books

Webber C. and A. Wildavsky (1986), *A History of Taxation and Expenditure in the Western World,* New York, NY: Simon & Schuster

World Bank (2001), "Introducing a Value Added Tax: Lesons from Ghana", *Prem Notes,* No. 61, Washington DC: World Bank

World Bank (2008) "Income Levels and Geographic Divisions of Countries" *Data and Statistics,* Available at: <http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20421402~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html>

World Bank (2008) "Selected Completed PSIA" *PovertyNet,* Available at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0,,contentMDK:20930852~pagePK:210058~piPK:210062~theSitePK:490130,00.html>

Appendices

Appendix A: Elements of the EU and US tax model in South –East Asia

To demonstrate how developing countries often base important aspects of their tax systems on fiscal principles of industrialized countries, we have to distinguish between two major prevailing models: the US and the European model. Whereas the US system is mainly based on low taxation and low redistribution, the European model shows high levels of taxation but also high levels or redistribution (NBER, 2003).

Today it is possible to retrace many features of these two opposing tax models in newly emerging and successful economies, such as a number of South-East Asian countries. Overall, a relatively low level of taxation can be observed among countries of this region. In some cases, tax ratios are below 30% of GDP (Japan, Korea, Malaysia), and in others they even barely account for 20% of GDP (Thailand, India, China) (Bernardi, 2006, Bird 1990). What explains the huge gap from European tax ratios, which average around 50%?

The answer points to a mirroring of the US system and values (described in *Section II*) because South-East Asian countries' policies seem to be driven by growth rather than redistribution (Bernardi, 2006). In Japan, for example, the influence of the US in the economic development is directly visible. For more than 30 years after World War II, fiscal policy has been subject to US influence, notably through the advice of various US scholars, foremost among them Professor Carl Shoup (FAIR 1992). Perhaps this is also the reason why the main source of revenue has long been direct taxation such as income taxes rather than VAT, which was only introduced in 1989 (Bernardi, 2006). Still, VAT, which has remained at 5% since its introduction, is not the most important form of taxation for Japan (Bird, 2007).

On the other hand, the influence of the European model is also apparent, because most countries of the region have implemented VAT today: Japan, South Korea, Taiwan, China, and most recently India in 2005 (Bernardi, 2006). However, in many developing countries (e.g., India) the VAT has proved to be very difficult to implement due to problems described in *Section I* and *II*. Despite the low tax rates in these countries (with the exception of China, with a VAT rate of 17%), VAT has enabled countries such as Japan, South Korea and Taiwan to raise significant revenues at a low 5% rate (Bernardi, 2006). Of course, these countries had already achieved a significant level of development when they first implemented VAT.

Another important feature of the tax systems in the region it the low reliance on personal income taxes, a result of low redistribution and absence of social security systems (Bernardi, 2006). The negative effects of not having a government-financed safety net fully materialized during the Asian crisis (1997-98), when countless people where suddenly left with no income to support their families. Nevertheless, this strong warning signal for more government protection from economic risks was largely ignored, probably due to the quick recovery of most countries (Bernardi, 2006).

Currently some countries have to face another problem that is intrinsic to their low-level-tax systems and poses long-term problems (particularly in Japan and South-Korea): an ever increasing and ageing population combined with a fiscal deficit, which creates the need for higher public spending. This development raises the realistic expectation that, in order to tackle this problem, these countries, especially Japan and South Korea, will soon have to reform their tax systems in the direction of the European model of high taxation and high redistribution. But due to the countries' traditions, it is rather unlikely that they would adopt a fiscal system similar to a European welfare state in the short run (Bernardi et al., 2006).

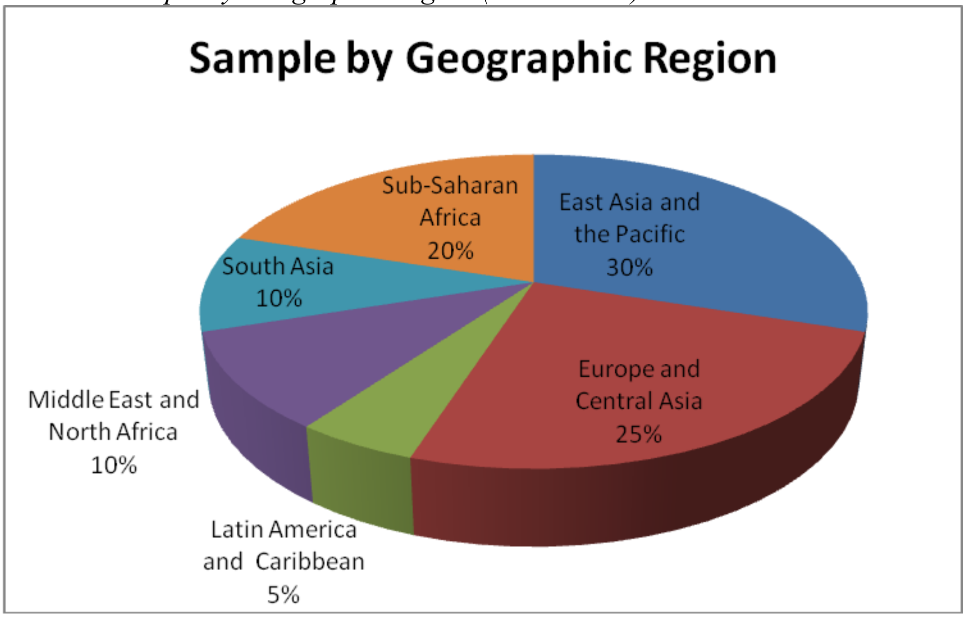
In conclusion, some features of both the US and the European fiscal system have found their way into the fiscal policies of South-East Asian countries. The case studies (*Section IV*) in this analysis have showed that some of these features can also be found in developing countries in Africa and Latin America. To be sure, neither the US nor the European system can serve as blueprint solution for developing countries, whose local characteristics differ widely. Moreover, tax reform can generally be considered as a continuous process adapting to time and circumstances, rather than a static concept (Bird 1990).

Appendix B: Methodology

To help identify trends in IMF taxation advice, 54 of the IMF's most recent Article IV Consultations were analysed. This yielded a sample of ten low income and ten lower-middle income country Article IV Consultations containing taxation advice. The categorization of country incomes is based upon World Bank definitions (see bibliography.)

In each case, the most recent Article IV Consultations were used, none being older than 2005. Countries were alphabetized, assigned numbers, and then randomly selected for evaluation until ten countries were chosen from each category (low income or lower-middle income, refer to *Table 2* for geographic categorization).

Table 2: Sample by Geographic Region (World Bank)



A country's most recent Article IV Consultation was selected if sufficient taxation advice and information was included (see *Appendices B and C* for the list of countries considered and selected). Countries were not selected if the Article IV Consultations were not available, or if they had no or too little tax information, only corporate tax information, or only general tax information (i.e. 'the government will improve tax administration'.)

It should be noted that, due to the small sample size, results may not be representative of overall IMF advice. This is further addressed in the *Limitations and recommendations for further research* section.

Appendix C: Low Income Countries chosen for Analysis

		Randomly selected	Tax information
1	Afghanistan	n	
2	Bangladesh	y	y
3	Benin	y	y
4	Burkina Faso	y	n
5	Burundi	y	n
6	Cambodia	n	
7	Central African Republic	y	n
8	Chad	n	
9	Comoros	y	n
10	Congo, Dem Rep	n	
11	Cote d/Ivoire	y	n
12	Eritrea	n	
13	Ethiopia	n	
14	Gambia, The	y	n
15	Ghana	y	n
16	Guinea	n	
17	Guinea-Bissau	n	
18	Haiti	y	y
19	India	y	y
20	Kenya	y	n
21	Korea, Dem Rep	y	y
22	Kyrgyz Republic	n	
23	Lao PDR	y	y
24	Liberia	n	
25	Madagascar	n	
26	Malawi	y	n
27	Mali	n	
28	Mauritania	n	
29	Mongolia	y	y
30	Mozambique	y	y
31	Myanmar	n	
32	Nepal	y	n
33	Niger	n	
34	Nigeria	y	n
35	Pakistan	y	n
36	Papua New Guinea	n	
37	Rwanda	y	n
38	Sao Tome and Principe	n	
39	Senegal	n	
40	Sierra Leone	n	
41	Solomon Islands	y	y
42	Somalia	n	
43	Sudan	n	
44	Tajikistan	y	n
45	Tanzania	y	n
46	Timor-Leste	n	
47	Togo	n	
48	Uganda	y	n
49	Uzbekistan	n	
50	Vietnam	y	n
51	Yemen, Rep	y	y
52	Zambia	y	n
53	Zimbabwe	y	n
		29	10

Appendix D: Lower-Middle Income Countries chosen for Analysis

		Randomly selected	Tax informa
1	Albania	y	y
2	Algeria	n	
3	Angola	n	
4	Armenia	y	y
5	Azerbaijan	y	y
6	Belarus	n	
7	Bhutan	n	
8	Bolivia	n	
9	Bosnia and Herzegovina	y	y
10	Cameroon	y	y
11	Cape Verde	n	
12	China	n	
13	Colombia	y	n
14	Congo, Rep.	n	
15	Cuba	y	n
16	Djibouti	n	
17	Dominican Republic	n	
18	Ecuador	n	
19	Egypt, Arab Rep.	n	
20	El Salvador	y	n
21	Fiji	n	
22	Georgia	y	n
23	Guatemala	n	
24	Guyana	y	n (not publi
25	Honduras	n	
26	Indonesia	n	
27	Iran, Islamic Rep.	y	n (mention
28	Iraq	y	n
29	Jamaica	y	n
30	Jordan	y	n
31	Kiribati	n	
32	Lesotho	y	n
33	Macedonia, FYR	y	n (mention
34	Maldives	n	
35	Marshall Islands	n	
36	Micronesia, Fed. Sts.	n	
37	Moldova	y	y
38	Morocco	y	y
39	Namibia	y	y
40	Nicaragua	n	
41	Paraguay	n	
42	Peru	y	n
43	Philippines	n	
44	Samoa	y	y
45	Sri Lanka	n	
46	Suriname	y	n
47	Swaziland	n	
48	Syrian Arab Republic	n	
49	Thailand	n	
50	Tonga	y	n (article IV
51	Tunisia	n	
52	Turkmenistan	n	
53	Ukraine	n	
54	Vanuatu	y	y
55	West Bank and Gaza	y	n (no info a
		25	10