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STRATEGIC INVESTMENT PLAN

2020-2023

Domestic public resource mobilization

On 8 February 2018, the Inter-ministerial Committee for International Cooperation and Development (CICID) decided to implement a series of strategic investment plans for development:

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To ensure that assistance is better focused on sector-based and geographic imperatives identified at political level and that there is improved linkage between resources and stakeholders, the government has decided to introduce 'strategic investment plans for development'.

These short, multi-annual documents that schedule the planned initiatives for a sector and list the resources allocated, will be drawn up jointly by the relevant ministries.

They will allow for improved coordination of the different means of action and stronger focus on clearly identified priorities, for choices to be made between bilateral or multilateral routing channels and for medium and long-term foreseeability of France's international development partnership and solidarity policy. Agencies will be involved in drawing up the plans which will steer their action.

The plans will attach special importance to innovative approaches based on digital technology.

Their structure will include indicators of the effect of the initiatives on the beneficiary countries and populations

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Contents

A plan to strengthen and sustain the domestic component of development financing in our partner countries

In the long-run, a country's domestic resources, both from tax and non-tax revenue[1], should be the primary source of development finance. Despite progress in domestic resource mobilization in many countries, domestic revenue, in terms of gross domestic product, remains often too low to adequately fund development needs.

With this in mind, the government adopted an inter-ministerial strategy in support of domestic public resource mobilization for development in 2018. This new approach to "taxation and development" represents a commitment that France made as part of the implementation of the 2015 Addis Ababa Action Agenda on Financing for Development.

Strong population growth in Sub-Saharan Africa requires significant investment in infrastructure, healthcare and education. As domestic resources in many countries are insufficient to meet the current needs of citizens or to invest into future development, the economic and social situation in those countries may deteriorate in the coming years.

Additional domestic resource mobilization is therefore needed to guarantee the sustainability of government policies and investments that are currently being supported by official development assistance.

From an economic stance, this new strategy also seeks to address rising debt sustainability concerns in several of France's priority partner countries, including those in the Franc Zone, where debt levels have increased substantially and where debt service has become the government's second largest expenditure item. This situation could worsen even further with a rise in global interest rates.

Increased and more effective resource mobilization should go hand in hand with improved public financial management. Together, they can make a significant contribution to the financing of sustainable development in developing countries, particularly in Sub-Saharan Africa.

Efforts to increase domestic revenue mobilization also need to be complemented by broader measures that boost the tax potential in partner countries, including through economic growth and diversification; financial sector development; and increased savings.

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[1] Non-tax revenue can be e.g. from natural resource extraction.

The government's plan of action is fully aligned with the 2015 Addis Ababa Action Agenda on Financing for Development. Its main objectives are to:

- ensure that priorities for financing for development and support for domestic resource mobilization, championed by France at the G7 and G20, are fully reflected in our international development policies and, in particular, our technical cooperation programs;
- ensure that the design of fiscal policies adequately reflects tax considerations, i.e. by striking the right balance between effectiveness, investment incentives and progressivity;
- increase the effectiveness of our support to bilateral and international initiatives on domestic resource mobilization and public finance management;
- enter into new partnerships with multilateral organisations that support domestic resource mobilization;
- support implementation of the inter-ministerial strategy for domestic resource mobilization through the creating of a "Taxation and Development" Steering Committee. This committee should become the primary forum for technical discussions on diagnostics, assessment, and process improvements that are related to the government strategy;
- support the scaling up of our agencies in the space of domestic resource mobilization. Between 2015 and 2017, France doubled its technical assistance through grants for domestic public resource mobilization from €3 million to €6 million. This increase in grant resources should be confirmed in the coming years and should fully reflect our sector and geographic priorities (essentially in Sub-Saharan Africa);
- ensure that our intervention strategy is consistent with and complementary to the support of other stakeholders, in an effort to avoid duplication and/or prevent counter-productive outcomes.

The PISD and COVID-19

The PISD was written before the COVID-19 pandemic broke. Since January 2020, COVID-19 has turned into a major global health crisis with an unprecedented impact on the global economy. According to the IMF, World GDP is expected to experience in 2020 its biggest decline since the Great Depression. Africa is expected to experience its first ever recession on record.

This health crisis will have a direct impact on the private sector, public finances and, more generally, overall standards of living in most developing countries. Domestic resource mobilization (DRM) targets in developing countries will be difficult to achieve. In the short-run, domestic revenue collection will fall as a direct impact of lower global demand as well as local confinement measures that attempt to slow the spread of the crisis. Over the medium-term, fiscal measures to support crisis recovery (e.g. via deferral of tax payments, acceleration of VAT refunds, etc.) will also impact tax revenue.

The PISD, through its direct support to DRM, but also through its more general support to fiscal policy, can be critical to support the COVID-19 responds of EMDEs. PISD implementation will further ensure that, to the extend possible, development objectives and outcomes of projects are aligned with the broader response to COVID-19.

On a larger scale, the PISD is a complement to the much larger support that is currently put in place by the international community in direct response to COVID-19. In addition to a significant increase in French ODA in the revised 2020 budget, there has been also a significant ramp up of COVID-19 support from the donor community; this includes the IMF, the World Bank, AFD and Expertise France who are also direct partners of the PISD.

Guidelines for bilateral and multilateral engagements to be put in place by France by 2023

The Strategic Investment Plan operationalizes the 2019 inter-ministerial strategy for domestic resource mobilization. The Strategic Investment Plan therefore shares **several objectives** of the inter-ministerial strategy:

1. Support effective and fair tax policies that create the right economic incentives

1.1 Support the design, implementation and assessment of fiscal policy

While fully respecting the sovereignty of partner countries, France will help countries assess the economic impact of their fiscal policies, particularly with regards to equity and sustainability.

France will further assist beneficiary countries in the rationalisation of tax expenditures.

In this respect, France's assistance could buttress the implementation of multi-annual contracts between the tax authorities of the partner countries and the line ministries. This would tie the increase in revenue expected from the above-mentioned reforms to expenditure and sectoral policy targets. Such sector-specific initiatives, for instance for education and the healthcare system, would be geared towards (i) bolstering expenditure efficiency and (ii) improving taxpayer compliance in partner countries.

1.2 Support the transition of the tax system

The gradual elimination of customs duties – a side effect of trade liberalisation - requires the development of alternative sources of government revenue. Support is needed for this ongoing tax transition process.

Improving VAT administration, which most countries that are identified as priority beneficiaries of French assistance have already adopted, will be critical.

In addition, the rapid digitalisation in developing economies, especially in Africa, presents both a challenge and an opportunity for the tax system; tax systems will have to adapt to protect and/or even extend their tax bases.

1.3 Support improved management and taxation of natural resource revenue

Many developing countries, particularly those identified as priority beneficiaries for French assistance, have significant renewable or non-renewable natural resources. France intends to support these countries in reforms that foster transparent, sustainable and fair management of natural resources and that ensures adequate use of revenue from those extractives. France will also support partner countries in optimising and diversifying revenue.

1.4 Assist countries to broaden their tax base and to expand high-potential revue sources, such as property and local taxes

Broadening the tax base is critical for most developing economies, particularly for low-income countries where the informal sector accounts for about 60% and 80% of GDP. French support will focus on: (i) increasing the formal economy, and (ii) enhancing the reliability of taxpayer registries for individuals and legal entities.

French support will also help strengthen the administration of local taxes and quasi-taxes which are critical for the funding of local public services. Property taxes are expected to play a critical role in the development of the local tax base, given their location-specific features and growth potential.

2. Support the modernisation of tax authorities and ensure effective revenue collection

2.1 Promote transparency and fight tax avoidance, abusive practices, and illegal financial flows

France will continue to support the Global Forum on Transparency and Exchange of Information for Tax Purposes in its fight against illegal financial flows and tax avoidance. Cooperation will likely focus on countries that have integrated tax administrations as well as the necessary fiscal resources to support the required technical, financial and human resources needs. France will also support the implementation of tax strategies in developing economies as part of the Public Finances Directorate General's (DGFiP) work. Implementation will be facilitated by international tax diagnosis resources such as the Tax Administration Diagnostic Assessment Tool (TADAT). France will also call for a tightening of legislation and regulations on transfer pricing as well as for greater administrative cooperation. France will also support applicant countries in the implementation of the Base Erosion and Profit Shifting (BEPS) Package, as needed.

2.2 Promote the use of new technologies to boost revenue collection and fight corruption

The use of new technologies can help to modernize and secure tax payments. Paperless procedures are effective in the fight against corruption and illegal financial flows as they reduce the number of intermediaries as well as other opportunities for corruption. Innovative technologies and discussion groups on digital technologies could be promoted as part of the strategy to improve resource mobilization in partner countries.

2.3 Support public debt management

Besides supporting improvements in revenue collection, France will also help enhance the ability of priority countries to better manage their public debts and to ensure the effective mobilization of domestic savings. Several French-speaking African countries have recently entered regional and international bond markets. As this often happened in weak administrative environments and with low debt transparency, outcomes have been less than convincing. France will support the World Bank's Debt Management Facility (DMF) which assesses debt management performance and supports the implementation of medium-term public debt management reform strategies in Sub-Saharan Africa.

2.4 Foster access to reliable, comprehensive and comparable data

The systematic publication of data that can be freely accessed and used by citizens (e.g. open data, open government) increases the accountability of decision-makers and promotes good governance. Reliable economic data is also need to effectively guide public policy decisions. To help narrow "data gaps", France will strengthen synergies within its current statistics support programs to better support tax, customs and debt statistics. As part of its international cooperation on statistics, France will support relevant bilateral and international initiatives. Going forward, support to the Africa Regional Technical Assistance Centres (AFRITACs) will now include a statistics component on public finance.

3. Optimise the cooperation instruments available to France and its partners

3.1 Boost resource mobilization through greater cooperation with international partners

For many years, France has favoured technical cooperation via peer-to-peer resident technical assistance. Without challenging this approach, it is important reflect on ways to diversify France's technical support, including through South-South cooperation. The objective is to strengthen impact and results of projects on the ground and to adopt a strategy that is tailored to a country's needs. Above and beyond bilateral assistance, France will be looking to strengthen synergies with international platforms for tax cooperation, including the Platform for Collaboration on Tax (PCT), a joint initiative of the IMF, OECD, UN and World Bank Group that is also backed by the G20. France will also increase financial support to international organisations that provide technical assistance on domestic resource mobilization in Africa (IMF Regional Technical Assistance Centres, Revenue Mobilization Thematic Fund, Global Tax Program).

3.2 Include a domestic resource mobilization objective in all our development assistance initiatives

Effective domestic resource mobilization requires a comprehensive multi-sector approach, in particular when it comes to the financing of social sectors (e.g. education, healthcare) and other sectors that are vital for development. This objective falls under the purview of the inter-ministerial "taxation and development" platform.

Bilateral engagements: objectives and planned projects

Domestic resource mobilization is one of the areas where the French Development Agency (AFD) is planning to become more active, following the transfer of the mandate from the Ministry for Europe and Foreign Affairs on January 1, 2016. More resources have been earmarked for domestic resource mobilization in coming years.

Consistent with the objectives outlined above, French bilateral cooperation will focus on:

- **supporting the design, implementation and assessment of fiscal policy;**
- **ensuring data reliability and broadening tax bases;**
- **supporting tax and customs reforms, and strengthen institutional capacity;**
- **promoting and increasing taxpayer compliance;**
- **promoting innovation in taxation:** In line with the objectives of the Inter-ministerial Committee for International Cooperation and Development (CICID) meeting of February 8, 2018, innovative solutions (digital, social, environmental) could be deployed. Land titling or paperless tax filing via new technologies, for example, may be considered and AFD or Expertise France, in partnership with local digital companies, could manage calls for specific project proposals.

The following impact indicators could be used to monitor the overall progress towards reaching objectives:

Objectives	Indicators
Supporting the design, implementation and assessment of fiscal policy	Number of priority countries having benefitted from support in setting up a Fiscal Policy Unit (FPU)
Supporting tax and customs reforms and strengthening institutional capacity	Number of priority countries having benefitted from capacity improvements
Ensuring data reliability and broadening tax bases	Number of priority countries having introduced an operational action plan to identify taxpayers who are required to register but who have failed to do so
Improving taxpayer compliance	Number of priority countries having received support to improve taxpayer compliance

Bilateral cooperation is expected to help meet a large portion of the identified domestic resource mobilization objectives and activities, most notably: support to fiscal policy, combating illegal financial flows, boosting transparency, broadening tax bases and tax registries, increasing the formal economy, and strengthening revenue collection through innovation. DRM initiatives and projects under the bilateral pillar will further target specific geographic areas (see below).

Result indicators for bilateral cooperation

Objective		Projects	Result indicators	Data source
1	Supporting the design, implementation and assessment of fiscal policy	Support for the Evaluation and Publication of Tax Expenditures	Preparation and publication of an annual tax expenditure evaluation report to accompany the Finance Act	Ministry of Finance/ Domestic DGI/DGDDI
2	Supporting the design, implementation and assessment of fiscal policy	Support for the creation of FPUs and the evaluation of the economic and social impact of tax expenditure	Establishment of a FPU in the Ministry of Finance. Preparation (by the FPU) of a plan to rationalize tax expenditure, based on an impact assessment.	Ministry of Finance/FPU
3	Supporting tax and customs reforms and strengthening institutional capacities	Support for better control of VAT operating mechanisms	Change in lead times and number of VAT credit repayments. Adoption and effective implementation of the mechanism for deferred payment of VAT (accounting VAT)	Domestic DGI/DGDDI
4	Supporting tax and customs reforms and strengthening institutional capacities	Implementation of action plans based on tax authority performance diagnoses	Evolution of TADAT scores *post* diagnosis	AFD + Expertise France (EF) projects with TADAT statistics
5	Supporting tax and customs reforms and strengthening institutional capacities	Rollout of in-service and initial training in beneficiary country, sub-region and France	Number of civil servants who received training in beneficiary country, sub-region and France	EF statistics, Public Finances Directorate General (DGFiP)/ Directorate General of Customs and Excise (DGDDI), ENA and Université Paris-Dauphine
6	Ensuring data reliability and broadening tax bases	Support for paperless filing procedures	Increase in the number of returns filed using new information technologies (filing online or by mobile telephone, etc.)	Domestic DGI/DGDDI

7	Ensuring data reliability and broadening tax bases	Support for paperless payments	Increase in the number of payments made using new information technologies (transfer, direct debit, payment online or by mobile telephone, etc.)	Domestic DGI/DGDDI
8	Ensuring data reliability and broadening tax bases	Support for making files reliable and reducing filing and payment default	Change in the number of registered and active taxpayers	EF statistics , Domestic DGI/DGDDI
9	Promoting taxpayer compliance	Support for improving services to users	Existence of a functional and operational system	Domestic DGI/DGDDI
10	Promoting taxpayer compliance	Support for bolstering legal certainty and services to users	Improvement in the standard of relations between tax authorities and major businesses by introducing satisfaction questionnaires	Domestic DGI/Directorate General of Customs (DGD)

The outcomes of bilateral cooperation will be assessed according to the following macroeconomic indicators:

Objectives	Activity indicators
Strengthening countries' ability to raise resources (DRM)	Tax revenue / GDP Tax revenue (excluding natural resources) / GDP
Transition of the tax system	Customs revenue / Tax revenue (including VAT and excise duty on imports)
Cross-cutting objective	Number of civil servants that have successfully completed training provided by French cooperation bodies in 2023

Geography of priority interventions on domestic resource mobilization

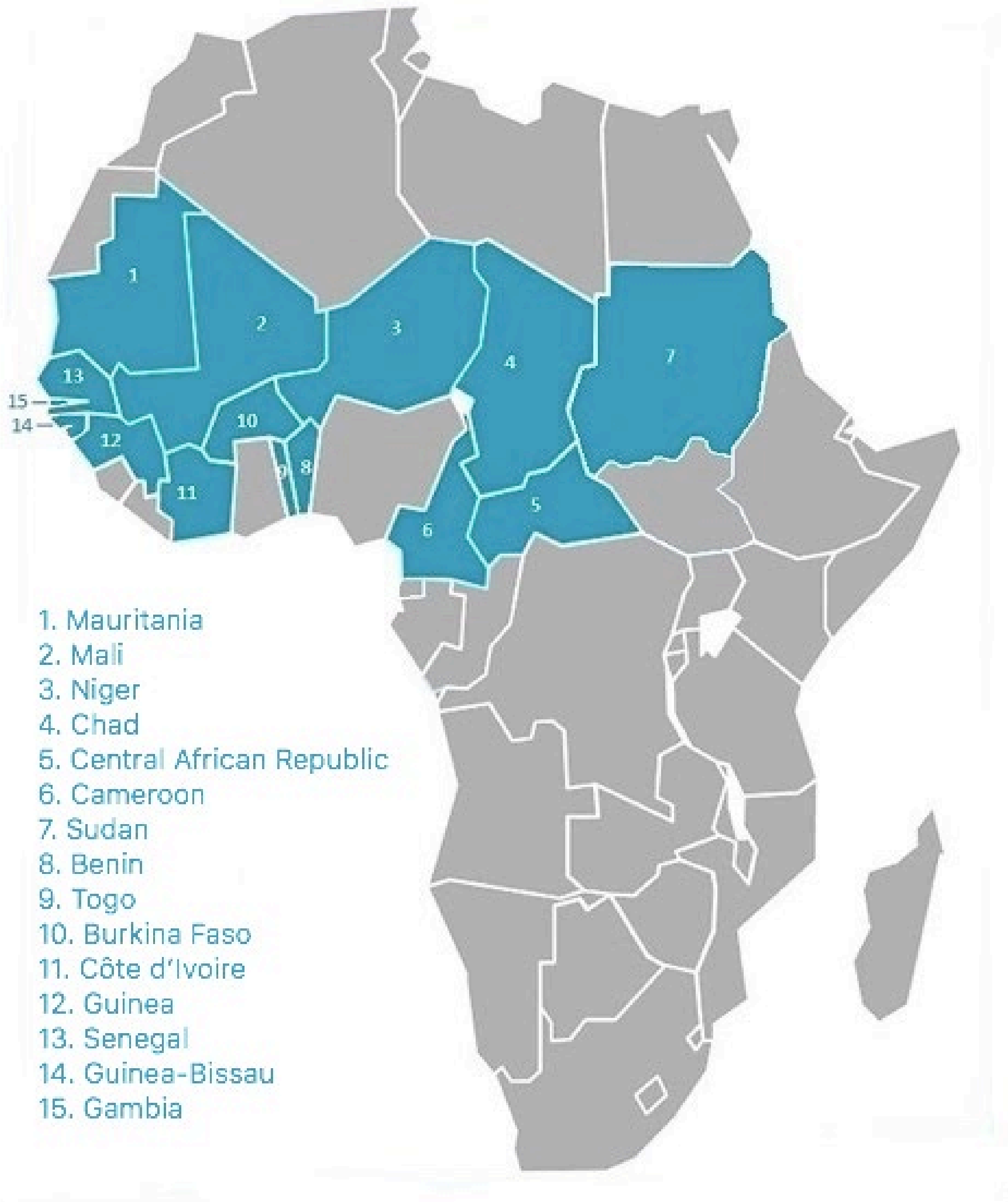
As agreed by the Inter-ministerial Committee for International Cooperation and Development (CICID), the new funds for DRM should finance projects and initiatives in countries that are considered priority beneficiaries of French development policy; essentially, these are countries in Sub-Saharan Africa.

The DRM Investment Plan targets the following geographic areas:

Priority countries in the Sahel and Western Africa: Countries in the Sahel-Saharan zone are among the poorest and most vulnerable. Despite some progress in recent years, the capacity of legal, tax and customs authorities is still not sufficient to guarantee domestic funding of public policies. In addition, Sahel countries face increasing terrorist threats which require greater expenditures on security. It is essential to support the domestic resource mobilization efforts of these countries to boost capacity to finance basic social services and infrastructure. **For the Sahel region, French cooperation should primarily focus on enhancing the capacity of government departments, fighting illegal financial flows and corruption, increasing the formal economy, and expanding local and property tax collection. Countries in Western Africa, where technical capacity is greater than in Sahel countries, could also benefit from more advanced technical support for the use of innovative technologies in domestic resource mobilization.**

Countries in Central Africa and the Central African Economic and Monetary Community (CEMAC) are also a priority: The strong reliance on natural resource revenue presents a major vulnerability for these countries and the decline in oil revenue between 2014 and 2016 has substantially reduced fiscal headroom. **To increase the effectiveness of domestic revenue mobilization in Central Africa, French cooperation should support the modernization of tax administrations and systems; enhance transparency and management of natural resource revenue; support the fight against illegal financial flows and corruption; help increase the formal economy; and support the expansion of local and property taxes.**

Priority Countries for bilateral French cooperation for domestic resource mobilization



Examples of ongoing French bilateral projects

The table below provides examples of current projects by AFD, Expertise France, the Public Finances Directorate General (DGFiP), and the Directorate General of Customs and Excise (DGDDI) within the context of DRM:

Projet name	Country	Amount (€ millions)	Year granted
Priority Countries			
Assistance with setting up a support task force for domestic resource mobilization	Guinea	0,50	2019
Support for the governance of national and local public institutions	Senegal	0,40	2016
International Technical Experts (ETI), Directorate General of Customs	Niger	0,50	2017
International Technical Experts (ETI), Directorate General for Taxation	Niger	0,50	2019
Support for domestic resource mobilization	Niger	35 (of which 5 for project support)	2019
Evaluation of training needs of the tax and customs authorities	WAEMU (I)/ CEMAC (II)	0,30	2019
Support for the modernisation of public finances	Mali	10,00 (including € 3M in technical assistance)	2018
Other Countries			
Support for improving land administration	Haïti	1,50	2019
Priority Solidarity Fund (FSP) and potential follow-up	Comoros	0,50	2017
Support for tax reform	Armenia	0,50	2016
Support for tax modernisation	Indonesia	0,90	2016
Land management modernisation	Lebanon	1,20	2018
Support for the Palestinian Public Finances Institute	Palestine	0,70	2018

Examples of projects that could be funded as part of the strategic investment plan for development

Regional project in the West African Economic and Monetary Union (WAEMU)

Following a request at the Meeting of Zone Franc Finance Ministers in March 2019 to review training policy for tax and customs authority managers of WAEMU Member States, the French Development Agency (AFD) commissioned Expertise France to carry out a study. The study is part of a broader effort to improve the performance of tax and customs authorities in the eight WAEMU Member States in an effort to reach a tax rate that is sufficient for the sustainable domestic financing of major public policies.

The study's conclusions and recommendations are expected to inform a regional action plan for vocational training. It is also expected to addresse new challenges faced by tax and customs authorities from economic globalization and increasingly complex regional and international regulatory frameworks. As part of the 2020-2023 strategic investment plan for development, France, together with other key technical and financial partners, will be in a favourable position to help implement this action plan.

Project to support domestic resource mobilization in Mauritania

Since 2013, France has been closely cooperating with the Mauritanian Directorate General for Taxation. This cooperation included both the provision of resident technical expertise as well as support to a peer review exercise that Mauritania undertook as part of the Global Forum on Transparency and Exchange of Information for Tax Purposes. Expertise France, alongside the European Union, has also supported domestic resource mobilization through the European Public Finance Management Support Project (PAGEFIP). This support is expected to be continued under a successor project (PAGEFIP2) which will also receive funding from the 2020-2023 strategic investment plan.

PAGEFIP2 will support the use of new technologies to:

- step up information exchange between the Directorate General for Taxation and the Directorate General of Customs and to ensure that taxpayers are reliably identified,
- ease requirements for companies for tax filing and reduce payment defaults, and thereby bolster revenue collection.

Over €60 million in investment between 2020 and 2023, including €30 million in bilateral grants for Sub-Saharan Africa

1. Invest to increase domestic resources of priority low-income countries

At bilateral level

In regions that are identified as priority for intervention and where French know-how can provide strong value added, AFD and Expertise France will distribute €30 million in grants during 2020 and 2023. DGFiP and DGDDI could also be mobilised for additional expertise.

Project grants from AFD and Expertise France	€ 30M
Credits for initiatives and grants from diplomatic missions	€ 0,9M

At multilateral level

Trust funds play an important role in IMF and the World Bank's support to tax reform. Trust funds both finance project preparations and diagnostics. In the case of the IMF, 80 percent of technical assistance to fragile states comes from trust funds and Regional Technical Assistance Centres.

France will increase its support to two of the IMF's Regional Technical Assistance Centres: **AFRITAC West and AFRITAC Central**. Both centres provide technical assistance to the French-speaking countries in Sub-Saharan Africa and target areas that are aligned with PSID priorities for DRM support: strengthening capacity of tax and customs authorities; improved management of expenditures and public debt; and more effective tax administrations and fiscal policies.

France will also fund the **IMF's Revenue Mobilization Thematic Fund (RMTF)** which supports core functions of tax administrations in developing countries. About half of RMTF's current portfolio is devoted to Sub-Saharan Africa and the five French-speaking Sahel countries are benefitting from RMTF technical assistance. RMTF activities support partner countries in areas of tax policy reform such as taxpayer segmentation; service support systems; tax code revisions; capacity building; and digital literacy.

France will also fund the **Tax Administration Diagnostic Assessment Tool (TADAT)** which assesses the quality of tax administrations and identifies reform priorities.

The World Bank's trust funds finance innovative analysis and diagnostic tools, as well as regional programs that are not eligible for International Development Association (IDA) financing.

France will call on IDA to increase the share of its resources that are devoted to sound economic and financial governance in partner countries. France will also support two World Bank funds that target domestic resource mobilization: the **Global Tax Program (GTP)** and the **Debt Management Facility (DMF)**. The GTP shares some common ground with the IMF's RMTF in terms of tax reform, but adds value with regards to the rural/ urban dimension, fragile environments and informality. The GTP has a strong emphasis on Sub-Saharan Africa and French contributions to the GTP will support projects that promote secure and reliable taxpayer information systems; build capacity in tax and customs authorities; and increase tax compliance.

The **DMF** focuses on assessing public debt management performance, improving debt transparency and public data reliability, and strengthening capacity in cash management. France will also support projects and initiatives that seek to promote innovation in domestic resource mobilization in partner countries, such as the DRM Innovation Fund. The **DRM Innovation Fund** is an Africa-specific fund led by the Bill & Melinda Gates Foundation (BMGF) and the International Tax Compact (ITC). Its objective is to fund projects that promote the use of new technologies, such as digitalisation, to strengthen domestic resource mobilization as well as the reliability of tax registries in African countries.

AFRITACs West and Central (IMF)	€ 14,4M
Revenue Mobilization Thematic Fund (IMF)	€ 5,5M
Global Tax Program (World Bank)	€ 5,5M
Debt Facility Management (World Bank)	€ 3M
DRM Innovation	*tbd*

An overview of the various funds and their activities is provided in section 4 "Enlisting French and multilateral stakeholders".

2. Step up France's involvement in promoting a multilateral response that is more effective and better coordinated to address transnational domestic resource mobilization

France has been active voice in several international bodies (e.g. G7, G20, International Monetary and Financial Committee, IMFC) for greater investment and better coordination of support to domestic resource mobilization, especially in the poorest countries. Recent G20 (G20 Finance Ministers and Central Bank Governors Meeting, Fukuoka, 9 June) and IMFC (April and October 2019) communiqués underscore this and call for all members of the Platform for Collaboration on Tax (PCT), including the IMF, World Bank, OECD and the United Nations, to improve coordination and tailor support to the requirements of countries with limited capacities. A greater allocation of French resources to technical assistance programs of international organisations should add further weight to strategic positions adopted at the G7, G20 and the IMF.

Contribution to the Platform for Collaboration on Tax (PCT)	€ 0,3M
Contribution to the OECD's Tax and Development Programme	€ 1,5M

Partnerships

France will also support development-focused research on domestic resource mobilization by universities, think tanks and research centres in an effort to enhance French expertise in this area.

Sustainable Development Delegation (DDD) intervention credits "SDG partners"	€0,8M

Overall, the investment plan consists of:

- **a bilateral pillar** that will be mainly funded by grants from the Directorate General of the Treasury (Ministry for the Economy and Finance, MEF) and the Directorate General for Globalization (Ministry for Europe and Foreign Affairs, MEAE) and implemented by AFD and Expertise France; these new grants will primarily be allocated to **Sub-Saharan Africa** and the Republic of Haiti.
- **a multilateral pillar** that will be financed by budget programs 110 and 209, and where **Sub-Saharan Africa** is the direct or indirect beneficiary. The multilateral pillar will adhere to a subsidiarity principle where a multilateral contribution will only be made if an initiatives cannot be implemented with an organisation's ordinary resources.
- **a partnership pillar** that includes development practitioners, think tanks and researchers who will actively contribute and partner in knowledge creation, dissemination and the implementation of the French domestic resource mobilization strategy. The Directorate General for Globalization (DGM) will steer this new partnership and may support innovative projects with up to €0.8 million over the period 2020-2023.

Contributions (indicative) :

	In €M of payment credits	TOTAL 2020-2023
Bilateral support	French Development Agency (AFD) – grants	15
	Expertise France (EF) - grants	15
	MEAE (Diplomatic mission credits)	0,9
	Total bilateral interventions	**30,9**
Multilateral engagements	DG Trésor (fiscal programme 110)	26
	IMF: Regional Technical Assistance Centers (RTACs) - AFRITAC West and AFRITAC Central	12
	IMF : Revenue Mobilization Thematic Fund	5,5
	World Bank : Global Tax Program	5,5
	Debt Management Facility	3
	DRM innovation	*tbd*
	MEAE (fiscal programme 209)	3,1
	Platform for collaboration on Tax	0,3
	IMF TADAT	0,5
	OECD: international taxation (Global Forum)	1,5
	Domestic Public Resource Mobilization Steering Committee	0,3
	Total multilateral interventions	**28,6**
Partnerships	MEAE (central administration credits)	0,8
	Total partenariats	**0,8**
TOTAL MEAE		4,3
TOTAL DG Trésor (fiscal programme 110)		26
GRAND TOTAL		**60,3**

Enlisting French and multilateral stakeholders

1. French stakeholders

The Public Finances Directorate General (DGFiP) and the Directorate General of Customs and Excise (DGDDI) will support **two tasks related to the PISD**: (i) peer-to-peer cooperation with agencies in partner countries and (ii) advising DGM and DG Trésor, the two government departments that steer French ODA policy.

The lead directorates for French ODA policy (DGM and DG Trésor) will focus on coordinating, steering and overseeing multilateral contributions and domestic agencies. Both government departments will have a dedicated "taxation and development" focal point to ensure joint implementation of the Investment Plan.

DGM and DG Trésor will be tasked with: (i) inter-departmental coordination to ensure consistency and effectiveness of French DRM support, in particular, at the interaction of bilateral and multilateral interventions, and the collective ability to enlist French expertise; (ii) jointly steering the multilateral pillar of the Investment Plan, which has the primary goal of ensuring collective effectiveness and better coordination of multilateral institutions (essentially the OECD, World Bank and IMF), leveraging their respective comparative advantages; (iii) evaluating the outcomes of the Investment Strategy and communicating them.

- **AFD and Expertise France:** according to the inter-ministerial strategy, both agencies have the mandate to identify, build and implement programs in support of tax and customs authorities. AFD and Expertise France are primarily responsible for the implementation of the bilateral pillar of the investment plan. AFD will build on its existing support programs in low-income countries. Expertise France will extend its offer/support on tax issues. Co-financing arrangements may need to be put in place to secure EU funding for topics of significant regional importance (e.g. statistics/ tax transition) or to support innovation in domestic resource mobilization.

Example of effective cooperation between French agencies and international organisations in DRM

Project to Support the Audit Bodies and Tax Authorities (PACCAF) in Guinea-Conakry

French agencies that are involved in domestic resource mobilization search for solutions that are tailored to specific country needs. To effectively support government departments, they coordinate with technical and financial partners in the field, both upstream and throughout the lifecycle of the project.

In the Republic of Guinea, Expertise France has seconded a tax expert to the National Tax Directorate (DNI) as Head of the Project to Support the Audit Bodies and Tax Authorities (PACCAF). The tax expert, who is a DGFiP official, is funded jointly by the EU and France. The expert ensures that the project is implemented in coordination with other technical assistance providers (IMF, World Bank, African Development Bank) and that the project objectives are comply across technical and financial partners (TFPs). For instance, when the World Bank considered fiscal assistance to Guinea, it was agreed that Bank support would be made contingent on the operationalization of a new organisational personnel structure and the creation of a tax policy unit; these objectives were set by the tax expert. Expertise France funded a skills assessment of DNI managers to ensure that only staff with the appropriate profile were appointed to the central administration. Going forward, Expertise France will also provide short-term technical assistance for setting-up the tax policy unit which was established by degree in summer 2019. Budget support becomes most effective if supported by expert technical assistance. In the case of Guinea, French expertise helped identify critical reform areas of structural importance that were then supported by TFPs' budget support operations.

Thanks to this collaboration, the expert is regularly informed about AFRITAC, AfDB and World Bank missions. The French experts is also helping to define the contents of training programs offered to Guinean civil servants. In addition, there is task-sharing between TFPs and within this context it was agreed that Expertise France's would focus on skills assessments for civil servants while AfDB would concentrate on the logistical and procurement aspects involved in setting up the new central administration.

2. Multilateral players

Today, an increasing number of multilateral organisations support domestic resource mobilization in developing economies. These include the World Bank, IMF, OECD, the UN and regional development banks, as well as the International Tax Compact (ITC) which acts as Secretariat to the Addis Tax Initiative.

With increasing actors in the multilateral DRM space, there are risks of duplication and insufficient synergies. To **improve coordination** between multilateral and bilateral stakeholders, the Platform for Collaboration on Tax (PCT) was set up by the IMF, World Bank, OECD and the UN in 2016, under the aegis of the G20.

- **World Bank Group**

  World Bank Group involvement is mainly through the **International Bank for Reconstruction and Development (IBRD)** and the **International Development Association (IDA)**. IDA targets low-income countries, which benefit from its concessional loans and grants

  The Bank also provides financing through trust funds, either upstream for project identification or as a supplement to projects. The Bank introduced the **Global Tax Program (GTP)** which currently has three windows: (i) global tax activities and diagnostic tools, (ii) country level activities (e.g. organizational development, transfer pricing, tax incentives, VAT); (iii) actionable research and data, knowledge and learning.

  The World Bank is also home to the **Debt Management Facility (DMF)**, a multi-donor trust fund that supports the implementation and scaling up of the World Bank Group's debt management work program in low-income countries. France's contribution to the DMF is part of broader initiatives to support all aspects of public financial management. Debt sustainability and more effective resource mobilization go hand in hand in funding inclusive and sustainable growth in Sub-Saharan Africa.

  Besides tax issues, the World Bank is also involved in public finances management and hosts the Public Expenditure and Financial Accountability (PEFA) program. Within this context, a number of technical experts from the DGFiP were seconded to countries identified as priorities by France starting in 2019.

  France's investment strategy: the objective of the Strategic Investment Plan for Development is to increase France's contributions to the World Bank's GTP and DMF. Interventions are focused on Sub-Saharan Africa, in line with France's priorities for domestic resource mobilization.

- **International Monetary Fund (IMF)**

  The IMF has set up a Revenue Mobilization Thematic Fund (RMTF) to provide temporary expertise for all aspects of tax reform (tax administration and tax policy). Some RMTF's activities draw on the resources of the IMF's regional technical assistance centres (R-TACs) which provide resident expertise. The RMTF's programs are essentially centred on African countries, in particular those of the Sahel. With the exception of Liberia and Senegal, where the IMF is deploying a resident advisor, technical assistance from the RMTF is generally targeted and short-term. The RMTF also funds regional programs in the Zone Franc (CEMAC and WAEMU). Here, technical assistance mainly targets the core functions of tax administrations and the organisation of seminars on tax reform.

  The RMTF also implements the Tax Administration Diagnostic Assessment Tool (TADAT), which is financed from another trust fund. The RMTF also funds the design of new IMF diagnostic tools, particularly in the areas of fiscal statistics and tax policies.

France's investment strategy: the PISD aims to bring greater consistency to France's voluntary contributions to the IMF. Between 2020 and 2023, France will finance to IMF's DRM tools based on an intervention logic that aims to optimize impact and avoid duplication:

- The RMTF supports the core functions of tax administrations in programmatic fashion, particularly in fragile states (Sahel) ;
- The Regional Technical Assistance Centres (R-TACs) are the IMF's main tool for in-time technical assistance and capacity development. R-TACs are flexible structures that respond to countries' requests; the DGFiP will continue to regularly second experts to these centres.
- The TADAT (2nd phase) which will allow France to ensure effective deployment of this tool in our priority countries, particularly in the Sahel. To this end, the DGFiP set up a group of 24 TADAT-certified experts with MEAE funding in 2017.

- **OECD**

The OECD supports the following DRM activities:

- (i) administrative cooperation and information exchange for tax purposes. These activities are also available to low-income countries, notably in Africa; the Knowledge Sharing Platform for Tax Administrations (KSP), administered by Canada, will be used as a platform for sharing best practices with tax administrations.
- (ii) The OECD has designed technical assistance programs in Africa, which are funded from the organisation's own budget as well as from specific contributions.

France's investment strategy: France will mobilise up to €1.5 million for OECD programs that support:

- a differentiated rollout of technical assistance programs on international taxation (in particular transfer pricing) that respects the administrative capabilities of the beneficiary countries;
- strengthen the partnership with the Global Forum on Transparency and Exchange of Information for Tax Purposes. The Global Forum is hosted by the OECD and calls for increased tax cooperation and transparency in Africa.

- **The DRM innovation fund, facilitated by the International Tax Initiative**

This fund aims to finance innovative projects in Sub-Saharan Africa to enhance the performance of tax administrations and domestic resource mobilization. It manages highly innovative pilot projects at the level of local governments and central administrations, and strives for tangible short-term results.

France's investment strategy: France will support this original initiative which is 100 percent Africa-focused and directly targets Sub-Saharan countries. France's contributions to this fund will support the implementation of innovative domestic resource mobilization projects in priority countries that are based on new technologies.

Coordination multilateral players

Created at the initiative of G20 members, the Platform for Collaboration on Tax (PCT) brings together the four main tax cooperation organisations (OECD, IMF, World Bank Group and UNDP) in an effort to increase coordination and exploit synergies.

France will pay particular attention to the following aspects:

- The design and implementation of new diagnostic tools, in particular within the context of a medium-term reform framework, is part of the institutional nature of these organisations. The mutual recognition of diagnostic tools and the institutions' proactive engagement in the design of medium-term reform programs will be critical for better coordination on multilateral tax cooperation.
- For the IMF and the World Bank, avoiding duplication of activities on the ground (in particular at national and/or regional levels) require greater monitoring by the PCT Secretariat, which is hosted by the World Bank. France will also advocate for better coordination between the short-term stabilisation goals of IMF programs and the more long-term development objectives of World Bank support.
- Collaboration on international taxation, especially in low-income African countries which by definition are non-members of the OECD-BEPS process is critical; OECD and World Bank need to work together effectively here.

The Addis Tax Initiative (ATI) was initiated on the sidelines of the Third International Conference on Financing for Development in July 2015. ATI members (donors and partner countries) committed to strengthen domestic revenue mobilization, and acknowledged a need for better international cooperation as well as the importance of addressing tax avoidance and evasion.

The ATI which has 55 signatory countries, including the UK and France, has made the three commitments in support of DRM in partner countries: one by donor countries, one by beneficiary countries, and one joint advocacy initiative. As part of these, the 14 bilateral donors committed to collectively double by 2022 the amounts available for technical cooperation for domestic resource mobilization.

Implementation and monitoring of the Investment Plan

The Inter-ministerial “Taxation and Development” Steering Committee will be charged with the implementation and monitoring the Investment Plan. This committee, which reports to the co-secretariat of the Inter-ministerial Committee for International Cooperation and Development (CICID), include stakeholders from French ministries and public institutions that are involved in domestic resource mobilization: DG Trésor, DGFiP, DGDDI, DGM, AFD and Expertise France.

Our permanent representations in partner countries and the Office of the Executive Director for France at the IMF and World Bank will have an important role in the implementation of the international pillar of the Investment Plan. They will directly interact with these organisations and monitor their work, and will be invited to participate in Steering Committee meetings.

While the steering Committee meetings aims to coordinate the implementation schedule of the DRM projects under the investment plan, project approval and management of individual projects remains the responsibility of the governance bodies of committee members.

The Steering Committee is also responsible for monitoring the objectives of the investment plan. Progress on outcome indicators and objectives will be regularly assessed and reported.

The international development community has recognized the importance of domestic resource mobilization (DRM) for the financing of the Agenda 2030. In the long term, DRM should constitute a major source of sustainable development financing. In countries where financing needs for development remain substantial, scaling up DRM capacities is therefore essential to ensure sustainable financing. The effective collection of public revenues from both taxation and non-tax income is further relevant within the broader context of sound public financial management.

Following the Inter-ministerial Committee for International Cooperation and Development (CICID) on 8 February 2018, the Ministry of the Economy, Finance and the Recovery and the Ministry of Europe and Foreign Affairs have drawn up the "Strategic Investment Plan for Development 2020 - 2023" (PISD in French). This multi-year strategy represents the operational implementation of the inter-ministerial "taxation and development" defining the priorities for French cooperation in support of domestic resource mobilization in developing economies.

With more than Euro 60 million in allocated funding, the PISD will make it possible to finance both bilateral and multilateral initiatives aimed at increasing the domestic resource mobilization in Sub-Saharan Africa. The PISD aims to define effective tax policies, support the modernisation of tax administrations and optimise France's cooperation instruments and partnerships.

Monitoring and evaluation of the PISD will be carried out by the inter-ministerial steering committee on "taxation and development", which brings together representatives from French ministries and public institutions that are involved in domestic resource mobilization. Progress on outcome indicators and objectives will be regularly assessed and reported.

Ministry of the Economy, Finance and the Recovery
Directorate-General of the Treasury

Ministry for Europe and Foreign Affairs
Directorate-General for Globalization, Culture,
Education and International Development
Directorate for sustainable development

Cover page graphic design: Directorate-general of the Treasury
Graphic model: Directorate-general of the Treasury