December 15, 2023

Dear Sir / Madam,

We are writing regarding the new proposed corporate scorecard that we understand the board is set to discuss shortly. We wish to raise the importance of agreeing on a sound indicator for the Banks important work around Domestic Revenue Mobilisation (DRM). Specifically, we are asking that the DRM indicator sets a clear target to ensure that tax systems become more progressive and limit illicit financial flows.

As you may know, the Addis Tax Initiative sets clear commitments for the World Bank and many other donors that provide assistance to DRM. The initiative among others stresses the importance of not only raising more revenue but ensuring that this is done in a progressive way that reduces inequality. This is from the Addis Tax Initiative commitment 1:
"….In support of SDG 17.11 and SDG 10.42, we will work together to gradually strengthen progressive revenue sources and advance the level of progressivity within tax and non-tax revenues. We will monitor the impact of tax policies on equity and equality."

The World Bank has already acknowledged the importance of progressive taxation during the IDA20 replenishment, which resulted in a new RMS indicator *"IDA countries with increased tax fairness and progressivity (number)"*, and furthermore highlighted that DRM efforts should be *"equitable (fair and progressive)"* and *"verified using fiscal incidence analysis or other methods'*. We are asking that the new corporate scorecard indicator similarly recognizes the importance of making DRM more progressive.

The World Bank is the official custodian for SDG 10.4.2 – the measure of equity in fiscal policy – which is the background for the IDA20 indicator. The IDA19 Deputies' Report similarly emphasized the *"importance of helping countries to collect not only more, but better tax revenues"*. Better revenues means more progressive taxation of wealth, capital, high net-wealth individuals and corporations and less reliance on indirect taxation – something the World Bank tax programs have struggled to pivot away from (see evaluation of Bangladesh VAT improvement project). Tax revenues in IDA countries are not only low but their composition is also skewed toward indirect taxes with direct taxes contributing only 35 percent of the total revenue collection. The World Bank's own IDA20 report is clear on how to respond *"there is a need to address this over-reliance by IDA countries on regressive taxes."* The corporate scorecard should recognize this by ensuring that the DRM indicator goes beyond the amount tax raised alone, but also specifies that the tax system should be made more progressive.

Based on this we hope that you will help ensure that the new corporate scorecard includes an indicator on DRM that incorporates a strong and measurable focus on promoting progressive taxation.

In addition, we also encourage the indicator on reducing losses to Illicit Financial Flows (IFFs). Developing countries lose billions to IFFs, and any strategy to increase DRM should acknowledge this. The Addis Tax Initiative sets clear commitments around reducing tax-related IFFs (Commitment 3), and this should be reflected in the corporate scorecard as well.

We hope you will take our input into consideration.

Best regards,

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