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Increasing DRM through innovative policies and digital technologies

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Concept note

Background

Domestic resource mobilization (DRM) is critical for fiscal independence and financing a country's development, particularly public spending and investment that are key for long-run growth (education, health, infrastructures etc.). Governments reduce reliance on volatile aid, FDI, and sovereign borrowing cycles by mobilizing internal resources through efficient taxation, mobilizing savings, and strengthening financial governance. A strong domestic revenue base provides stability, credibility, and room for strategic long-term planning. Despite overall notable progress, North Africa's DRM performance remains mixed. In (year), Tax-to-GDP ratios in the subregion range from 25.4% in Tunisia and 21% in Morocco—among the highest in Africa, to below 15% in Egypt, Mauritania, Libya, and Sudan. In some fragile States like Libya and Sudan, non-oil tax revenue contributes less than 5% of GDP, far below the 16% African average and the 25–30% OECD benchmark. Informal economies absorb more than 40% of total employment in most North African countries, reducing the tax base and complicating compliance.

Enhancing DRM capacity is critical but also challenging. The Sevilla Compromise made an engagement, by 2030, for development partners to double their support for domestic resource mobilization in developing countries, helping them reach a minimum tax-to-gdp ratio of 15 percent, while also promoting progressive tax systems and strengthening transparency in tax expenditures to ensure that incentives and benefits are more accountable. Increasing DRM is important, in a world facing multiple challenges, such as climate change and geopolitical fragmentation. Climate change is straining fiscal space by increasing adaptation and resilience costs, but also by reducing the fiscal base. Climate change is expected to have a substantial impact on North Africa. ECA (2025)[1] has estimated that a +1°C increase in global temperatures could decrease GDP per capita by 11% in 5 years. This figure is very likely to be a lower bound, as the effects of climate change are yet to come. Indeed, with potential crossing of the 1.5°C temperature increase limit of the Paris Agreement around 2029, climate change will accelerate, and its physical and economic impact will increase significantly. In this context, adaptation becomes urgent, requiring substantial investment. The cost of adaptation to climate change is estimated between costs of USD 30 billion and 50 billion annually over the next decade, representing 2% to 3% of the continent's GDP[2].

[1] « Impact of Climate Change on GDP in Africa" (2025), forthcoming
[2] WMO "The State of the Climate in Africa report" 2024

While most North African countries have reached the middle-income level (although with heterogeneous income per capita), the new global challenges are threatening their position. They will have to invest much more in critical infrastructures, education, skills, and innovation to avoid being trapped in a low productivity and rising inequality trap. Geopolitical fragmentation is altering access to capital, reducing FDI flows and development aid[3]to developing countries[4]. In this context, North African countries need to find African countries that need institutional and policy reforms to enhance tax and non-tax revenue mobilization and utilization and address illicit financial outflows. Innovation and digitalization are transforming this landscape. Domestic resource mobilization is not only about taxation and savings, but increasingly about how digital transformation can modernize fiscal systems, reduce leakages, and expand the tax base. Digitalization addresses structural bottlenecks—informality, weak compliance, corruption, and fragmented data systems (by introducing tools that make fiscal administration more efficient, transparent, and accessible).

North Africa is already testing these innovations:

- To curb revenue losses from its shadow economy, Egypt's Tax Authority digitized the tax system through an e-invoicing and e-receipt platform built on Microsoft technologies. The reform has improved compliance by simplifying procedures and offering flexible submission channels[5]. The country has rolled out mandatory electronic invoicing and e-receipts for businesses, supported by AI-powered risk engines in the Egyptian Tax Authority. Early evidence shows reduced tax evasion and improved compliance, with the Medium-Term Revenue Strategy targeting a 3% of GDP increase in tax revenue by 2027[6]

- Morocco has digitized over 547 administrative services, including e-filing and mobile-based tax payments. The introduction of electronic invoicing and digital platforms for SMEs has lowered compliance costs, enhanced transparency, and helped integrate informal actors[7]

- Algeria has launched the Jibayatic digital tax portal, enabling remote filing, online payments, and taxpayer authentication. Complementary tools like the *Taabirkom* portal for fiscal stamps and electronic Tax ID systems are reducing corruption and easing service delivery, though gaps in digital literacy and cybersecurity remain[8].

- Mauritania is piloting a national digital payments platform and e-filing systems for taxes and customs. These innovations helped increase the tax-to-GDP ratio from 12.2% in 2020 to 14.1% in 2022 (IMF, 2023), although external shocks caused a temporary decline[9].

[3] Recent decision by the US administration to cut development aid from USAID, and other rich countries which have reduced development aid.

[4] Changing global linkages: A new Cold War

[5] https://www.microsoft.com/en/customers/story/19152-egyptian-tax-authority-sql-server

[6] World Bank (2023). *Egypt Public Expenditure Review: Building Fiscal Resilience for Sustainable Growth.* Washington, D.C.: World Bank.

[7] OECD (2022). *Tax Administration 2022: Comparative Information on OECD and Other Advanced and Emerging Economies.* Paris: Organisation for Economic Co-operation and Development.

[8] *Algeria Economic Outlook 2022.* Abidjan: AfDB.

[9] IMF (2023). *Mauritania: Staff Report for the 2023 Article IV Consultation.* Washington, D.C.: International Monetary Fund

- Tunisia has pioneered mobile-based tax systems and is expanding digital procurement and expenditure tracking. These tools aim to enhance fiscal transparency, reduce leakages, and improve public trust[10].

- Recent policy changes in Libya?

Globally, the OECD and IMF have emphasized the potential of digital solutions to raise tax-to-GDP ratios by 2–4 percentage points in developing countries[11]. In Africa, the *African Tax Administration Forum (ATAF)* highlights e-tax platforms, big data analytics, and fintech as levers to broaden tax bases and enhance compliance[12].

Beyond tax systems, digital finance offers new pathways for mobilizing domestic savings. Mobile money and fintech platforms are extending access to financial services to previously excluded populations. For example, in Sub-Saharan Africa, mobile money has added over 400 million new financial accounts[13]. In North Africa, scaling similar solutions could significantly boost household savings, formalize cash-based economies, and provide governments with new avenues to issue retail bonds or climate-linked instruments.

Moreover, emerging technologies can strengthen DRM governance: (i) Blockchain for secure, tamper-proof transaction records (pilot projects in Georgia and Estonia show potential for land registries and tax records[14]), (ii) Big data and AI for predictive analytics and compliance risk management (as applied by the Estonian Tax Board), (iii) Digital ID systems to expand taxpayer registration, reduce fraud, and link citizens seamlessly to tax and social protection systems[15] (as in India's Aadhaar-linked GST system).

Harnessing these tools requires investment in infrastructure, regulatory capacity, and digital literacy, but the potential benefits are transformative: improved compliance, broader inclusion, lower administrative costs, and more resilient fiscal systems.

Objectives

The EGM aims to provide a platform for North African policymakers, practitioners, private sector representatives, and development partners to:

- Share national experiences on: (i) tax policy (tax and non-tax revenue, tax administration reform, etc.), (ii) tax modernization through digital technologies and financial inclusion reforms.
- Examine how innovation, digitalization, and technology can enhance DRM in North Africa;
- Identify opportunities to leverage digital technologies for improved DRM
- Discuss policy pathways to formalize informal activity;

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[10] *Tunisia Digital Economy Assessment: Leveraging Technology for Fiscal Transparency.* Washington, D.C.: World Bank.

[11] IMF (2021). *Tax Capacity and Growth: Is there a Way Forward through Digitalization?* Washington, D.C.: International Monetary Fund.

[12] ATAF (2021). *The Role of Technology in Africa's Tax Administrations: Enhancing Compliance and Broadening the Base.* Pretoria: African Tax Administration Forum

[13] GSMA (2022). *State of the Industry Report on Mobile Money 2022.* London: GSMA.

[14] Qiuyun Shang, Allison Price; A Blockchain-Based Land Titling Project in the Republic of Georgia: Rebuilding Public Trust and Lessons for Future Pilot Projects. *Innovations: Technology, Governance, Globalization* 2019; 12 (3-4): 72–78. doi: https://doi.org/10.1162/inov_a_00276

[15] https://documents1.worldbank.org/curated/en/745871522848339938/Public-Sector-Savings-and-Revenue-from-Identification-Systems-Opportunities-and-Constraints.pdf

Expected outcomes

- Enhanced understanding of tax and non-tax policy to increase DRM
- Enhanced understanding of the role of digital and technological innovations in strengthening DRM capacity across North Africa.
- Documentation of country experiences and innovations that can be adapted and scaled regionally.
- Actionable recommendations on improving tax administration through digital technologies
- identification of priority areas for regional cooperation, capacity building, and international support.

Participants

The meeting will gather representatives from ministries of finance, tax administration, policy makers, and experts on taxation, fiscal management, and digitalization.

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