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WHITE PAPER:
ENHANCING DOMESTIC RESOURCE MOBILIZATION THROUGH CUSTOMS AND TRADE FACILITATION REFORMS

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ACRONYMS

AEO	Authorized Economic Operator
CBP	Customs and Border Protection
DRM	Domestic resource mobilization
GDP	Gross domestic product
IMF	International Monetary Fund
IT	Information technology
LCU	Local currency unit
MSMEs	Micro, small, and medium enterprises
OECD	Organisation for Economic Co-operation and Development
PCA	Post-clearance audit
RAs	Revenue Authorities
TFA	Trade Facilitation Agreement
TTP	Trusted Trader Program
USAID	United States Agency for International Development
VAT	Value-added tax
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

Domestic resource mobilization (DRM)—the process through which countries raise their own funds to provide for their people—is critical to the Journey to Self-Reliance. DRM not only provides governments with funds to alleviate poverty and deliver public services such as health and education; it also is a critical step on the path out of aid dependence. Amid a decades-long wave of trade liberalization and economic integration, DRM assistance has tended to focus on helping developing countries implement the policy and administrative reforms needed to replace taxes on international trade with domestic taxes. Despite reductions over time in tariffs and duty rates, many developing countries still obtain a sizeable percentage of revenues from taxes collected at the border, including customs duties, excise taxes, and value-added tax (VAT) on imports. While there is potential to increase revenues greatly from expanding the domestic tax base, there is also an opportunity to increase efficiency and mobilize domestic revenues through customs reform without compromising trade facilitation priorities.

Considerable evidence shows that by improving internal taxation, governments can sustainably increase revenues. Less attention has been paid to the role of customs and trade facilitation in advancing a country's revenue mobilization objectives. A better understanding of how customs reforms can reduce operational inefficiencies and improve the volume of trade presents an opportunity for USAID to provide enhanced technical assistance. While the primary focus of customs assistance should continue to be reaching trade facilitation goals, those goals need not be detrimental to a government's revenue objectives. In fact, revenues may even grow with improved trade facilitation, as a more competitive economy leads to greater trade volumes, higher incomes, and ultimately larger tax bases.[*]

This white paper provides USAID, host countries, private sector stakeholders, and the broader development community with a business case for accelerating DRM through trade facilitation and customs reforms. The **theory of change proposed here posits** that the revenue lost to trade liberalization can be recouped, at least in part, through enhanced trade facilitation, which contributes to increased imports and exports, better compliance, more effective enforcement, and ultimately higher revenues. Addressing DRM improvements through a trade facilitation lens presents new opportunities to stimulate trade and economic growth while meeting the revenue needs of the public sector in developing countries.

[*] This assumption is based on OECD data, supported by the authors' review of International Monetary Fund working papers and USAID (2017b), "Impact of WTO TFA on Tariff Revenues and Border Fee Proceeds." Some experts note that tariff revenue may increase as a result of the World Trade Organization Trade Facilitation Agreement, since improved customs procedures should reduce the chances of deliberate misclassification, undervaluation, or circumvention of regulations.

BACKGROUND

Domestic resource mobilization (DRM) is central to a country's development journey. It not only provides governments with funds to alleviate poverty and deliver public services such as health and education; it is also a critical step toward aid independence in the Journey to Self-Reliance.

As developing countries have increasingly pursued trade liberalization and economic integration, USAID's DRM assistance has naturally focused on improving the collection of domestic taxes, in part as a means to offset declines in trade taxes. At the same time, the focus on customs assistance has shifted to trade facilitation, with less emphasis on the revenue collection mandate of customs authorities or the impact of trade facilitation reforms on DRM.[1] This white paper does not argue for a return to revenue structures dominated by distortionary trade taxes. Rather, it contends that USAID and the wider development community should embrace the opportunity that improvements in administrative efficiency in customs departments presents for DRM. Although customs and other import duties generate a small and declining share of developing countries' total revenue (see Figure A.3 in Appendix 1, a statistical overview of recent trends), this paper posits that customs reform and modernization can offer direct and indirect pathways to increasing DRM while moving toward trade facilitation goals. Through a better understanding of this complex dynamic between trade facilitation and revenue mobilization, we seek to develop and apply new approaches to enhance DRM.

> "In the current global context, trade facilitation is a prerequisite to obtaining and maintaining international competitiveness, growth, and investment secured through opportunities in global markets."
>
> USAID (2017b: 2)

STATE OF DOMESTIC RESOURCE MOBILIZATION IN DEVELOPING COUNTRIES

The past several decades have witnessed major shifts in DRM. Both developed and developing countries have faced the difficult task of creating revenue structures that are capable of raising adequate revenue efficiently and equitably, while coping with the competitive features of a globalized world economy. The policy challenges and the impetus for reform have differed, but the policy trends have been broadly similar. They include a move toward broad-based, low-rate tax systems that encourage savings and investment; the spread of the value-added tax (VAT); a move toward simple, low-rate corporate and personal income taxes; and the systematic reduction and elimination of import and export tariffs (i.e., international trade taxes). Indeed, taxes on exports have been dramatically decreased and often eliminated in many developing countries, while taxes on imports have decreased substantially and continue to decline. Many middle-income and some low-income countries have also pursued comprehensive customs reform programs (Box 1).

Confronted with increasing pressure to further liberalize their markets, developing countries face the challenge of replacing revenues lost to tariff cuts and other trade-liberalizing measures. This challenge is particularly acute because many developing countries continue to rely on trade taxes for a considerable

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[1] This shift in focus has been demonstrated throughout Africa, where the existence of revenue targets is viewed by the "donor community" as being at odds with the goals of trade facilitation and anti-corruption programs.

share of their revenues. In Africa, for instance, while trade taxes have decreased by about one-third as a share of gross domestic product (GDP), they still represent a high share of revenue, with some countries raising one-third or more of their total revenue from trade (examples include Ethiopia, Liberia, Namibia, and The Gambia). Low-income countries still register a higher share of trade tax revenues in GDP, at about 3.5 percent of GDP, as opposed to about 2 percent for lower-middle income countries.

For most developing countries, revenues from the VAT and other domestic taxes have helped to offset revenue losses from tariff liberalization, but overall domestic revenues have still been insufficient to replace those trade tax revenues fully. For that reason, this paper focuses on exploring and understanding how fresh approaches to trade facilitation and customs might enhance revenue and contribute to broader DRM goals.

Box 1: Modernizing Customs Departments

Many middle-income and some low-income countries have been pursuing comprehensive reform programs to improve customs through:

- Implementing modernized customs codes aligned with the World Customs Organization (WCO) Kyoto Convention.
- Replacing universal pre-release inspection with risk-based, selective, post-release audits.
- Adopting reforms in human resources that center on the introduction of career systems and codes of ethics for staff.
- Applying nonintrusive verification techniques.
- Administering single-window systems for trade.
- Implementing the World Trade Organization Trade Facilitation Agreement.
- Implementing WCO guidelines, including the SAFE Framework to address security concerns and advance trade facilitation goals through prescribing validated baseline standards that have worked well in other countries.

The lack of institutional capacity in customs administrations is often a barrier to improving systems, in concert with limited resources, lack of long-term commitment, and human resource gaps in the civil service. Some rewarding multiyear reform strategies appear to have been implemented through carefully planned technical assistance, particularly based on anecdotal evidence from Mozambique and Nepal. The outcomes from these customs administration reforms have been less impactful than expected, however. For example, many customs administrations still struggle to control corruption as progress remains inconsistent in implementing integrity-enhancing measures, such as adequate salaries and working conditions, management control systems, computer systems to streamline procedures and minimize face-to-face contacts, and accreditation of customs brokers and importers. These adverse conditions create nontariff barriers that ultimately hinder trade and economic growth, which indirectly impacts DRM.

Taxes provide the majority of government revenues for most developing countries, and for the sake of simplicity, taxes can be divided into two categories: (1) domestic tax revenue and (2) customs revenue. In this paper, the term “customs revenue” denotes the totality of duties and taxes collected by a customs administration. This revenue includes not only customs and other import duties, but also the VAT, excise taxes, and other tax and nontax revenues collected by customs departments on the import or export of goods. By contrast, the term “domestic tax revenue” denotes the taxes administered by the department or agency responsible for domestic or internal taxation.

CUSTOMS AND DOMESTIC TAX ADMINISTRATION: TWO DIFFERENT WORLDS?

Customs administration has a number of important characteristics that distinguish it from domestic tax administration, notwithstanding the shared responsibility for revenue collection. For instance, the former involves a physical element that domestic tax collection does not routinely entail. It involves international transactions as opposed to largely domestic ones. It also involves the implementation of policy and procedural requirements associated with international commitments as well as protection against external threats to health, safety, and the environment. These distinguishing features result in differences in the communication and organizational systems that customs departments require to collect revenue and perform their various other functions.

Fundamental differences between domestic tax and customs departments lead to two different organizational cultures that have:

- Dissimilar daily processes and procedures.
- Disparate levels of political attention from government leadership.
- Contrasting historical and functional bases.
- Different demands for workforce skills and organizational systems.

At the same time, customs and domestic tax administrations share a number of common traits, including an emphasis on facilitating compliance, risk management, and customer segmentation (for example, differentiated services for large taxpayers/traders). They both rely on information and communication technology to streamline procedures, reduce face-to-face contact, and enable/facilitate data exchange. In addition, domestic tax and customs departments face similar challenges in weak tax administrations, low levels of compliance, incompatible and unreliable data, lack of human resource capacity, and corruption.[2] On the "back end" of tax and customs administrations, there are similar needs for strategic planning, human resource development, and internal controls, especially to address the opportunities present for corruption, collusion, and abuse in the collection of taxes and clearance of goods.

Because of these synergies, tax and customs administrations—and reforms to each—need to be closely coordinated. Economic activity straddles both domains, and customs has a critical role in managing key taxes such as the VAT on imports, which often accounts for half or more of gross VAT revenue in developing countries. Coordination, which can enable a more complete view of each taxpayer, is often weak: information on VAT collected on imports and zero-rated exports must flow from the customs administration to the tax administration for automatic cross-checking against VAT returns to identify anomalies and high-risk cases for audit consideration. Transactional customs and tax data provide opportunities for trend analysis by customs and tax managers to collaboratively and jointly develop compliance models and response strategies.[3] All too often these opportunities remain underexploited, even when tax and customs operations are part of the same organization (as in the Revenue Authority model described in Box 2).

[2] Africa Export-Import Bank (2017).

[3] See World Customs Organization (2016) for post-clearance audit guidelines, including customs.

TRADE FACILITATION AND REVENUE MOBILIZATION: ARE THEY REALLY IN CONFLICT?

The implications of a more open international global trading system and the economic impact of trade facilitation require a greater understanding of—and emphasis on—the linkages between DRM, customs, and trade reform. Trade facilitation seeks to enhance efficiencies and reduce costs associated with customs procedures and controls imposed on the movement of goods across national borders, while at the same time safeguarding legitimate regulatory objectives. Notwithstanding the benefits of trade facilitation, host-country governments often perceive it as being in direct conflict with revenue objectives, since trade facilitation reforms entail a shift away from control-oriented to more facilitative, risk-based approaches to border management. This perception is understandable, even if it is not grounded in reality.

There is already strong evidence that the revenue losses from trade liberalization can be, and often are, offset by the resulting growth in trade and economic activity. This conclusion is supported by the experience of Madagascar, where despite significant cuts in tariff rates, the overall revenue loss was limited because the tariff cuts, combined with domestic tax reforms introduced in 2008, also triggered a substantial increase in imports. As a result, the share of taxes on imports (tariffs, excises, and import VAT) remained stable at about 50 percent of total tax revenue.[4]

Box 2: Revenue Authorities: Integrating Domestic Tax Revenue and Customs Departments

Revenue Authorities (RAs) vary depending on the country, but the primary goal of each RA is to achieve a semi-autonomous status that protects it against political interference, allows for independence in operations and human resource management, and enables flexibility in budgeting and operations. RAs have not always lived up to expectations, but with political will, they can provide a framework for sustained progress.

While the evidence is mostly anecdotal, the RA system appears to have improved managerial and staff capacity in Latin America, Eastern and Southern Africa, Ghana, and The Gambia. Peru, in contrast, integrated its domestic tax revenue and customs departments almost 16 years ago and still encounters challenges that impact service and functionality for both customs and domestic revenue collection. At the same time, integrating the information technology (IT) systems of customs and domestic tax departments has been a challenging and at times even incompatible goal, since each department has differing needs from IT systems.

Trade facilitation can complement and augment the benefits of broader trade reforms. In fact, the World Economic Forum estimates that the benefits of improved global trade facilitation far exceed those of further tariff reductions and could increase global GDP by US$2.6 trillion (4.7 percent) and global exports by US$1.6 trillion (14.5 percent), with developing countries and small enterprises, including those in Africa, gaining the most.[5] Trade facilitation reforms enhance efficiency, thereby reducing costs for both the government and private sector. A more efficient and stable system encourages compliance, investment, and other economic activity, which can therefore lead to increased government revenue. Common elements of successful trade facilitation that also benefit new approaches in DRM include:

- Sustained political commitment at the highest levels of government.
- Strong, progressive, and aggressive revenue administration leadership.
- Simplification, modernization, and harmonization of export and import processes.

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[4] Hallaret (2008).

[5] WEF and Global Alliance for Trade Facilitation (2016).

- Administrative reforms aligned closely with policy changes and procedural simplifications—in the case of customs, reforms that are consistent with the recently concluded World Trade Organization (WTO) Trade Facilitation Agreement (TFA) and the WCO SAFE Framework of Standards.

This paper recommends further research to gain insight into the interventions for customs reform that individual countries currently pursue. Further study is also required to understand the role of customs in the complex dynamic in which trade facilitation, in conjunction with better laws and practices for mobilizing domestic resources, drives economic growth.

STRENGTHENING USAID TECHNICAL ASSISTANCE IN CUSTOMS TO ACCELERATE DRM IMPROVEMENTS

The discussion that follows is directed to USAID, host nations, the broader development industry audience, and private sector stakeholders. It describes a theory of change that explains how USAID can better support and enlarge the impact of trade facilitation and customs reforms on DRM. Addressing DRM improvements through a trade facilitation lens presents new opportunities to stimulate trade and economic growth and sustainably increase the levels of government revenue in developing countries. USAID support for DRM has often focused on building host-country capacity to deliver effective and efficient tax policy and administration, which facilitate an increase in revenues from domestic taxes. Investments in comparable solutions to enhance DRM through customs and trade facilitation reforms could potentially expand the resource envelope even further. To this end, this paper recommends greater collaboration and exchange among domestic tax, trade, and customs experts to uncover new approaches to DRM assistance in countries where USAID works.

With a deeper understanding of the dynamic between DRM and trade facilitation, there is an opportunity to demonstrate the theory of change and impact of trade and customs reforms on DRM for USAID, host nations, and the broader development community. USAID can help host nations generate increased domestic resources, reduce corruption at borders, and provide more reliable revenue along with less dependency on donor funding. The sections that follow describe specific examples of this type of technical assistance.

STRENGTHEN RISK MANAGEMENT

Customs risk management is the base of the trade facilitation pyramid. A risk-based cargo selectivity system and functioning Trusted Trader Program (TTP) can lay the groundwork for successful single-window processing, post-clearance audits, and/or an Authorized Economic Operator (AEO) program (audits and an AEO program are discussed in detail later). To get started, a rapid assessment of a specific country's Risk Management program is a helpful tool USAID can use to assess the reliability of data from the automated declaration processing system and provide historical compliance across the supply chain. USAID can also utilize a risk matrix to determine the probability of noncompliance and the consequences of noncompliance for customs mission objectives. Once the risk level has been established, a range of risk selection criteria (past violations, high-risk goods, high-risk country of export or manufacture, and so on) is applied to help customs identify high-risk cargo for examination (red channel) and expedite the clearance (green channel) of lower risk shipments. This approach is often a new system for customs departments, and USAID can provide the expertise to both missions and host nations to adopt these new processes and protocols. Under this approach, USAID should help host nations identify systems to reward compliance, including incentives for compliant companies. High levels

of trader compliance, validated through risk management, compliance measurement, and post-clearance audits, ensure the effective collection of customs revenues.

ADDRESS REVENUE ACCURACY

The "Pareto Principle," known as the 80–20 rule, holds true for customs stakeholders: approximately 20 percent of the importers and 20 percent of the exporters represent 80 percent of the value and volume of goods for each group. If customs, through technical assistance, could address the accuracy of revenue declared and paid for 80 percent of the volume and declared value, additional resources would be freed to concentrate on the remaining 20 percent. This approach was used by the United States in addressing seven Primary Focus Industries that represented close to 80 percent of the customs workload. Customs worked with those focus industries to increase compliance and rewarded them with facilitation and reduced audits.

As supporting evidence for the theory of change, the same principle could be used to compare the import/export records of those high-value taxpayers with data at the domestic level on their declared amounts of VAT and Company Income Tax. Discrepancies between customs and domestic figures beyond +/-15% should be identified as a potential risk. In addition, other known risk factors to consider for determining the level of priority to be assigned to each taxpayer for follow-up action include privileges (often exemptions are offered to these taxpayers on both the customs and domestic tax side), their filing status, and record of infringements or violations, among other considerations. In many developing countries, micro, small, and medium enterprises (MSMEs) make up a large percentage of import and export volume and contribute to the job market and economy. When strengthening counterparts' capacity to identify and pursue compliance risks, care should be taken to avoid creating unintended burdens or hassles for MSMEs, which generally do not constitute large revenue risks.

ESTABLISH AND IMPLEMENT AUTHORIZED ECONOMIC OPERATOR PROGRAMS

Customs-to-business partnerships can be strengthened through AEO programs, which identify and reward businesses that comply with WCO or equivalent standards for supply chain security. Recognized and promoted by the WCO, mutual recognition of AEOs is a key element of the WCO SAFE Framework of Standards to strengthen end-to-end security of supply chains and to multiply benefits for traders. This initiative is important for USAID to promote and support, because as discussed, in most developing countries it is a small percentage of exporters/importers that represents the larger percentage of trade. USAID can help facilitate a strategic alliance with exporters/importers through mutual recognition of AEOs, so that customs can free additional resources for efforts that address noncompliance and present a greater risk. Successful AEO programs can reduce trade inefficiencies and increase the volume of trade, thereby benefiting DRM overall.

ESTABLISH A TRUSTED TRADER PROGRAM

Implementation of an AEO program is a long-term process. In the interim, a TTP may be a helpful alternative to establish and formalize a relationship between the private sector and customs departments. A TPP is a good starting point for smaller countries to begin learning to work with their traders. Once their TTP program is underway, these countries can begin to develop and transition into a more advanced AEO program. For countries that lack significant two-way trade (island-based

economies are one example), a TTP program would be easier to implement and administer than an AEO program.

Under a TTP, trusted firms receive trade benefits that expedite clearance of some imports and exports, thereby reducing their costs. Trusted trading firms are generally identified based on their supply chain security and historic compliance with customs law. TTPs can have tiers of assessment and benefits, and they can implement different security requirements across industries. A TTP would be open to all participants in international trade, such as importers, exporters, customs brokers, freight forwarders, and transporters.

IMPROVE DATA AND RESEARCH

There is a lack of quantitative data and research showing how improvements in trade facilitation affect domestic tax revenue systems and overall growth of DRM. USAID can help close this knowledge gap through baseline assessments and analyses that will help to guide the decisions of host-nation leadership, multilateral partners—WCO, the World Bank, the International Monetary Fund (IMF)—and other donors. USAID may want to consider strengthening its coordination with WCO and IMF, as these two multilateral organizations are concluding a Memorandum of Understanding to share customs data as part of the International Survey on Revenue Administration (ISORA), the successor to the Revenue Administration Fiscal Information Tool implemented by the IMF.

ANALYZE SOCIOCULTURAL ISSUES IMPACTING THE EFFECT OF CUSTOMS ON DRM

Aside from issues related to the different organizational cultures of customs and tax departments, other sociocultural issues—such as corruption, gender inequality, and considerations particular to vulnerable populations—may impact the adoption of new practices to strengthen the contribution of customs departments to DRM. USAID can conduct analyses to identify the issues and develop the corresponding mitigation strategies.

IMPLEMENT DATA MATCHING

One example of how customs and tax departments can work better together is through data matching. Data matching is an organized approach in which information extracted from the IT systems of customs and domestic tax departments is sorted, matched, and analyzed to identify and select for noncompliance and revenue risk. This effective horizontal targeting method cuts across customs and domestic tax databases based on the premise that noncompliers are usually noncompliant with regard to more than one type of tax or activity. For example, Ghana successfully implemented a data matching project and identified a large loss of revenue from discrepancies between the VAT paid on customs declarations and the VAT declared on domestic tax returns.

CONDUCT A BASELINE ASSESSMENT OF THE CUSTOMS DEPARTMENT TO STUDY LINKS BETWEEN TRADE FACILITATION AND DRM

Because customs revenue is a key component of the tax base for some developing countries, revenue targets may be set for customs departments—sometimes undercutting trade facilitation efforts. These targets can affect the behavior and practices of customs officers, who might opt to meet the quotas by

focusing on larger shipments or inaccurate data inputs and neglecting exports/imports of lesser revenue value.

To understand the current impediments to trade facilitation and the impact of trade policy reforms, USAID can leverage validated assessment tools to establish a baseline. Such tools include cost-benefit analysis, the WCO-supported Time Release Study, the Tax Administration Diagnostic Assessment Tool, and the World Bank's DIAMOND, a wide-ranging assessment framework addressing bust customs and domestic tax operations.

Cost-benefit analysis is a comparative strength for USAID and could be used more strategically to identify and prioritize customs and trade facilitation interventions. For example, U.S. Customs and Border Protection (CBP) conducted a type of cost-benefit analysis in late 2016 to validate the impact of reforms to use government resources more efficiently and facilitate commercial trade by reducing paperwork, improving information flows, and contributing to a "single window" for documenting trade activity. The reforms reflect a recent trend for governments worldwide to promote trade by removing nontariff barriers. The CBP study revealed that trade facilitation reforms generated measurable cost savings by reducing the frequency of specific cargo inspections or trade exams and the use of some CBP forms.

INTRODUCE OR IMPROVE POST-CLEARANCE AUDIT

A PCA system allows customs to target resources more effectively while improving compliance levels and better facilitating trade. The system encourages companies to comply by giving them leeway for minor problems so that they are less concerned about being sanctioned. PCA helps customs departments reach the following objectives:

- Validate that customs declarations have been completed in compliance with customs requirements via examination of a trader's systems, accounting records, and premises.
- Reduce duty and tax evasion.
- Verify that the amount of revenue legally due has been identified and paid.
- Facilitate international trade movements of the compliant trade sector.
- Ensure that goods liable to specific import/export controls are properly declared, including prohibitions and restrictions, licenses, and quotas.
- Check that conditions relating to specific approvals and authorizations are being observed (for example, pre-authenticated transit documents, preferential origin/movement certificates, licenses, quota arrangements, customs and excise warehouses, and other simplified procedure arrangements).

One of the greatest contributions from the implementation of a PCA system is the quick release of goods at the border, which is especially important with respect to perishable goods. Sufficient groundwork with customs officials and departments is essential for a PCA system to work well, rather than creating a new method for customs to collect revenue through trade penalties or other enforcement measures.

CHALLENGES OF INTEGRATING CUSTOMS AND TRADE FACILITATION ASSISTANCE

Better integrating customs and trade facilitation assistance into USAID's DRM arsenal will not be without challenges. A few noteworthy challenges include:

- The integration of tax authorities into the National Trade Facilitation Committee process as designed by the WTO TFA is not straightforward.
- Trade facilitation and customs reforms are constrained by government-mandated revenue targets; governments often do not understand the customs mission and set DRM targets for customs that are counterproductive to overall revenue generation.
- Power struggles at the border may be caused by both human elements and disconnected missions between the border agencies. Coordination, collaboration, and connectivity are needed to achieve better border management.
- The lack of inclusion or understanding of the "informal economy" leads many developing countries to focus on the large and often multinational taxpayers and ignore the composite impact of the high number of MSMEs.
- Governments are often unwilling to accept a short-term loss to generate the changes necessary to create long-term gains.
- When domestic tax and customs laws are misaligned, agencies should seek to find commonalities rather than focus on the differences.
- Corruption is a consistent problem, which can be reduced by better computer systems that decrease (and should eventually eliminate) opportunities for face-to-face interactions.

CONCLUSION

Domestic resource mobilization, including revenue generated from both domestic tax and customs, is the long-term path to sustainable development finance and a key part of USAID's support to help countries on their Journey to Self-Reliance. Governments often perceive customs and trade facilitation reforms to conflict with revenue mobilization goals, but with deeper understanding and engagement, USAID is in a position to help these partners begin to see trade facilitation and DRM as complementary and mutually reinforcing strategies. Through trade facilitation assistance, USAID can further help countries on their Journey to Self-Reliance. Trade facilitation reduces operational inefficiencies in customs departments, leading to increased trade volumes, economic growth, and aggregate DRM. Of course, further study is needed to understand precisely how this dynamic plays out in different country contexts.

As evidence is gathered and synthesized, USAID can help usher in new solutions to better connect customs reform efforts to DRM priorities at the country level. Reinforcing these connections implies that technical assistance experts from the customs and domestic tax spheres will have to work more closely together to better identify programming opportunities that can improve DRM without compromising the other important objectives of customs and trade facilitation reforms. Dynamic risk management, AEO and TTPs, cost-benefit analysis, and PCA verification programs are some of the approaches that USAID can leverage to strengthen both trade facilitation and DRM. With these approaches, USAID can help countries sustainably raise domestic resources, enhance economic competitiveness, and thereby accelerate their development journeys.

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APPENDIX 1: OVERVIEW OF DOMESTIC RESOURCE MOBILIZATION TRENDS IN DEVELOPING COUNTRIES BY REGION, 2006–16

TABLE A.1: CUSTOMS DUTIES AS A PERCENTAGE OF DOMESTIC RESOURCE MOBILIZATION, 2006–16

Region and country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Asia											
Bangladesh	39.9	35.6	34.3	32.1	31.5	30.3	29.7	26.9	26.8	27.9	28.9
Cambodia	25.2	25.9	24.0	22.8	22.1	19.3	18.5	17.2	16.8	16.8	15.8
Mongolia	5.6	8.3	10.0	10.2	10.1	13.9	12.8	12.6	12.4	11.8	12.1
Nepal	25.4	22.4	24.1	22.0	21.0	19.4	19.3	21.0	20.5	19.8	18.5
Philippines	23.0	22.4	24.8	22.4	23.7	22.1	21.3	19.9	21.5	20.2	20.0
Sri Lanka	12.3	11.0	10.9	12.9	8.9	9.3	23.8	19.1	18.9	18.0	24.7
Thailand	7.1	6.4	6.4	5.6	5.7	5.4	6.0	5.0	5.1	4.5	4.3
Europe											
Belarus	8.3	8.0	7.5	8.8	12.2	18.3	16.6	15.4	11.3	6.8	7.3
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0
Georgia	6.2	1.7	1.1	0.9	1.5	1.6	1.4	1.4	1.4	0.9	0.9
Macedonia, FYR	8.9	7.2	8.2	7.4	6.4	4.8	5.3	5.1	4.7	4.4	4.5
Moldova	7.3	7.6	8.6	8.0	7.9	7.6	7.6	7.4	6.4	5.4	3.8
Ukraine	7.4	8.2	7.1	4.4	5.2	4.3	5.0	5.2	4.5	9.8	4.3
Latin America											
Brazil	2.7	2.8	3.6	3.3	4.0	4.3	4.7	5.1	5.0	5.1	3.9
Dominican Republic	9.9	8.9	9.0	8.3	8.1	6.9	6.1	5.4	5.4	6.1	6.1
El Salvador	8.0	7.2	5.8	5.2	5.1	5.4	5.2	5.3	4.8	4.9	4.9
Guatemala	9.6	8.4	7.3	6.7	6.8	6.3	5.4	4.3	4.2	4.3	4.3
Nicaragua	6.0	5.8	5.4	4.4	4.7	4.8	4.9	4.6	4.2	4.3	4.4
Paraguay	14.5	11.9	12.2	10.6	13.3	12.9	11.8	10.9	10.2	9.1	8.4
Peru	5.2	3.0	3.3	2.8	2.8	1.8	1.8	1.9	1.9	2.0	1.8
Middle East											
Lebanon	9.3	10.0	9.5	8.5	8.3	7.9	7.9	8.2	7.5	7.0	6.8
Africa											
Angola	4.4	5.5	6.1	10.4	8.0	6.3	6.1	6.6	9.4	8.5	5.6
Burkina Faso	17.5	17.3	18.3	18.0	17.0	16.0	16.6	16.9	15.2	15.3	14.7
Côte d'Ivoire	29.9	32.7	30.5	30.8	37.1	30.5	34.1	33.5	34.4	14.5	13.6
Mali	12.4	17.0	12.4	14.4	13.9	14.6	12.1	13.1	14.9	11.4	10.7
Namibia	42.5	42.5	40.3	38.8	27.9	26.4	39.2	38.0	38.8	35.6	29.6
South Africa	4.6	4.4	3.5	3.1	3.8	4.4	4.6	4.7	3.9	4.1	3.8

Source: World Bank Open Data, https://data.worldbank.org/indicator/GC.TAX.IMPT.ZS.

TABLE A.2: TOTAL DOMESTIC RESOURCE MOBILIZATION (VALUE IN LCU BILLIONS, ADJUSTED FOR INFLATION), 2006–16

Region and country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Asia											
Bangladesh	317	346	438	500	574	705	893	994	1,079	1,208	1,436
Cambodia	2,254	2,549	4,459	3,988	4,448	5,132	6,097	7,122	9,743	10,086	12,040
Mongolia	1,097	1,052	1,022	1,007	1,719	2,228	2,189	2,700	2,517	2,544	2,688
Nepal	53	70	77	104	145	165	192	236	286	328	384
Philippines	813	906	963	940	1,052	1,145	1,320	1,496	1,657	1,803	1,956
Sri Lanka	385	428	453	597	680	758	840	936	1,017	1,305	1,406
Thailand	1,253	1,344	1,412	1,383	1,562	1,780	1,851	2,136	2,028	2,223	2,250
Europe											
Belarus	2	2	3	2	3	2	3	7	8	11	12
Cyprus	6	8	8	4	4	4	4	4	4	4	5
Georgia	2	3	4	4	4	5	6	6	7	7	8
Macedonia, FYR	59	70	70	72	73	76	74	76	86	94	101
Moldova	8	10	11	11	12	14	16	18	21	22	24
Ukraine	88	104	127	126	152	222	256	258	241	209	403
Latin America											
Brazil	355	414	454	457	503	581	622	672	691	700	734
Dominican Republic	163	204	210	216	227	248	300	337	380	407	443
El Salvador	2	3	3	3	3	3	3	4	4	4	4
Guatemala	25	29	30	31	33	38	41	44	47	49	52
Nicaragua	15	17	17	21	24	29	35	38	44	52	59
Paraguay	5,714	6,471	7,811	9,007	10,919	12,159	13,412	14,557	16,675	17,777	18,763
Peru	45	52	55	51	63	73	81	87	92	87	86
Middle East											
Lebanon	4,704	5,364	6,429	8,888	9,373	9,367	9,421	9,462	10,040	10,515	10,510
Africa											
Angola	853	944	1,491	883	1,093	1,463	1,626	1,707	1,799	1,377	1,089
Burkina Faso	360	413	397	482	570	676	857	987	943	920	1,078
Côte d'Ivoire	1,331	1,440	1,530	1,656	1,744	1,245	1,943	2,188	2,429	2,989	3,264
Mali	473	503	472	609	674	746	781	858	889	1,076	1,303
Namibia	15	18	19	20	20	26	33	37	44	47	44
South Africa	485	546	571	567	660	723	785	869	948	1,058	1,101

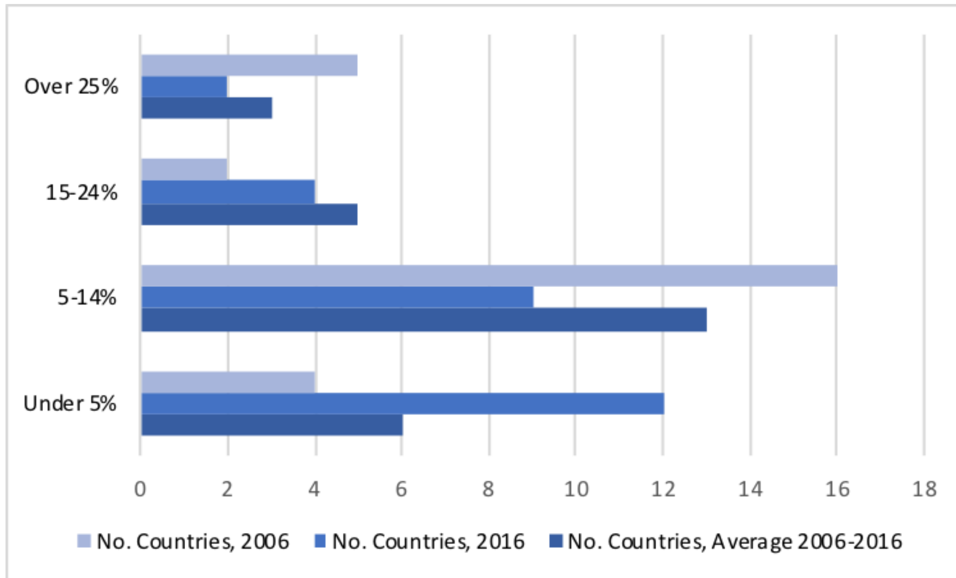
Source: World Bank Open Data, https://data.worldbank.org/indicator/GC.TAX.TOTL.CN; https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG.

TABLE A.3: CUSTOMS DUTIES (VALUE IN LCU BILLIONS, ADJUSTED FOR INFLATION), 2006–16

Region and country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Asia											
Bangladesh	126	123	151	161	181	214	266	267	289	337	415
Cambodia	569	660	1,071	911	983	988	1,128	1,226	1,638	1,694	1,901
Mongolia	62	87	102	103	174	309	280	341	312	299	325
Nepal	14	16	18	23	30	32	37	49	59	65	71
Philippines	187	203	239	211	249	253	281	297	356	365	391
Sri Lanka	47	47	49	77	60	71	200	179	192	235	347
Thailand	89	85	91	77	90	95	112	107	103	101	97
Europe											
Belarus	0	0	0	0	0	0	1	1	1	1	1
Cyprus	0	0	0	0	0	0	0	0	0	0	0
Georgia	0	0	0	0	0	0	0	0	0	0	0
Macedonia, FYR	5	5	6	5	5	4	4	4	4	4	5
Moldova	1	1	1	1	1	1	1	1	1	1	1
Ukraine	6	8	9	6	8	10	13	13	11	20	17
Latin America											
Brazil	10	12	16	15	20	25	29	35	34	35	29
Dominican Republic	16	18	19	18	18	17	18	18	21	25	27
El Salvador	0	0	0	0	0	0	0	0	0	0	0
Guatemala	2	2	2	2	2	2	2	2	2	2	2
Nicaragua	1	1	1	1	1	1	2	2	2	2	3
Paraguay	830	770	954	952	1,455	1,563	1,582	1,588	1,698	1,620	1,578
Peru	2	2	2	1	2	1	1	2	2	2	2
Middle East											
Lebanon	435	538	612	759	778	738	744	777	752	740	712
Africa											
Angola	38	52	91	92	87	92	100	113	169	117	60
Burkina Faso	63	71	73	87	97	108	142	167	143	141	158
Côte d'Ivoire	399	471	467	511	647	380	662	733	837	435	445
Mali	59	85	58	88	94	109	94	112	133	122	140
Namibia	6	8	8	8	6	7	13	14	17	17	13
South Africa	22	24	20	18	25	32	36	41	37	43	42

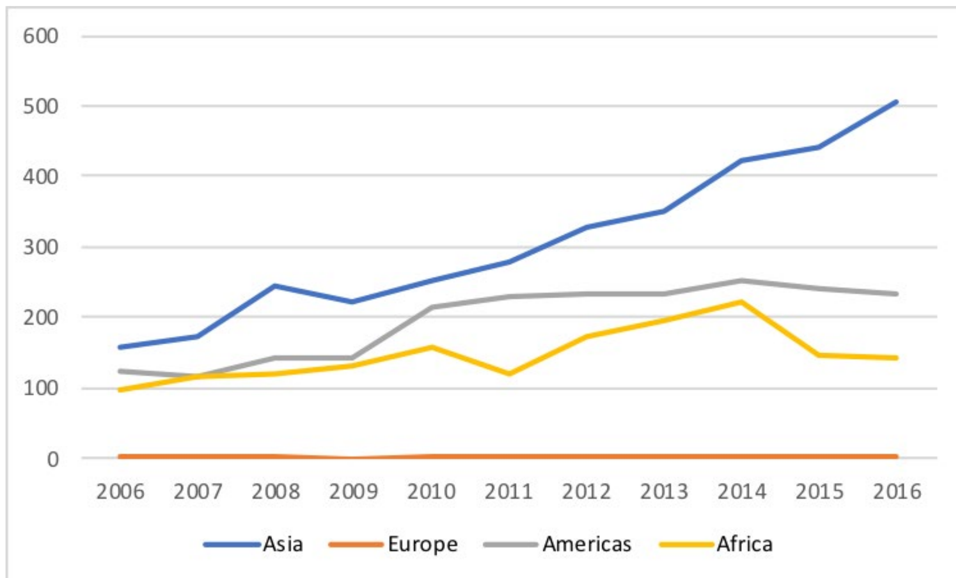
Source: World Bank Open Data, https://data.worldbank.org/indicator/GC.TAX.IMPT.ZS; https://data.worldbank.org/indicator/GC.TAX.TOTL.CN; https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG

FIGURE A.1: CHANGES IN NUMBERS OF COUNTRIES MOBILIZING HIGHER AND LOWER PERCENTAGES OF DOMESTIC RESOURCES FROM CUSTOMS CATEGORIES, 2006–16



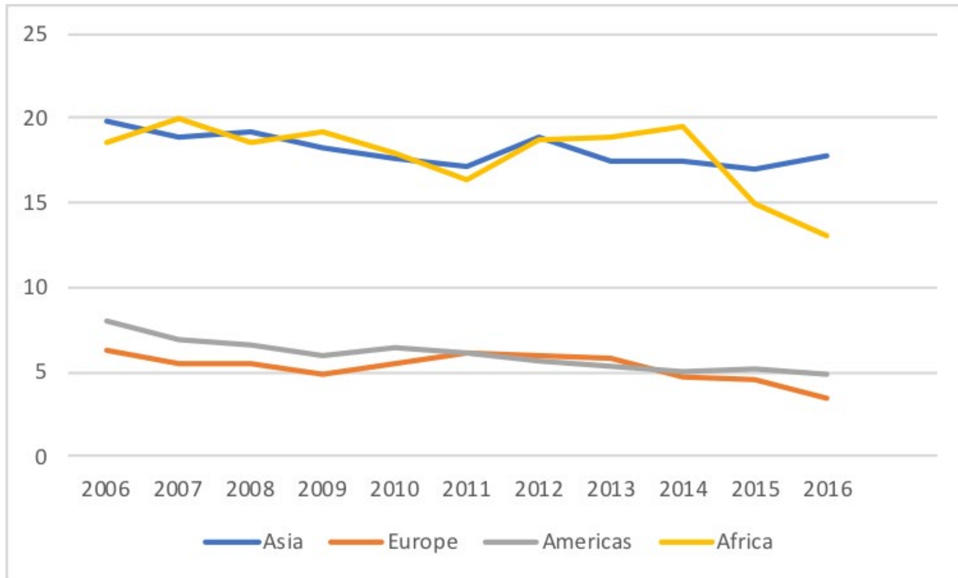
Source: World Bank Open Data, https://data.worldbank.org/indicator/GC.TAX.IMPT.ZS.

FIGURE A.2: REGIONAL TRENDS IN AVERAGE VALUE OF DOMESTIC RESOURCE MOBILIZATION FROM CUSTOMS (IN LCU BILLIONS, ADJUSTED FOR INFLATION), 2006–16



Source: World Bank Open Data, https://data.worldbank.org/indicator/GC.TAX.TOTL.CN; https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG.

FIGURE A.3: REGIONAL TRENDS IN CUSTOMS REVENUE AS A PERCENTAGE OF TOTAL DOMESTIC RESOURCE MOBILIZATION, 2006–16



Source: World Bank Open Data, https://data.worldbank.org/indicator/GC.TAX.IMPT.ZS.

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