This paper tackles the important issue of assessing the relative tax performance of developing countries. In general, I like the authors' idea to use econometric techniques to determine whether, conditional on the development status (as measured by GDP per capita), a country performs well in terms of raising tax revenues or not.

From my reading, the paper is motivated by the need of political actors and development agencies to understand whether a certain country underperforms in terms of raising tax revenues. The authors argue that often the relative tax performance of countries is assessed by comparing them to other economies in the same region or even worldwide whose development level not seldom differs substantially from the country under consideration. This then raises doubts that they are a good comparison group to evaluate the country's relative tax performance.

The authors' aim is to improve this type of ad hoc comparison in previous work by running simple OLS regressions of the tax to GDP ratio on the country's development level as measured by GDP per capita. They then compare the predicted value of the tax to GDP ratio at a given development level to the actual tax to GDP ratio reported.

While this is certainly a step forward compared to previous work, a country's tax performance is not only determined by its development level but may be affected by a host of other factors. If one really wants to come up with a list of "poorly performing" countries in terms of taxing powers conditional on the general situation in the country, one probably has to make sure that one also takes other important determinants of tax performance into account.

It would for example be interesting to run several regressions which are augmented by additional determinants of the tax-to-GDP ratio, for example:

1) the year under consideration (there may be a general time trend in tax performance)
2) for the general structure of the economy in the country under consideration
3) variables capturing the business cycle
4) political variables and institutional setting

This type of analysis would allow making statements on whether the country performs well in terms of raising tax revenues conditional on different determinants of taxing power and to identify the particular "problem" of poor tax performers. To illustrate the point, consider the following example: imagine a certain country is identified as a poor tax performer in the authors' baseline analysis. This result is confirmed if one adds year dummies and controls for the business cycle. However, when conditioning on the structure of the economy, the country moves from the poor tax performing group to the average group. This may suggest that the country's poor tax performance conditional on its development level is actually driven by its economic structure which makes it difficult for the country to raise taxes compared to other economies. In turn, if the country would still be in the underperforming group in this type of regression but would move to the normal performing group when political and institutional controls are included, this would suggest that the country's low taxing power is actually related to the poor institutional and political setting. This type of analysis may provide an interesting and potentially valuable road map for political agents and development agencies in a particular country and help them understand what are the drivers of a country's poor tax performance in their particular case.

I think it might even be interesting to include variables for the actual structure of the tax system in the regression. This would again help to understand whether countries are e.g. in the low-performing group because they rely more on some type of taxes than others (e.g. trade taxes vs. VAT vs. corporate taxes vs. personal income taxes).

Taken together, I think this is a nice paper which develops a novel and fruitful approach for assessing the relative tax performance of a country. However, I think the authors could develop their analysis further, taking more tax determinants into account and aiming to identify the particular “problems” of poorly performing countries.