"A comparative view on the tax performance of developing countries: regional patterns, non-tax revenue and governance."
A review

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This paper offers a broad picture of tax performance for a large group of countries. Moreover it touches upon some of the most important issues in tax performance such as governance and the regional dimension. However it seems to me that it could exploit better the potential of both the quantitative and the qualitative analysis. On the one hand, it is difficult to offer in depth information on country specific aspects in the space of a paper, particularly so if the countries considered are 177. In fact an in depth qualitative analysis may not be compatible with the nature of the exercise, at least at country level. It may be possible to do so at the regional level, and the paper could be expanded in that direction. On the other hand, the quantitative analysis could be developed further as suggested in some of the following specific comments.

Governance

Governance is one of the main elements of the paper. However its theoretical relation with tax revenue, which is not necessarily obvious, could be better explained. First, it would be useful to acknowledge that causality can run both ways and possibly to explore this reverse causality better in the empirical part too. This is not necessarily a fully solvable issue but it is worth setting it out clearly. Second, the effects of governance on tax performance are not obvious and it would be useful to disentangle them more clearly in the paper. As an example consider the following. On the one hand more democratic societies can decide to have lower tax rates, as argued in the paper. On the other hand, higher levels of governance can provide a good environment for a credible social contract and therefore lead to increased revenues for the state. The effect on tax revenue would be the opposite in the two cases. I found the descriptive analysis of the effects of governance useful, and particularly interesting is the finding regarding its relation with natural resources. This is a good preliminary

step for a more formal statistical analysis where governance is also included in the regression. This would also allow investigating the (potentially) different effects of political and administrative governance.

Omitted variables

The quantitative analysis suffers from omitted variables. The obvious omitted factors are the elements of the tax base, besides governance. This results in an imprecise estimate and it also yields spurious results on GDP, as its coefficient is also capturing other effects.

Selection problem

The selection problem is potentially a serious one and it seems that the countries for which observations are missing are a well defined group, i.e. low income countries particularly in Sub-Saharan Africa. Simply emilinating these countries or the missing observations from the sample would not solve the problem. There are tests in the paper and it would be useful to report some more details on them, even in the appendix.

Regional factors

The regional dimension of the problem is analysed in the quantitative exercise by including the regional average tax ratio on the right hand side. However this is clearly endogenous, as the level of tax revenue in a country directly enters the regional average. The problem is worsened if, as argued in the paper, the tax ratio in one country influences that of other countries, therefore having an even higher effect on the regional average. Although establishing causality may not be a major worry in the paper, there are alternative approaches that can be applied as well. For example, one option would be to include regional dummies.

As far as the narrative is concerned, the paper should outline better the main story. A large amount of data and descriptive statistics is very valuable but it can be difficult to process for the reader. As a more general comment, I would therefore suggest to underline the main story clearly across the paper and to guide the reader towards it with a selection of data and statistics. The full set of information can then be provided in the appendix.

In general I found that the paper provides a gerat deal of information and that it is well documented. Moreover it succeeds in providing a general picture on tax performance. However it could be improved by taking into account the points above.