“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.