



G20
SOUTH AFRICA 2025



Tax Side Event

MODERATOR'S REPORT

PANEL: Domestic Resource Mobilisation: Bridging the Tax Gap through Policy & Administration.

Held on 26 February 2025 in Cape Town, South Africa

ABSTRACT: *A panel of Ministers of Finance and representatives from International Organisations convened to deliberate and explore the urgent and transformative role of domestic resource mobilisation (DRM) as the most effective, lowest-cost, and sovereign means of funding national development priorities. In a global landscape marked by rapid digitalisation, rising fiscal pressures, and shifting international taxation paradigms, the discussion focused on how stronger administrative capacity and better tax policy design can work together to close the tax gap, reduce leakages, and restore equity in public finance. This synergy is crucial in delivering sustainable development, attracting private investment, and building public trust. The discussion aimed to catalyse collective thinking on enhancing DRM by bridging the tax gap through integrated policy and administrative reforms to enable meaningful progress toward the sustainable development goals (SDGs).*

The DRM Tax Side Event commenced with opening remarks by the South African Minister of Finance, Enoch Godongwana – followed by introductory remarks from Kristalina Georgieva (IMF), Amina J. Mohammed (UN) and Ajay Banga (World Bank).

Edward Kieswetter, Commissioner of the South African Revenue Service (SARS), moderated the discussion, which considered DRM from both a tax administration and tax policy perspective.

The panellists were H.E. Ambassador Tatiana Rosito (Secretary for International Affairs, Ministry of Finance, Brazil); Hon. Eric Lombard (Minister of Finance, France); Hon. Thomas Djiwandono (Vice Minister of Finance, Indonesia); H.E. Ambassador Albert M. Muchanga (African Union G20 Sherpa and Commissioner for Economic Development, Trade, Tourism, Industry and Minerals); Manal Corwin (Director of the Centre for Tax Policy and Administration, OECD); and Gerassimos Thomas (EU Directorate-General for Taxation and Customs Union).

The G20 Presidency wishes to express its gratitude to the speakers, panellists, participants and their supporting teams for joining us for a discussion on such an important topic – one of the international taxation priorities agreed to under the G20 Presidency.

1. BACKGROUND

This panel discussion on “*Bridging the Tax Gap through Policy & Administration*” was convened against the backdrop of the global challenge to achieve the SDGs by 2030. Despite the adoption of the SDGs in 2015, progress remains limited, with only 16 per cent of targets currently on track. A major constraint is the substantial financing gap, estimated by the United Nations Conference on Trade and Development (UNCTAD) at USD 3.3–4.5 trillion annually for developing countries. Mobilising domestic resources through effective tax policy and administration is critical to narrowing this gap.

However, many countries face stagnant revenue collection due to low growth, informality, weak tax capacity, and limited reform. While international tax cooperation under the G20/OECD frameworks has advanced, its success depends on modern, capacitated tax administrations. Digitalisation, transparency, and inclusive fiscal policies are essential to strengthening public trust and building tax systems (including customs) that support sustainable development.

The panel intended engaging upon DRM from both a tax administration and tax policy perspective – deliberating on:

1. What can the G20 countries and others do to help developing countries strengthen their revenue administrations, and how does it fit in with your experience/ learnings in strengthening revenue administrations?
2. What are the key domestic tax policy reforms required to maximise DRM, and how does it fit in with panellists’ experiences?

The audience for the panel discussion comprised of Ministers of Finance and senior policy leaders, including representatives from key international and regional organisations, such as the African Union, International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), World Bank, and the United Nations.

2. KEY THEMES AND INSIGHTS FROM THE DISCUSSION

The panel began with Commissioner Edward Kieswetter of the South African Revenue Service (SARS) setting the scene. He shared his unique perspective as Chair or Vice Chair of multiple international bodies – the World Customs Organization, the African Tax Administration Forum (ATAF), and the Forum on Tax Administration (FTA). The urgency of addressing the rapidly evolving global tax landscape was highlighted and the following challenges cited: digitalisation, artificial intelligence (AI), ageing workforces, institutional

memory loss, widening tax gaps, cross-border tax and financial crimes, and underfunded administrative capacity. These issues were framed as foundational to enhancing DRM.

In synthesising the deliberations and engagement by the panel, the following notable themes and insights were observed:

Many jurisdictions are grappling with **unsustainable levels of public debt**, while **tax-to-GDP ratios remain low**. This indicates significant untapped revenue potential. Governments must enhance revenue collection mechanisms and tax administration capabilities to reduce reliance on borrowing.

Tax policies must ensure a fair distribution of the tax burden. Excessive tax incentives and loopholes are inefficient and often benefit the wealthy, thereby eroding revenue and distorting equity. A progressive tax system that limits unnecessary credits and ensures all sectors contribute fairly is essential.

A need for tax policy alignment with green development. Environmental taxes can incentivise sustainable practices. Carbon pricing, pollution levies, and green incentives align fiscal policy with climate goals and the first two have the potential to generate revenue for environmental programs.

The **gap between statutory and effective tax rates often reflects profit shifting and base erosion**. Implementing a global minimum tax helps curb tax arbitrage and ensures multinational corporations pay their fair share.

Global tax reform must include voices from developing countries. Multilateral frameworks ensure that **policies reflect diverse economic realities** and promote equitable outcomes.

Cross-border tax issues require coordinated responses – **international cooperation is key**. Platforms like the OECD, FTA, and regional bodies such as ATAF facilitate capacity building, knowledge sharing, enhanced cooperation on taxing rights, exchange of information and enforcement collaboration such as joint audits. Mutual assistance treaties and information exchange are vital tools and must be accessible by all.

Transparent and accountable tax systems build public trust. Good governance ensures that tax revenues are used effectively, encouraging voluntary compliance and civic engagement.

Sustained investment in tax administration capabilities is critical and relies strongly on **capacity building, human capital development and partner coordination**. Initiatives such as the OECD's Tax Inspectors Without Borders, the IMF AFRITAC South (AFS) centres, and regional training hubs were highlighted as impactful models for skills transfer and institutional strengthening. However, stronger alignment among donors, multilateral institutions, and regional bodies is needed to avoid fragmented support.

Tax administrations must embrace digital transformation since digitalisation is a critical enabler of efficient, scalable tax systems. This includes deploying AI for simplifying taxpayer compliance, automating compliance processes, and leveraging data through data science to augment risk assessment to detect tax avoidance and evasion. Modernised systems enhance efficiency and improve taxpayer experience.

Tax administration is not just about revenue collection—it **serves a higher purpose that enables social development**. A well-functioning tax system supports infrastructure, education, healthcare, and social cohesion, particularly benefiting vulnerable populations.

Domestic resource mobilisation is a cornerstone of fiscal sustainability and the most sustainable way to fund public services. DRM reduces dependency on external aid and public debt. Strengthening tax administration, broadening the tax base, and formalising the informal economy are key strategies.

3. REFLECTIONS BY THE MODERATOR

The discussion was rich, candid, and forward-looking on the imperative of DRM in bridging the tax gap and advancing sustainable development. There was a shared urgency among Ministers, policymakers, and institutional partners to move from aspiration to action—grounded in a balanced approach that links policy design, administrative capacity, and international cooperation. The reflections below distil key themes that emerged from the conversation.

I. Making the Case for More Tax Revenues

Panellists echoed the reality that the low tax-to-GDP ratios in many developing countries signal not just a gap—but a potential. With fiscal pressure mounting due to high debt levels and increasing public expectations, there is a strong and credible case for expanding tax and customs revenues.

Domestic resources remain the most reliable and least distortive source of development financing. Several contributions noted the importance of narrowing the gap between statutory and effective tax rates to prevent arbitrage and ensure greater revenue yield from existing tax bases.

II. Integrating Policy Design and Administrative Capability

It was evident from the discussion that DRM requires alignment between sound tax policy and capable administration. Tax systems must be designed to equitably distribute the tax burden, limit unnecessary distortions such as excessive incentives and credits, and be underpinned by progressive principles. Yet, the effectiveness of any policy rests on the strength of the administrative apparatus.

In this regard, digital transformation emerged as a cornerstone of modernisation. Innovations such as e-filing, e-invoicing, the use of fiscal devices, and leveraging AI for enhanced risk profiling and case resolution—especially in combatting tax and financial crimes—were identified as critical to increasing both compliance and efficiency. However, digitalisation is not an end in itself; it must be accompanied by sound data governance, human capital development, and institutional trust.

III. Strengthening Public Value and Global Solidarity

Beyond revenue collection, panellists stressed the importance of how tax revenues are spent. Quality of public spending directly affects the legitimacy of the tax system and can either reinforce or erode taxpayer morale. Building a virtuous cycle of trust, compliance, and delivery is essential.

Furthermore, the conversation reinforced that “a tax risk anywhere is a tax risk everywhere.” International cooperation remains a critical lever, not just to address base erosion and profit shifting (BEPS) and illicit financial flows (IFFs), but to support countries in building enabling legislation, common standards, and shared protocols. The importance of inclusiveness in these efforts—ensuring the voices and realities of developing countries are represented—was strongly underscored.

Finally, as the global development agenda evolves, so too must fiscal policy. Consideration of green taxation and sustainability-linked fiscal instruments must be part of the future fiscal architecture if countries are to respond meaningfully to the climate crisis while securing long-term resilience.

The panel brought together shared global concerns and deep technical insight into a unified call for coordinated reform. “The indivisible nexus between policy and administration was at the heart of every contribution.” There is a clear recognition that smart modern tax systems must adapt rapidly to digital transformation, build trust, and

promote equity while leveraging global cooperation. DRM is not just a funding tool but a strategic enabler of prosperity, stability, and dignity.

4. SUMMARY OF KEY TAKEAWAYS

The panel's discussion converged on a clear consensus: DRM remains the cornerstone of sustainable development financing. To close the tax gap and realise the SDGs, countries must advance both tax policy and administration in tandem, underpinned by trust, transparency, and cooperation.

The following key takeaways provide a roadmap for Ministers of Finance, Policy Makers, Tax and Customs Commissioners, and development partners to optimise DRM efforts:

I. Prioritise Domestic Resources as the Most Effective Funding Source

- Recognise domestic revenues—including taxes, SOE dividends, and other domestic flows—as the lowest-cost and most sovereign form of funding.
- Design tax policies that are simple, equitable, inclusive, and fair to enhance legitimacy and compliance.
- Ensure administrative systems are transparent, efficient, and uphold integrity beyond reproach.
- Balance policy ambition with administrative capacity, grounded in sound governance to build trust and foster voluntary compliance.
- Align public spending quality with revenue collection to reinforce fiscal credibility.

II. Invest in Modern, Resilient Revenue Administrations

- Treat tax administrations as strategic, long-term investments in fiscal sustainability and institutional resilience.
- Embrace modernisation as non-negotiable—leveraging smart digital technologies, AI and data analytics to automate routine tasks and support informed, data-driven decision-making.
- Foster a culture of innovation, agility, and continuous improvement within revenue authorities.
- Strengthen peer learning and collaboration with international organisations and fellow administrations to co-develop tax policy, enhance enforcement, and address cross-border challenges such as BEPS and IFFs.

III. Deepen International Cooperation as a DRM Imperative

- Acknowledge that a tax risk anywhere is a tax risk everywhere; no jurisdiction is insulated from global tax threats.
- Advance international collaboration on:
 - Redefining taxing rights in the digital economy.
 - Strengthening automatic exchange of information, transparency, and symmetry between jurisdictions.
 - Enhancing mutual administrative assistance in enforcement audits, and prosecution.
 - Combating BEPS, IFFs, and other harmful tax and customs practices that erode national revenues.

IV. Elevate the Purpose of Tax to Serve Development and Inclusion

- Embrace tax policy and administration as privileged, public-interest work with profound national impact.
- Recognise DRM as an enabler of sustainable economic development and a critical driver of poverty reduction, inclusion, and resilience.
- Promote tax systems that support not only revenue generation but also broader societal goals, including gender equality, climate action, and social cohesion.

Achieving meaningful progress on DRM requires more than technical fixes—it demands sustained political commitment, bold reforms, and a shared vision of fairness, efficiency, and purpose. As this panel underscored, bridging the tax gap is not merely a fiscal exercise, but a foundational investment in state capability, citizen trust, and sustainable development. By aligning tax policy with administrative capacity, embracing digital transformation, and deepening international cooperation, governments can unlock the full potential of DRM as a force for prosperity, equity, and resilience.

Trust, fairness, and institutional integrity were repeatedly identified as pillars for sustainable tax systems capable of financing development goals. Speakers converged on the need to align national reforms with global norms, modernise tax systems, and integrate DRM into broader development strategies.

The journey is complex, but the opportunity is transformative.

5. CONCLUSION

The panel concluded with a united call to action: to sustain this dialogue of enhancing DRM throughout the year and crystallise it into a focused, actionable agenda. There was collective recognition that tax policy and administration are not only instruments of revenue collection but also privileged levers for economic transformation and social cohesion. All participants echoed the importance of early engagement, building strong institutions, and shared responsibility in advancing DRM goals.

There is a clear link between the key messages emanating from the panel discussion and the 2025 G20 Presidency theme – **Solidarity, Equality and Sustainability**. By working together and learning from each other, we can improve both tax policy design and administration.

- Through **solidarity**, we can create an inclusive future centred on people. Solidarity will allow us to develop our societies in a way that reflects our shared humanity. In our interconnected world, the challenges faced by one nation impact all nations.
- By promoting **equality**, we strive to ensure fair treatment and equal opportunities for all individuals and nations, regardless of their economic status, gender, race, geographic location or any other characteristic.
- **Sustainability** involves meeting the needs of the present without compromising the ability of future generations to meet their own needs.

In this context, building smart, modern, trusted, and capable tax and customs administrations to enhance DRM is not just a development priority—it is a cornerstone of global solidarity and sustainable progress.

The G20 was urged to take a leading role in supporting reforms, sharing expertise, and coordinating on global tax matters. A collective push for tax effectiveness and inclusive growth underpins the work leading into key global meetings in 2025 and beyond. In this regard, we welcome the announcement of the Platform for Collaboration on Tax to hold the Tax and Development Conference, with a focus on DRM, in Tokyo next year.

PANEL CONTACT PERSONS:

- Shikar Kabool (SKabool2@sars.gov.za)
- Hayley Erasmus (hayley.erasmus@treasury.gov.za)