Domestic Resource Mobilization: Getting Back to Basics

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“.....in this world nothing can be said to be certain, except death and taxes.”

—Benjamin Franklin, in a letter to Jean-Baptiste Leroy, 1789
Why DRM?

Source: USAID
DRM: Part of the “social contract”
DRM the largest source of development financing
DRM: Growing, but fast enough?

Tax Revenue (% GDP)

Source: IMF Revenue Longitudinal Dataset (WoRLD), June 2016. Country classification according to World Bank country income groups.

Interagency Task Force for Development (IMF, World Bank, 2016), p. 2
The 2030 Agenda: A call to action
...and an answer to that call
DRM assistance works

El Salvador Tax Ratio v. Periods of USAID Support

- Tax revenue as a % of GDP
- USAID Assistance

Key Events:
- Tax and trade policy reforms
- Improved tax administration
- Progressive tax modifications
USG’s global DRM footprint
A framework for benchmarking DRM

1. Integrity of the Registered Taxpayer Base
   - All businesses, individuals and other entities required to register are included in the taxpayer database. The database is complete, up-to-date and accurate.

2. Effective Risk Management
   - Risks to revenue and tax administration operations are identified and managed effectively.

3. Supporting Voluntary Compliance
   - Taxpayers have the necessary information and support to voluntarily comply at a reasonable cost to them.

4. Timely Filing of Tax Declarations
   - Taxpayers file their declarations on time.

5. Timely Payment of Taxes
   - Taxpayers pay their taxes in full and on time.

6. Accurate Reporting in Declarations
   - Effective audit and verification programs deter taxpayers from reporting incomplete or inaccurate information in their tax declarations.

7. Effective Tax Dispute Resolution
   - The tax dispute resolution process is fair and independent, accessible to taxpayers, and effective in resolving disputed matters in a timely manner.

8. Efficient Revenue Management
   - Tax revenue collections are fully accounted for, monitored against expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds are paid promptly.

9. Accountability and Transparency
   - The tax administration is transparent in the conduct of its activities and accountable to the Government and the citizenry.
TADAT: Distribution of scores across 36 countries

- A - Very good: 18%
- B - Good: 16%
- C - Basics in place: 25%
- D - Of great concern: 41%

Source: TADAT Secretariat, 2017
Where tax administrations are struggling most

Source: TADAT Secretariat, 2017
The lesson... Walk before you run
Focus on getting the basics right

- Know your clients
- Know their obligations and when they are due
- Tailor services to taxpayer types
- Adopt simple procedures
- Provide support and education
- Establish a reputation of fairness
- Subject decisions to appeal
Thank you!