

Five DRM Case Studies: Reforms and Results

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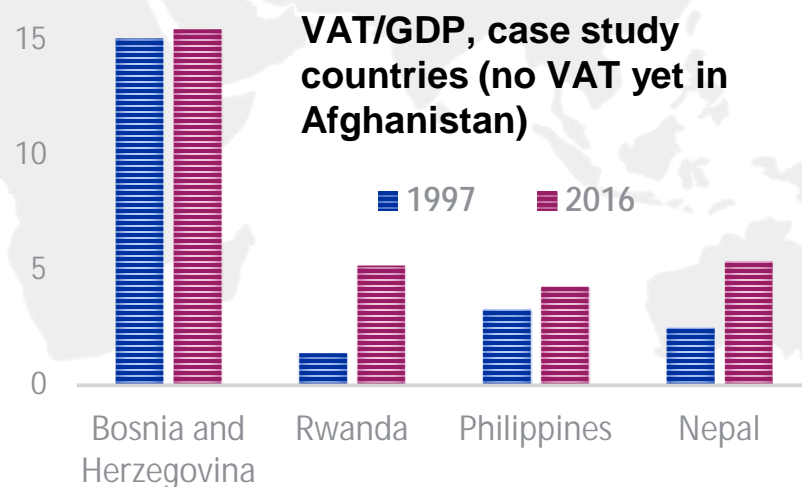
Introduction – Five DRM Case Studies

Ø What was achieved, and how?

- 2 Long view of major reforms
- 2 Highlights for each case (focus on national level)

Ø Main theme: *DRM reforms can succeed!*

- 2 Even in unstable or post-conflict conditions
- 2 With many similar ingredients
 - ...such as VAT
 - ...and ICT



Note: First observation for BiH is 2006, the year VAT was introduced

Afghanistan – Start from scratch

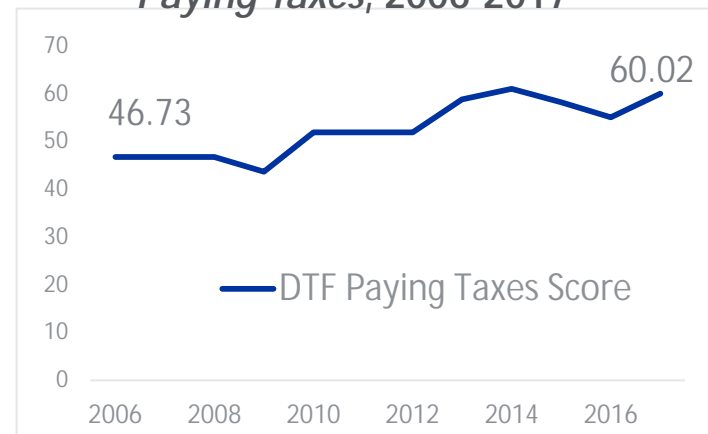
- Ø Revenue trends – in war-torn conditions
 - 2 Large DRM gains 2003-2010, from extreme weakness
 - 2 After 2010 DRM momentum lost, then rebounded
- Ø Key policy reforms
 - 2 Post-Taliban DRM started with customs: easiest revenue stream
 - 2 VAT planned for 2020
- Ø Key administrative reforms
 - 2 Need to build tax & customs from the ground up
- Ø Huge challenges remain!



BiH –Unifying, Simplifying, Modernizing

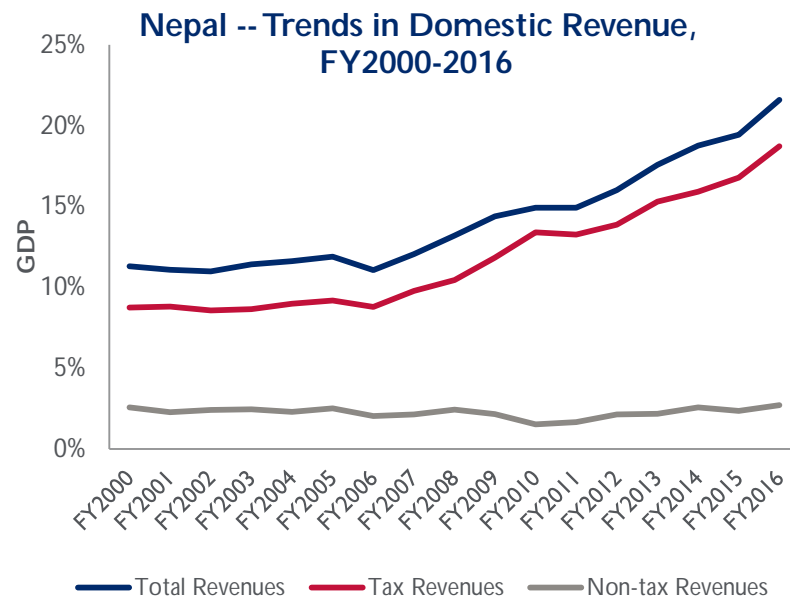
- Ø Tax ratio (excl. customs) ~ 21% to 24%, 2006-2016
 - 2 Total revenue ~ 38% to 40% of GDP → Social Contributions!
 - 2 VAT fairly steady ~ 15% GDP; trade tax \hat{e} ; income tax \acute{e}
- Ø Key policy reforms
 - 2 Unified VAT (2005) replaced complex, distortionary sales taxes
 - 2 Harmonized CIT: *lower tax rates, fewer tax incentives*
- Ø Key administrative reforms
 - 2 Systems automated, re-engineered
 - 2 Registrations rose 3-fold!
- Ø Major improvements in business enabling environment

BiH's Improved Performance on
Paying Taxes, 2006-2017



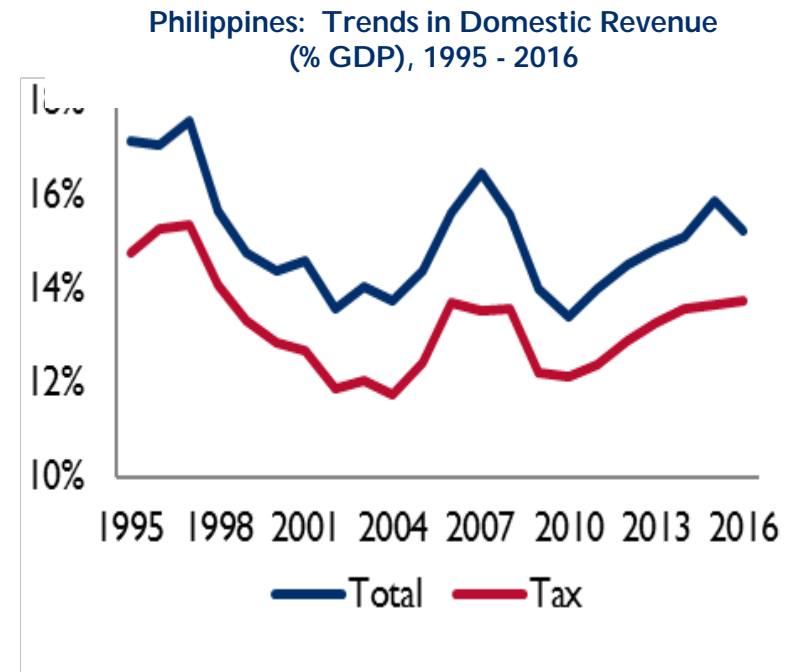
Nepal – Tax yield more than doubled

- Ø Tax ratio **8.7%** in FY1999/2000
 - à **18.7%** in FY2015/2016
- 2 Despite highly unstable civil & political conditions
- Ø Key policy reforms: VAT (1997/98) as backbone of the revenue system
- Ø Key administrative reforms
 - 2 ICT throughout system
 - 2 Re-organization, esp. LTO
 - 2 Taxpayer services
- Ø Gains impaired by incentives and exemptions



The Philippines – “See-saw” results

- Ø Tax ratio fell from **15.4%** in 1997 to **11.8%** in 2004, then *rebounded* to **13.7%** in 2016
- Ø Key policy reforms
 - 2 “Sin tax” reform, 2012
 - 2 TRAIN 2017
- Ø Key administrative reforms
 - 2 Large taxpayer service
 - 2 ICT and taxpayer services
- Ø Gains undercut by special-interest tax breaks



Rwanda – Strong leadership, rapid gains

- Ø Revenue trends: the graph speaks for itself!
 - 2 ñ 6% of GDP...while reducing burden on taxpayers
- Ø Key policy reform: VAT introduced in 2001
 - 2 CIT reform, 2005/06
- Ø Key administrative reforms
 - 2 Rwanda Revenue Authority
 - 2 IT and taxpayer outreach
- Ø “Secret sauce” in Rwanda:
 - 2 Good governance, control of corruption

