Five DRM Case Studies: Reforms and Results

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ICGFM Winter Training Conference
Washington, D.C.
December, 2018
Introduction – Five DRM Case Studies

- What was achieved, and how?
  - Long view of major reforms
  - Highlights for each case (focus on national level)

- Main theme: DRM reforms can succeed!
  - Even in unstable or post-conflict conditions
  - 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

- Revenue trends – in war-torn conditions
  - Large DRM gains 2003-2010, from extreme weakness
  - After 2010 DRM momentum lost, then rebounded

- Key policy reforms
  - Post-Taliban DRM started with customs: easiest revenue stream
  - VAT planned for 2020

- Key administrative reforms
  - Need to build tax & customs from the ground up

- Huge challenges remain!
BiH – Unifying, Simplifying, Modernizing

- Tax ratio (excl. customs) ~ 21% to 24%, 2006-2016
  - Total revenue ~ 38% to 40% of GDP
  - Social Contributions!
  - VAT fairly steady ~ 15% GDP; trade tax í ; income tax È

- Key policy reforms
  - Unified VAT (2005) replaced complex, distortionary sales taxes
  - Harmonized CIT: lower tax rates, fewer tax incentives

- Key administrative reforms
  - Systems automated, re-engineered
  - Registrations rose 3-fold!

- Major improvements in business enabling environment

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Nepal – Tax yield more than doubled

- Tax ratio 8.7% in FY1999/2000
  ‡ 18.7% in FY2015/2016
- Despite highly unstable civil & political conditions

- Key policy reforms: VAT (1997/98) as backbone of the revenue system
- Key administrative reforms
  - ICT throughout system
  - Re-organization, esp. LTO
  - Taxpayer services

- Gains impaired by incentives and exemptions
The Philippines – “See-saw” results

- Tax ratio fell from 15.4% in 1997 to 11.8% in 2004, then rebounded to 13.7% in 2016

- Key policy reforms
  - “Sin tax” reform, 2012
  - TRAIN 2017

- Key administrative reforms
  - Large taxpayer service
  - ICT and taxpayer services

- Gains undercut by special-interest tax breaks
Rwanda – Strong leadership, rapid gains

- Revenue trends: the graph speaks for itself!
  - ð 6% of GDP…while reducing burden on taxpayers

- Key policy reform: VAT introduced in 2001
  - CIT reform, 2005/06

- Key administrative reforms
  - Rwanda Revenue Authority
  - IT and taxpayer outreach

- “Secret sauce” in Rwanda:
  - Good governance, control of corruption