Success themes from DRM Case Studies

INTERNATIONAL CONSORTIUM FOR GOVERNMENTAL FINANCIAL MANAGEMENT
DECEMBER 2018
MARK GALLAGHER, PH.D. PUBLIC FINANCE AND MACROECONOMICS, LLC
Outline

Introduction

• Balanced approach: easing compliance and improving enforcement
• Complimentary tax policy and administration reforms
• Customs modernization can support and reinforce DRM reforms
• Tips for development partners
A balanced approach

- Outreach and getting taxpayers into the tax net can yield important gains.
- Reorganizing the tax administration, taxpayer segmentation and services, risk management, IT, enforcement.
- In all five cases IT systems were built or revamped, taxpayer e-services were introduced or enhanced, and in cases some innovative methods deployed.

Oupa Magashula, South African Revenue Service
Complementary tax policy and administration reforms

• BiH, Nepal and Rwanda introduced VAT, Afghanistan is planning VAT.

• BiH and Rwanda, strengthened income and profit taxes, reducing exemptions and incentives and some lowered rates, while preserving or increasing revenue.
  
  • Philippines is counterexample

• Simply raising tax rates does not necessarily result in much revenue increase: Compare Rwanda and Nepal.
Customs modernization can support and reinforce DRM reforms

**Results** - increased collection of VAT and excises on imported goods, improved control over exports that generate VAT refund requests, as well as enhanced information sharing and collaboration between customs and domestic tax authorities.

- Customs modernization integral to DRM strengthening.
- Trade facilitation can support DRM.
- Customs strengthening was initial focus for in conflict-prone BiH and Afghanistan.
- BiH, Nepal, Rwanda have all more than replaced lost import duties with domestic tax revenues.
Tips for development partners

• DRM assistance delivers value for money.

• DRM reform is a long-term affair.

• DRM requires high-level political support. Donors can play a supportive or catalytic role in this support.

• Partners must create better indicators systems and monitoring, evaluating and reporting.
References


Contact

David Dod
Senior Economist
USAID/E3 TASC II Contract
Office of Economic Policy
U.S. Agency for International Development
1717 Pennsylvania Ave NW, Rm 11.18
Washington, DC 20523

ddod@usaid.gov

Bruce Bolnick,
Nathan Associates Inc.
bbolnick@gmail.com

Mark Gallagher
Public Finance and Macroeconomics LLC
Gallagher.pfm@outlook.com
+1-703-851-8351
Markskypeout