

# Success themes from DRM Case Studies

INTERNATIONAL CONSORTIUM FOR GOVERNMENTAL FINANCIAL  
MANAGEMENT

DECEMBER 2018

MARK GALLAGHER, PH.D. PUBLIC FINANCE AND MACROECONOMICS, LLC



# Outline

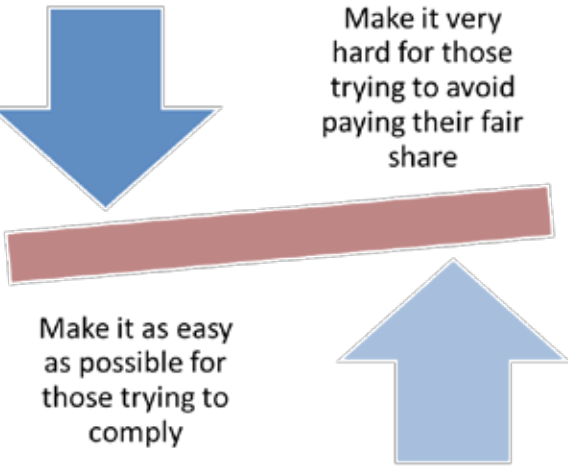
---

## 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.

# Complementary tax policy and administration reforms

---

In each case, the VAT brought in greater revenue than the taxes it replaced, and arguably at lower economic cost.

- 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

*Domestic Resource Mobilization Case Study: Rwanda.* (2018). Leadership in Public Financial Management II Program, USAID, Washington, DC, USA. June. <https://tinyurl.com/DRMRwanda>

*Domestic Resource Mobilization Case Study: Bosnia and Herzegovina.* (2018). Leadership in Public Financial Management II Program, USAID, Washington, DC, USA. June. <https://tinyurl.com/DRMBiH>

*Domestic Resource Mobilization Case Study: Afghanistan.* (2018). Leadership in Public Financial Management II Program, USAID, Washington, DC, USA. June. <https://tinyurl.com/DRMAfghanistan>

*Domestic Resource Mobilization Case Study: Philippines.* (2018). Leadership in Public Financial Management II Program, USAID, Washington, DC, USA. June. <https://tinyurl.com/DRMPhilippines>

*Domestic Resource Mobilization Case Study: Nepal.* (2018). Leadership in Public Financial Management II Program, USAID, Washington, DC, USA. June. <https://tinyurl.com/DRMNepal>

# 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](mailto:ddod@usaid.gov)

Bruce Bolnick,  
Nathan Associates Inc.  
[bbolnick@gmail.com](mailto:bbolnick@gmail.com)

Mark Gallagher  
Public Finance and Macroeconomics LLC  
[Gallagher.pfm@outlook.com](mailto:Gallagher.pfm@outlook.com)  
+1-703-851-8351  
Markskypeout