

[www.pwc.com](http://www.pwc.com)

# *Domestic Resource Mobilisation*

## Harnessing the Potentials in West Arica

*Strictly Private  
and Confidential*

*20 March 2018*



**pwc**

---

*This popular saying captures the essence of Domestic Resource Mobilization (DRM)*

---

Give a man a fish and you feed him for a day.

Teach a man to fish and you feed him for a lifetime.

~Chinese proverb

---

## *Talking points*

---

1

DRM; where are we today?

2

Lessons from TP Implementation in  
Nigeria

3

Where else must we look?

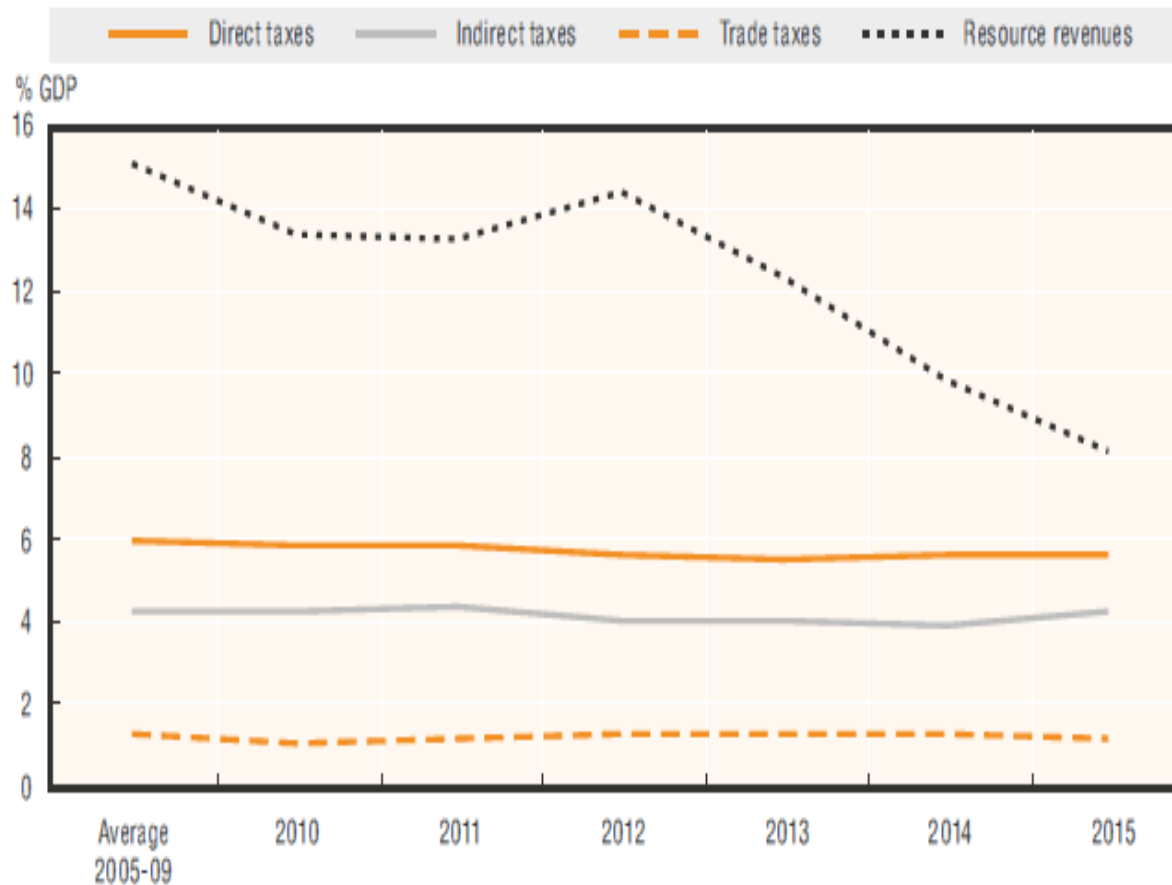
---

*Harnessing the potentials of DRM in West Africa*

---

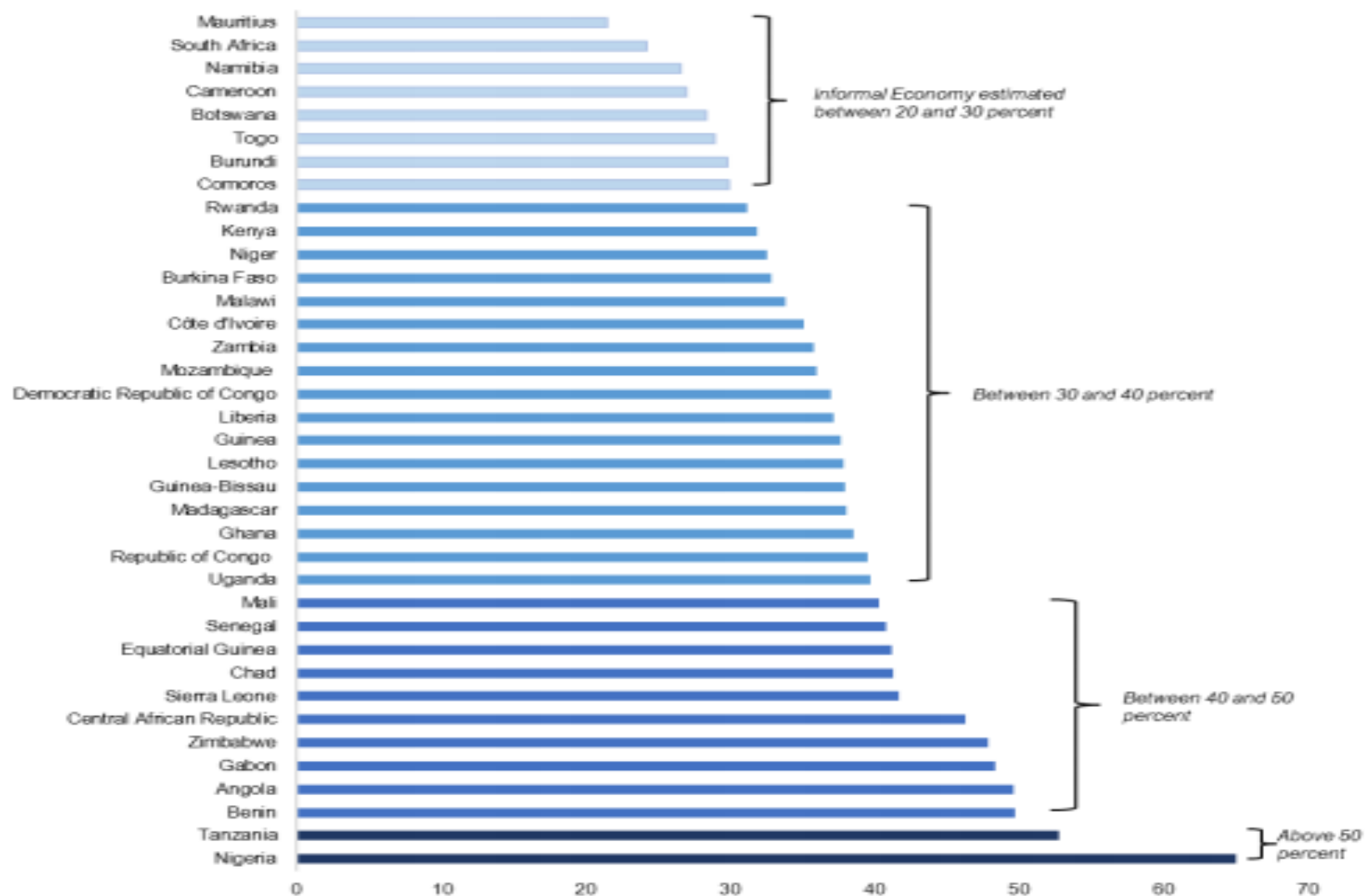
Where are we  
today?

# Available data suggests that there is significant untapped DRM potential across West Africa



Source: African Economic Outlook data.

## *There is also a large informal sector across the region which remains largely untaxed*



## *There are a few challenges with DRM in West Africa*

---

*Under  
resourced tax  
administration*

*Large and  
hard to tax  
informal  
sector*

*Habit of tax  
avoidance*

*High  
dependence on  
natural  
resources*

*Sub –optimal  
tax incentives*

*Burdensome  
compliance  
processes*

# Lessons from TP implementation in Nigeria



## *What can the implementation of TP rules in Nigeria teach us about DRM?*

---



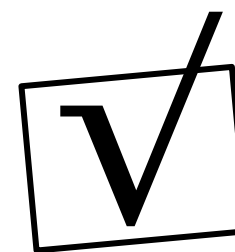
Nigeria introduced TP legislation in 2012 to address potential loss of tax revenue through TP

## *Clear rules that address the issue are required*

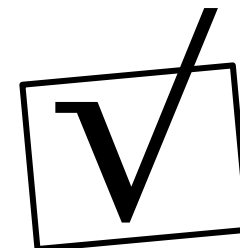
---



Requirement 1



Requirement 2

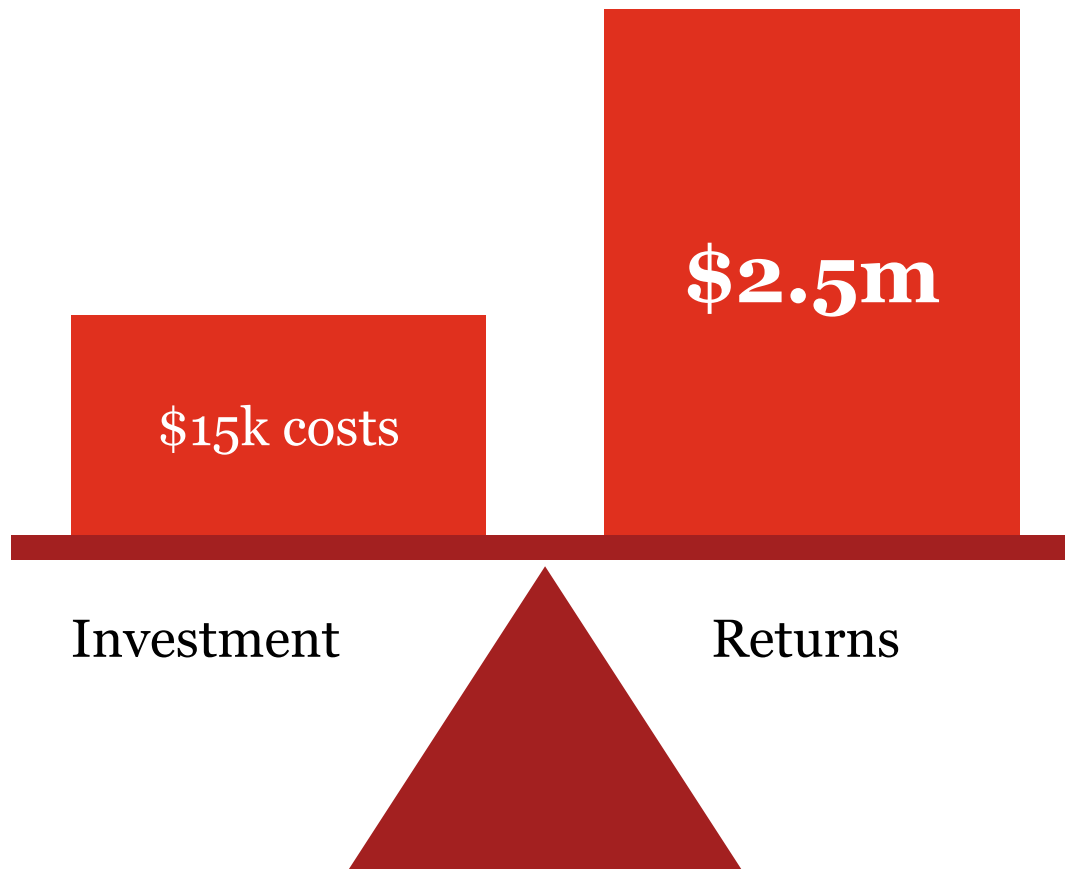


# *Tax administrators must have the capacity to enforce the rules*

---



# *Capacity development does not have to be expensive*



**TIWB has recorded several success stories across Africa**

## *Enforcement can have a deterrent effect even without an audit*

---

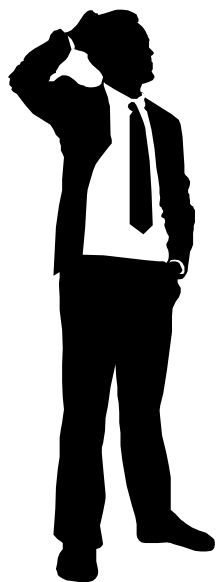


- Increased attention to TP issues.
- Self correction of improper pricing

---

*But more communication is required as compliance can still be improved*

---



---

*...and resources too*



## *In summary.....*

---



Clear rules help



Hands on support for  
capacity development  
can be effective



These can create  
significant deterrent  
effects



Where else must we  
look?

---

***A compliance gap analysis could help give a better indication of what the true DRM potential is***

---



# *The informal sector is still a major contributor to GDP*

Formal sector



Informal sector

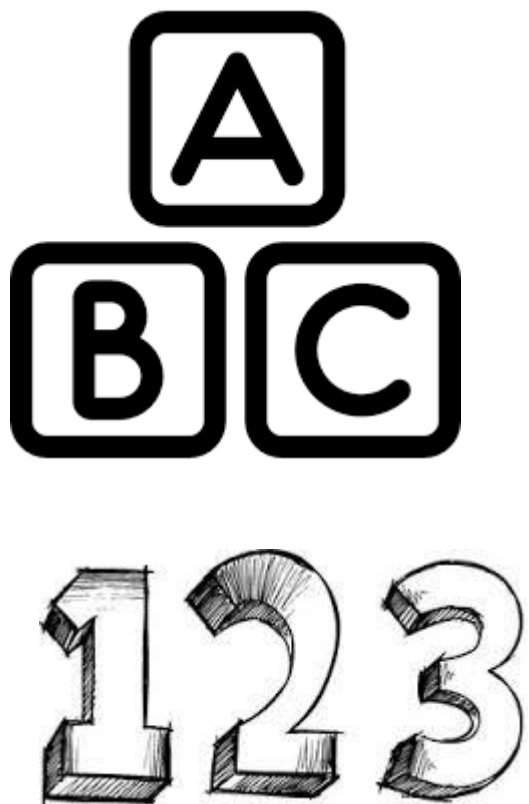


Taxation needs to be optimized to harness the full potential of DRM

---

*Simplification of tax rules for this sector may be a step forward*

---



”ONE DAY I WILL FIND  
THE RIGHT WORDS, AND  
THEY WILL BE SIMPLE.”

-JACK KEROUAC

---

## *Information exchange and third party information reporting can also help reduce non-compliance*

---



## *Recent research on behavioral science and taxation may help*

---



25%

Increase in compliance levels due to:

- Simplification;
- Social norms; etc.

*But the Government and leaders must also be accountable and lead by example*

---

Tax  
Revenues

=



+



# Conclusion



---

*DRM has huge potentials in West Africa  
and Governments must take smart steps to  
harness this*

