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Domestic Resource Mobilisation

Harnessing the Potentials in West Arica

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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

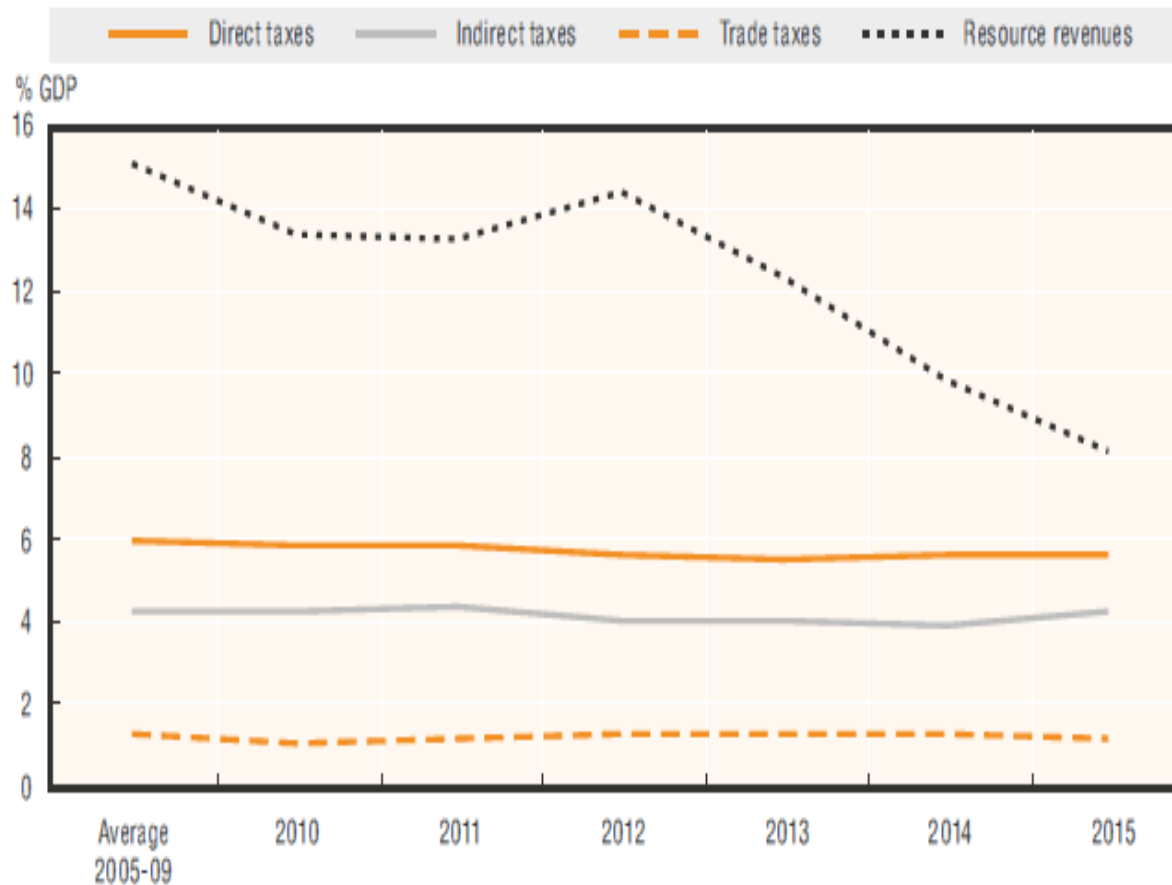
3

Where else must we look?

Harnessing the potentials of DRM in West Africa

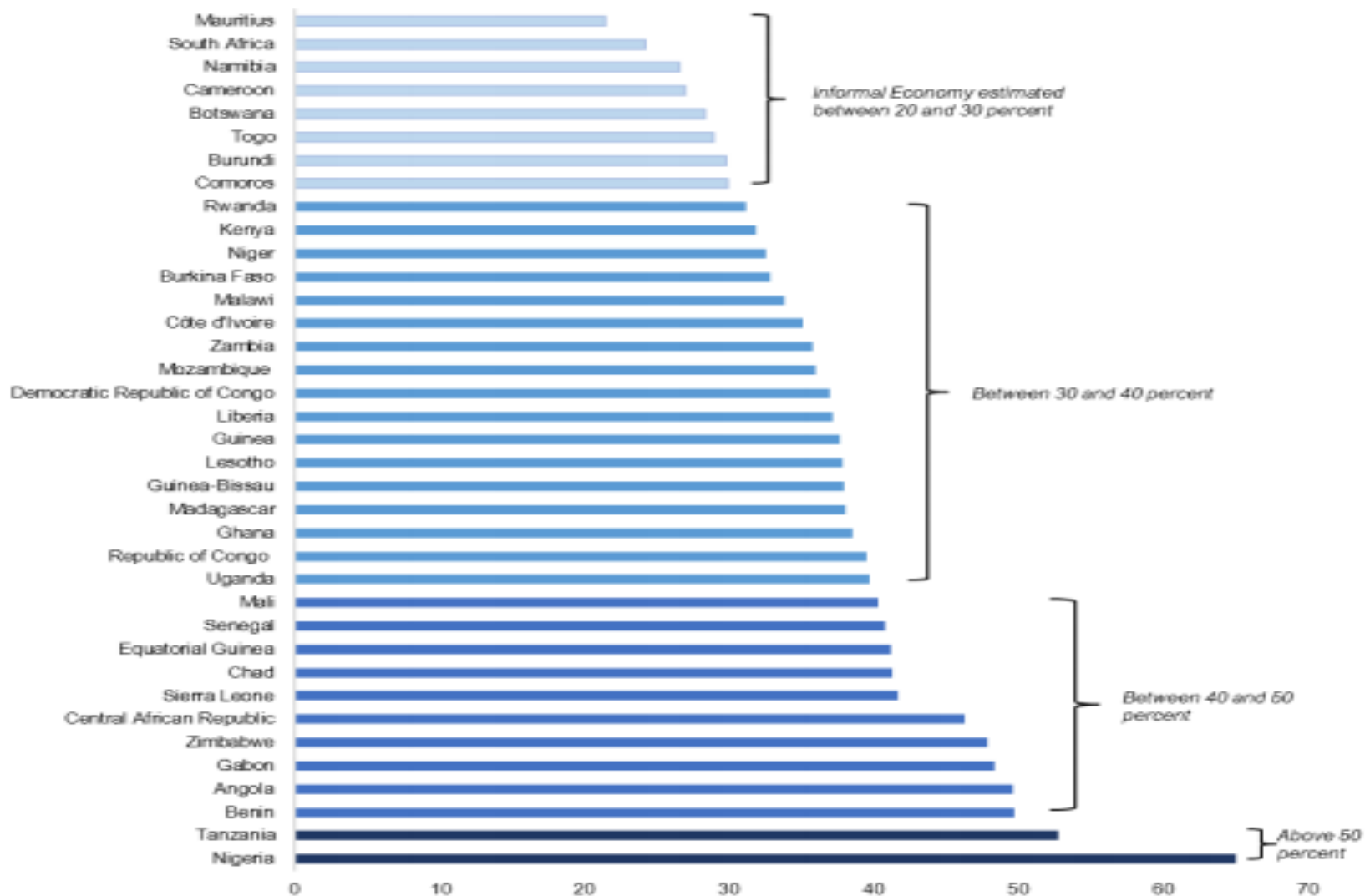
Where are we
today?

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?

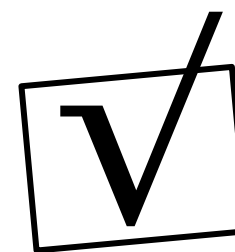


Nigeria introduced TP legislation in 2012 to address potential loss of tax revenue through TP

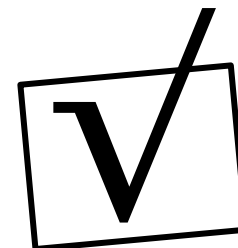
Clear rules that address the issue are required



Requirement 1



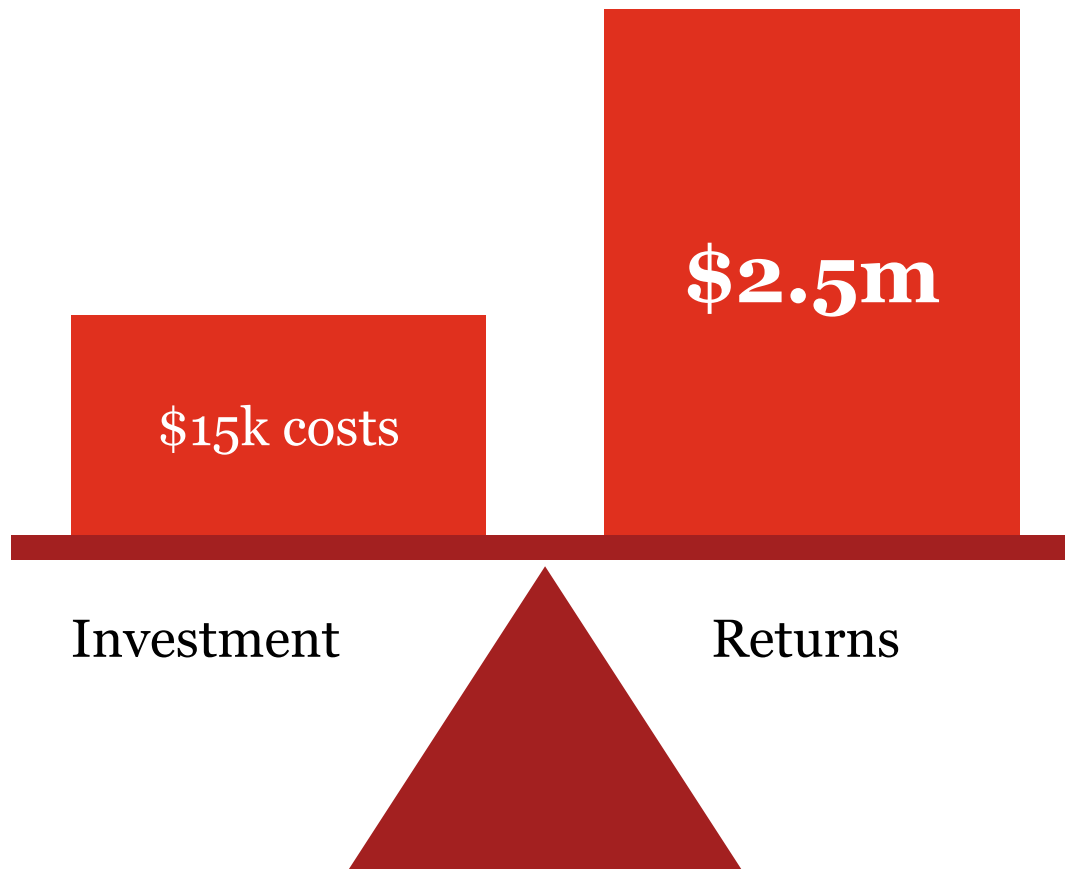
Requirement 2



Tax administrators must have the capacity to enforce the rules



Capacity development does not have to be expensive



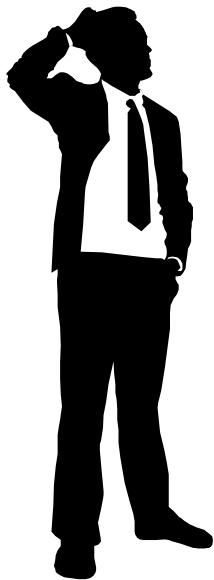
TIWB has recorded several success stories across Africa

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

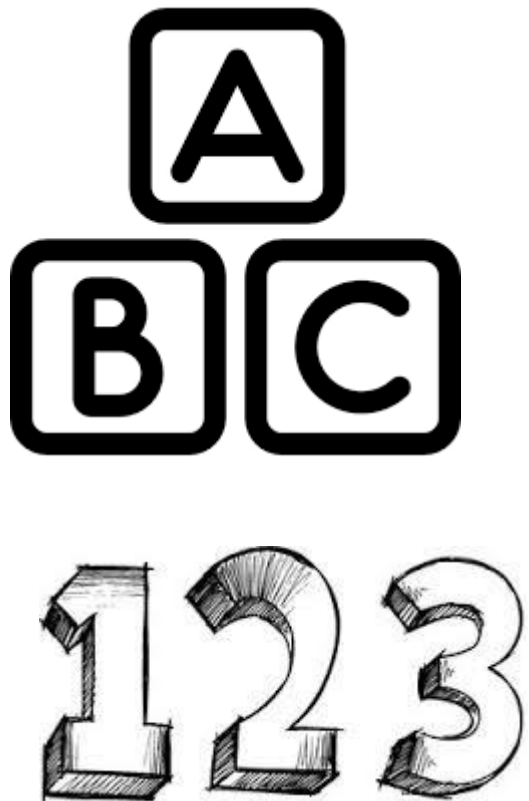


Informal sector



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*

