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VAT Media Campaign in Lao PDR Results in a Big Bang for the Buck

Working closely with the client—the Tax Department of Lao PDR—and World Bank colleagues, the Investment Climate Advisory Services team designed and rolled out a multifaceted campaign to introduce a new tax in Lao PDR, one that surpassed our own expectations and contributed to increased registrations and collections. This was the first time such a campaign had been mounted for an investment climate advisory client in Lao PDR, and it happened within a very tight timeframe, so it wasn't all smooth sailing. This SmartLesson relates our experiences and lessons along the way, demonstrating in particular how communications, if done well at the project pre-implementation stage, can help build client and partner goodwill for the technical work to follow.

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Background

A key problem of business taxation is burdensome tax administration, which often encourages enterprises to avoid paying taxes. In Lao PDR, according to the 2009 Investment Climate Assessment (ICA), more than 30 percent of firms cited tax or tax administration as major or severe obstacles.

The Value-Added Tax (VAT) was initially introduced to limit the impact of falling customs revenue. However, the VAT was suspended on March 1, 2009, following pressure from the private sector—a sign that there had not been enough taxpayer education to prepare for its introduction. This situation called for an urgent response: The Tax Department of the Ministry of Finance and World Bank colleagues on the ground asked IFC Advisory Services for assistance in developing an information campaign to support the introduction of the new VAT regime. The media campaign, which the IFC team helped develop and oversee, was part of the pre-implementation activities of the IFC Tax Simplification Project for Small and Medium Enterprises (SMEs). This nationwide campaign led to the government of Lao PDR's launch of the VAT in early 2010.

Subsequently, the Tax Department and IFC have been working jointly to implement the VAT system and improve tax administration under the Tax Simplification Project for SMEs. The project seeks to improve the overall tax regulatory environment, foster private sector growth in Lao PDR, and improve tax system efficiency. This project also coordinates closely with the Bank's Public Finance Management Support Program (PFMSP), especially in terms of implementation support for VAT as well as tax administration for small businesses.

Lessons Learned

1) Address the client's needs, but manage expectations.

In late May 2009, IFC Advisory Services in the Mekong received a request from the Tax Department in Lao PDR and our colleagues from the Bank's PFMSP for urgent assistance in developing a strategic communications campaign for the upcoming VAT, to be introduced in January 2010. At the time, the IFC advisory project with the tax authority was not yet in place, and any assistance provided would be part of our pre-implementation activities. We also did not have a dedicated IFC communications officer based in the Vientiane office, and our experience delivering such media campaigns in Lao PDR was focused on

Box 1: VAT Public Education Campaign—The First Public Relations Effort of its Kind by the Tax Department of Lao PDR

The campaign was launched in November 2009 and was deployed via multiple media outlets, including 101 airings of a television ad on national television and Lao Star channels during peak hours; 85 airings of an audio ad on national and Vientiane radio stations; print ads in 84 editions of prominent national and economic/business newspapers; and development and distribution of 4,000 brochures and 500 tax guideline booklets to taxpayers. An additional 1,500 booklets were cofinanced by the Bank's PFMSP.

A post-campaign taxpayer survey has revealed that 45 percent of the respondents were aware of the key messages of the campaign; 84 percent mentioned that the campaign was useful for them in that they learned more about the VAT system and its benefits; and 83 percent thought that the campaign would help change people's minds toward VAT by reducing misconceptions and creating a positive image. Following the campaign, taxpayer registration and VAT collection have increased by 60 percent and 40 percent, respectively, in the first three months.

press coverage for events but not on large-scale information campaigns. However, given the urgency of the request (we had to develop and deploy a campaign within six months), and given our assessment of the importance of the timing, we decided to draw in whatever resources were available to deliver on this initiative. We brought in the expertise of the HQ-based investment climate advisory services officer, who had worked on designing strategic communications components for several other tax projects, and a Vientiane-based project officer to work with the client in putting together this VAT campaign.

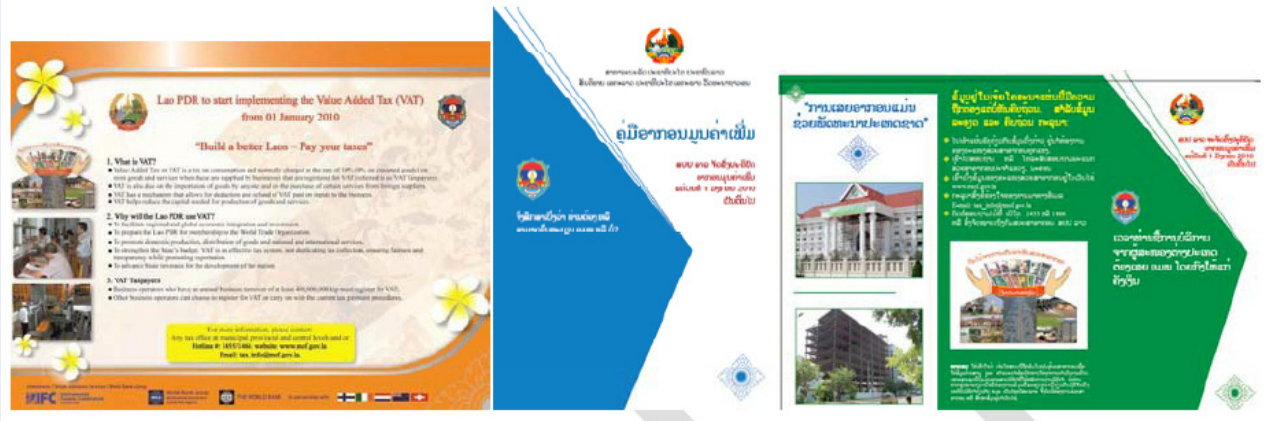
While we satisfactorily delivered on what the client needed and requested from us (see Box 1 and Box 2), we were also able to effectively manage their expectations on what we could and could not do in the original scope of work. For example, the campaign terms of reference (ToR) that the tax authority and our Bank colleagues initially outlined had included development and management of a comprehensive Web site for the tax authority. We thought this was something that should be a natural and ongoing function of the customer service unit of the tax authority, and while we were happy to provide assistance to shaping content for a Web site, given the limited time and budget available, we were not willing to take on the development and especially the ongoing maintenance of such a Web site. As such, we were frank with our client and Bank colleagues on this and reached agreement on what we could realistically deliver within the timelines and resources involved.

2) Use multiple media to draw in more stakeholders and audiences with limited access.

Due to the limited budget as well as a short time frame for rollout of the campaign (it would run for two months), we needed to use our resources to the maximum and come up with a set of campaign offerings that packed a punch and also provided widespread coverage. As such, we decided to go with several media that our initial research (focus group discussions with our target taxpayer audience and other stakeholders) showed to be the best means of getting our messages across to target audiences countrywide, a number of which have limited access to some media outlets. This included developing and disseminating brochures covering a wide range of issues related to the VAT, and producing newspaper, radio, and television advertising that was deployed intensively over the short campaign period.

While they liked the content used in some of the media more than in others (TV was found to be more effective than brochures), people remembered the campaign and its messages most due to the fact that we used a multifaceted deployment approach. A post-campaign survey revealed that 72 percent of 143 respondents were familiar with the campaign as a result of the multitude of media outlets used. It is also important to note that the communications campaign, which can only provide concise information that is typically not highly technical, was followed up by workshops, organized with IFC support, for taxpayers on the technical elements of the VAT.

Box 2: Campaign materials (Top, left to right: Print Advertisement, Tax Guideline Booklet, Brochure. Next Page: Screenshot of TV ad))



Screenshot of TV ad.

3) Innovation and client ownership are critical ingredients.

This campaign was an innovation for our tax administration client. In fact, it is rare for government agencies in Lao PDR to undertake information campaigns and, moreover, campaigns that are developed with input from their clients (in this case the business community). Since the rollout of the campaign, and the wide visibility it has created across the country for the VAT, not only have taxpayers welcomed the campaign and the information they gleaned as a result, the tax department has been lauded for this achievement by other government counterparts, as the campaign was seen as a great tool that other agencies could emulate.

The active participation and leadership of the Tax Department director general during the development of the campaign were also instrumental to the campaign's success. Her decisive actions and timely approvals enabled the media firm to meet tight deadlines and produce quality messages (for example, the campaign slogan: *Build a better Laos – Pay your taxes*) and materials that would help position the VAT positively. The director general's understanding of the significance of the campaign meant that she alleviated bottlenecks or lengthy administrative processes that would otherwise have delayed the campaign.

The campaign built strong visibility and confidence for the Tax Department, which in turn helped IFC Advisory Services build goodwill with this new client and also made our Bank colleagues very happy with our work. Indeed, the number of VAT registrations has exceeded expectations (see Box 1), so the VAT is off and running better than envisaged. On our role in it, the government has said repeatedly that the campaign was a tremendous help and enabled a launch that was successful.

4) Partner with the Bank to leverage resources and client relationships.

The IFC Vientiane-based project officer and the Bank-appointed tax advisor to the Tax Department worked in close coordination with each other, which contributed significantly to the accuracy of the campaign messages and materials, especially the VAT guideline that was made available to VAT taxpayers. The tax advisor possessed strong technical knowledge and dealt with the tax officials on a daily basis. IFC's project officer leveraged this trust and connection to facilitate the campaign implementation between the media firm and the Tax Department. In addition to the Tax Department's director general, the IFC project officer, with the support of the tax advisor, reviewed all messages, especially those in English, to ensure that they were correct and easily understood. While this is typically not the role for the project team, it was essential in this case, given the local consultant's limited English-language capabilities. Unfortunately, this gap in capacity is a clear weakness of many local consulting firms, but it can be overcome if there is suitable commitment from the project team to work with the consultant.

In addition to the tax advisor, another important aspect in the IFC-Bank coordination was that, through the PFMSP, the Bank had already laid a strong foundation with the government, in particular the Ministry of Finance. This solid relationship helped IFC access the Fiscal Policy Department, responsible for anticipating the impact of VAT and proposing policy changes that would improve VAT implementation. As a result, the local IFC team and the Global Tax Team were asked to submit recommendations on how to reform SME taxation following the introduction of the VAT into the general tax law, which is currently under revision.

5) Make sure a solid monitoring and evaluation plan is built in.

Every strategic communications campaign should be followed by a pre- and post-evaluation survey to determine if the campaign succeeded in its goal by changing stakeholders' minds and, in turn, their behavior to support a particular reform. Our post-campaign evaluation in Lao PDR provided some good information and evidence that the campaign was well received by targeted stakeholders and that registrations and VAT collections improved following the campaign (see Box 1). However it does not give us proof that the campaign changed people's perception and behavior toward the VAT. Although collections and tax registrations improved once the VAT was launched, it is difficult to attribute this result to the campaign alone. The impact could be measured only if we had done both pre- and post-campaign surveys using the same sample group. While we conducted smaller stakeholder focus group discussions prior to the campaign, it was not directly comparable to the broader post-campaign survey conducted.

In this case, due to severe budget constraints (remember, this was the pre-implementation phase of the IFC Advisory Services project), the media firm that developed and rolled out the campaign also conducted the post-evaluation survey. The pre- and post-evaluation surveys should ideally be done by an independent statistical analysis firm and not the same one responsible for the campaign. However, such surveys can be costly and in many cases well beyond the reach of communications budgets for IFC advisory

projects. Nevertheless, the survey does provide some good data about attitudes and behaviors of stakeholders toward tax reform and can be used as baseline data for any evaluation conducted after the IFC Tax Simplification Project is completed.

Conclusion

This campaign is testament to getting a big bang for the buck. Despite the many challenges—a tight time frame and budget, limited local IFC experience and consultant capacity in designing and delivering such campaigns, a new client, and pressure from Bank colleagues—and lessons, our work in Lao PDR to develop and launch this VAT campaign has been a resounding success, in that it has been well received by target groups, has left a new client and Bank counterparts singing our praises, and has caught the attention of other potential government client agencies.

Communications in many IFC projects is an afterthought, done in an ad hoc fashion as and when necessary (for example, media promotion around a particular event like a high-level workshop), and its value to our overall reform intervention is underestimated. But this project shows us that, if done right, communications can not only bring visibility to the reform agenda but also enhance relationships among stakeholders, provide a useful service for a new client, and thereby lay a firmer foundation for Advisory Services project implementation.

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