IN PRACTICE
INVESTMENT CLIMATE
BUSINESS TAXATION

Using Strategic Communications to Engage Stakeholders in Tax Reform

Strategic communications is used to build support and local ownership for reform initiatives while diffusing stakeholder opposition. It addresses the critical “people” side of the reform process by fostering dialogue between stakeholders, changing perceptions, and strengthening the capacity of government to assist taxpayers. This note outlines an approach tested in tax reform projects in the Republic of Yemen and Sierra Leone, where strategic communications has been used to identify, and then systematically inform and engage relevant stakeholders—a process that has proved essential to reform implementation and acceptance. This note also highlights the experience of the Lao People’s Democratic Republic, where a multimedia informational campaign preceded the introduction of the value-added tax (VAT), influencing public opinion and paving the way for the reform.

Communications is often viewed as an add-on to the reform program, rather than as an integrated mechanism for proactively engaging stakeholders to help ensure the reform’s results and sustainability. Many programs aim to reach stakeholders, but not in a methodical way that applies communications and engagement best practices. This lack of structure, strategy, and analytical rigor exposes reform efforts to great risk on multiple stakeholder fronts—well designed and intentioned reforms can be derailed by a lack of political will, unforeseen opposition, unexpected adversaries, or inattention to core constituencies. On the technical side, the design may be poorly suited for the local context, reducing chances of successful implementation.

Supporting the reform project with strategic communications

Strategic communications is a planned, analytical approach for determining whom a given project must engage to achieve its reform objectives, for what purpose, and when and how this engagement takes place. A strategic approach to communications helps to first identify those stakeholders who will help or hinder reform and then leverages that knowledge to influence their behavior and change the stakeholder landscape in support of reform goals. It is designed to:

Shaela Rahman
Shaela Rahman is a strategic communications expert with the Investment Climate Advisory Services (IC) of the World Bank Group. She co-authored the guidebook, Strategic Communications for Business Environment Reforms: A Guide to Stakeholder Engagement and Reform Promotion and works with IFC teams to incorporate strategic communications into investment climate reform projects.

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| Mitigate risks. Reform can be easily derailed from staunch opposition or a simple lack of support or interest. Strategic communications identifies risk areas early and develops approaches to mitigate or minimize those risks. |

| Accelerate reform adoption. Successful reform requires support from a broad range of stakeholders. By engaging those stakeholders, strategic communications can increase understanding, achieve behavior change, generate support, and accelerate the pace of reform. |

| Achieve sustainable reform. Changing legislation or policy advances reform, but unless the new processes or reformed policies are accepted by the public and “owned” by stakeholders, the reform may be ineffective or short-lived. |

Strategic communications is a smart investment because it provides a framework for engaging stakeholders to address risks and barriers to reform. Outlining a clear plan for stakeholder engagement and outreach—the process for reaching target groups with key messages—from the project’s early stages is critical to tax reform projects in particular. They often face serious challenges, such as tensions between the tax authority and the private sector on tax rates, a lack of public information and transparency, corruption in the current system, and an absence of two-way dialogue or private-sector participation in the policymaking process.

**Building strategic communications into project design**

The tailored approach to stakeholder engagement and communications used in World Bank Group investment climate advisory projects takes into account the local environment, perceptions, and resources. The outreach plan relies on vehicles (such as focus groups and media campaigns) geared to the specific local context to target and address groups affected by the reform, leveraging individuals and groups to influence the reform.

The key from a process standpoint is to devise a communications plan as an integral part of project formulation and design from the outset. A plan to get press coverage, launch the reform publicly, and build public awareness is simply not enough. The holistic approach used in tax simplification projects in the Republic of Yemen and Sierra Leone aimed to increase stakeholders’ ability and willingness to make the changes required to approve and implement new policies and streamlined taxation systems.

When strategic communications is integral to the design of country rollout, it has dedicated project resources. It includes an upfront and early analysis of stakeholder interests, perceptions, and level of support for proposed reforms. By analyzing stakeholders and assessing the communications environment in the local context in which the program will operate, the project team can carefully consider the behavioral changes that must be achieved, expectations requiring a response, and risks that could slow the program’s progress. Effectively managing each of these factors contributes to greater project impact and sustainability.

**The “five Ds” framework**

The communications framework used in the Republic of Yemen and Sierra Leone has five phases that correspond to the project lifecycle (Figure 1). The framework is flexible and scalable to adapt to increases in project size and resources.

The five phases of the framework are interrelated and may overlap. It is important to begin the initial mapping of the stakeholder and communications environment in the Diagnose phase, which should occur in country during pre-project implementation or scoping. The strategy should be outlined during the Design phase alongside the design of the technical components of the reform. Some communications products may need to be created during the Develop phase—the planning phase when the strategy is further developed—while others will be produced during the Deploy phase when implementation takes place.

The Debrief phase includes monitoring and evaluation of communications activities as part of the project’s monitoring and evaluation carried out over the course of project development and
implementation. Each communications activity is tracked by quantitative measures of performance that can be benchmarked and compared (such as how many times target groups were reached with an advertising message and how perceptions may have changed based on survey results).

Strategic communications in practice

In the Republic of Yemen and Sierra Leone, strategic communications plans are supporting projects to simplify the countries’ business taxation regimes. Both projects aim to improve the business environment by:

- reducing the time and costs firms must spend in paying their taxes
- streamlining and making the tax systems more accessible
- aligning the countries’ legal frameworks with best practice, thus encouraging investment.

The Republic of Yemen

The project’s 18-month, first phase launched in early 2008. It focused on four areas: addressing income tax and general sales tax policy issues; streamlining procedures and processes for filing taxes; setting a roadmap for more efficient function of the tax authority; and designing a tax system for small businesses. The second phase, which began in early 2010, is implementing the small business tax regime and the redesigned tax authority, newly equipped to deliver streamlined administration.

During the Diagnose phase of the communications work, the team analyzed the stakeholder landscape to produce a map indicating the perceived level of support for the reform among various stakeholder groups and their potential to influence the reform. The mapping exercise identified two key groups—
the tax authority and the private sector—and tensions between the two. The tax authority clearly supported the project, but the private sector was divided with the overwhelming majority against it. Businesses thought the tax rate was too high; some were wary of the government, claiming unfulfilled promises, administrative delays, and corrupt practices. The mapping also revealed vested interests within both the tax authority and the business community (Figure 2).

The communications strategy was designed to diffuse any potentially explosive resistance to tax reform and shift perceptions in favor of the proposed system. Targeted measures focused on strengthening dialogue, creating awareness of the reform’s issues and benefits, and cultivating champions (Box 1). A series of stakeholder workshops held in March 2008 helped neutralize opposition among the business community and laid the foundation for open dialogue. The project team also organized an informal lunch with select media representatives to explain the reform initiative and seek advice on engaging target audiences. These early-stage events informed the tax authority’s development of a comprehensive stakeholder-outreach plan in the project’s first few months.

**Sierra Leone**

The project aimed to modernize the National Revenue Authority (NRA) including customs, reform the domestic tax administration, introduce a goods and services tax, computerize the NRA’s systems, and train and develop its staff. Reform of the tax administration included introducing the self-assessment principle to support citizens and businesses in filing their income tax returns.

The initial scoping for the communications work indicated that the private sector and civil society...
were taking a “wait and see” approach to Sierra Leone’s new government, which was considered a positive context for introducing tax reform. The mapping revealed some discord and mistrust between the NRA and the business community, mostly about customs and general sales tax issues.

A comprehensive communications strategy was approved by NRA leadership in late 2008 and implementation is underway. The NRA is acting on several key strategic recommendations: a new taxpayer education and public affairs division has been funded, set up, and staffed with professionals experienced in the technical aspects of taxation as well as media relations. The plan included commissioning a song in May 2009 by the internationally renowned, Sierra Leonean band, “The Jungle Leaders,” to highlight the advantages of the new goods and services tax that replaced seven other previously existing taxes. The song was released free of charge to radio stations, nightclubs, disc jockeys, and discotheques, and it became an instant hit.

The NRA conducted a countrywide campaign to educate taxpayers and the general public about the tax system and ongoing reforms, and in particular, the importance of paying income taxes. The 2010 Income Tax Return Campaign—implemented through Freetown, and the four regional centers of Bo, Kenema, Makeni, and Kono—attracted more than 1,500 participants to road shows and workshops and reached 100,000 citizens with text messages on their cell phones. The NRA also ran advertisements in local newspapers, and its staff participated in radio programs discussing the income tax system. This campaign was important for the NRA given the traditional low rate of compliance among businesses and workers in filing annual tax returns.

In conjunction with these communications efforts, the self-assessment principle introduced in 2009 appears to be yielding results. The NRA enrolled 11 percent more income tax registrants in 2009 than in 2008 and 35 percent more than in 2007. The overall number of taxpayers who filed income tax returns for 2009 was 32,787 compared to 24,221 in 2007.

**Box 1: Stakeholder Outreach in the Republic of Yemen**

The stakeholder outreach plan went beyond a simple communications campaign. It looked at the existing capacity, processes, and systems of the tax authority’s customer services operation and recommended changes. Tax authority leaders and mid-level officials were involved at every step so they could implement the plan, which focused on three dimensions:

**Strengthening dialogue.** Two-way communication between the government and the private sector was essential to achieve reform buy-in. Stakeholder inputs were central to developing the communications strategy and advertising campaign. In the project’s early stages, stakeholder workshops organized with the tax authority and the Sana’a and Aden chambers of commerce focused on details of the technical work underway. The private sector’s positive response included requests that the chambers have better representation in the project’s technical working groups and that IFC step up the taxpayer outreach effort. Later in the first phase, small focus groups of businessmen, tax authority employees, and tax consultants provided feedback endorsing the slogan—“Paying taxes helps build and develop the country”—and useful insights on advertising messages, design, and tactics.

**Creating awareness of reform issues and benefits.** Information and education were critical to help key players understand the reform’s technical aspects and economic benefits and make taxpayers aware of their rights and obligations. In addition to workshops, focus groups, and one-on-one interviews, a range of vehicles were used within a $50,000 communications budget—a project fact sheet, a press release, an informational event for the media, and a pilot taxpayer outreach campaign rolled out in August 2009 in Sana’a and Aden featuring cost-effective newspaper and radio advertising, billboards, and flyers. After the new procedures are implemented, a second-phase campaign will be deployed to inform and engage with the business community, government agencies, parliamentarians, media, and the general public.

**Cultivating champions.** The strategy identified and targeted outreach to key officials (especially mid-level administrators) within the tax authority and powerful private sector players with a direct stake in the reform (heads of the chambers and businessmen’s clubs) as well as parliamentarians, members of the media, and other thought leaders and decision makers. These influential segments were tapped to advance the reform agenda and maintain momentum, helping to ensure longer-term sustainability. The tax authority continues to develop its customer service capacity and resources and to design a staff information campaign about the reform including workplace practices, staff appreciation, and the zero-tolerance policy for corruption.
authority, recognizing that a strong outreach campaign could help neutralize the sensitive issue of VAT reform, requested assistance in May 2009 in developing an information-based campaign to build awareness about the VAT and its benefits among taxpayers and the general public. IFC Advisory Services in the capital city, Vientiane, and the business taxation team quickly developed a strategic response, which helped build a better foundation for the technical assistance to follow.

Beginning in November 2009, the VAT communications campaign was deployed via multiple media outlets. More than 100 advertising spots ran on national television and other Lao channels during peak hours and 85 audio spots aired on national radio stations and in Vientiane. Print advertising was placed in 84 editions of prominent national, economic, and business newspapers, and 4,000 brochures and 2,000 booklets were produced for distribution to taxpayers.

A post-campaign survey revealed that 72 percent of 143 respondents were familiar with the campaign as a result of the media coverage; 45 percent were aware of the campaign’s key messages; 84 percent said the campaign was useful in helping them learn about the VAT system and its benefits; and 83 percent felt the campaign would favorably influence perceptions about VAT. In the first three months following the campaign, taxpayer registration and VAT collection increased by 60 and 40 percent, respectively.

**Key lessons learned**

**Make the process inclusive for all stakeholders**
In the Republic of Yemen, stakeholder workshops were the first step to involve the private sector in the decision-making process and forge a stronger, three-way partnership and dialogue. This approach will be supported with a working group to encourage public-private dialogue. The same approach was replicated in Sierra Leone via workshops. Tax issues may be added to the existing mechanism for public-private dialogue, the Sierra Leone Business Forum (supported by IFC).

**Continually inform all players at all levels**
Various methods can be used to keep the reform on the radar of key stakeholders, such as conducting frequent one-on-one meetings; housing on-the-ground project staff within the tax authority and business chambers; recruiting international experts to provide best practice benchmarks and guidance; organizing events; and producing technical, informational, and promotional documents that reflect comments from key players.

**Lay the groundwork to sustain long-term reform**
Pressure to deliver quick results may detract focus from the need to attain a solid, sustainable base for reform through local buy-in and deep institutional change. Identifying local champions within the key stakeholder groups, building their capacity to foster reform acceptance, and involving them at every step of the process will help contribute to a project’s sustainability.

**Partner with experienced local organizations**
World Bank Group teams have tapped into local and international development organizations with a long track record of in-country experience. In Sierra Leone, where radio is particularly effective in reaching the public, the project team uses UN Radio’s designated slots for public-sector programming. In the Republic of Yemen, the team has leveraged UNICEF’s extensive communications experience and established relationships through referrals of media, public relations firms, and graphic artists.

**Use a mix of capable on-the-ground resources and international experts**
The strategies have relied on harnessing local and regional expertise with guidance from international technical experts. In the Republic of Yemen, the team works with a local consulting firm familiar with the stakeholder landscape and experienced in conducting surveys, mapping, and event management. This firm subcontracts with local public relations firms on an as-needed basis.

**Find synergies with other programs**
The communications strategies leveraged resources and coordinated with other World Bank Group programs, such as the World Bank’s Public Financial Management Support Program in Lao PDR. The project in Sierra Leone collaborates with the Sierra Leone Business Forum program to advance public-private dialogue and share resources (such as splitting a local communications officer’s time). In the Republic of Yemen, the tax project is collaborating with the team working on investment generation as well as other World Bank Group project teams.
Conclusion

Strategic communications is a powerful tool to help mitigate the risks posed from the “people” side of the reform process and increase the potential for sustainable reform after the project ends. In creating a strategic communications plan, it is important to strike a balance between generating awareness for reform, changing perceptions and thus behavior (such as taxpayers seeing tax as a tool for greater economic growth and public good rather than as an instrument of corruption), and building government’s capacity to serve informed taxpayers (through the tax authority’s customer service and public relations functions and training of taxpayers on their rights and responsibilities).

A key challenge for governments and project teams is to rethink how they use communications in reform projects by distinguishing between public or media relations and a fully developed methodology that encompasses the entire project life cycle. The resulting approach goes beyond simply conveying information at one particular stage to include elements of strategy, consensus and capacity building, and organizational change. Reformers can enable greater organizational capacity and resource mobilization for strategic communications by recognizing the integral role it can play in implementing and sustaining planned reforms.

References


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