A Governance Performance Lens

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Prices & Policy Making

➢ Headline Indicators
   - Inflation
   - Subsidy/staples Prices

➢ Public Sector Performance
   - Regulate
   - Tax
   - Spending
Case #1: Philippines Sin Tax Reform Tracking
The Philippines Sin Tax Reform

- Shift from low & fragmented excise tax rates to higher unitary rate for cigarettes

- Introduction of New Holographic Tax Stamp in 2015 ("whale")

- Earmarking of revenues to finance Universal Health Care (UHC)
Taxes on many cigarettes were less than USD 7 cents in 2012 per pack.

...but all packs will be taxed at close to 70 cents per pack by 2017 with a unitary rate.
Results Monitoring Framework

**Sin Tax Monitoring Framework**

- **Taxes** → **Prices** → **Consumption / Removals Market Shift**
  - **Outcome: Domestic Raw Tobacco Production**
    - **Decreased smoking and hazardous drinking**
    - **Preventative and Curative Public Health Spending**
  - **Outcome: Removals * Tax = Revenue**
    - **Health Earmark Programs**
    - **Tobacco Region Earmark Programs**
    - **Improved Rural Livelihoods**
  - **Outcome: Industry Effects**
Initial Price Information Constraints

- Limits & lags to available price data
  - No capture of new market entrants

- Philippines Statistics Authority (PSA) price disclosure constraints

- Inability to target and map price captures
Price Capture Innovations

Recruit & Train Filipinos

Identify specific stores, measure prices, and tax stamp prevalence

Build decision support tools & analytics
Tracking for Health & Taxes

- Real time monitoring of cigarette price data
  - Cheap cigarettes are bad bargains for health!

- Monitoring of Tax Stamp roll-out
  - Hot spots & brands

- Public disclosure of results on Department of Finance website
Prices: Demise of the 1-peso (<2.5 cent) Cigarette

Price Distribution
Kernel distribution and observation volume of price per cigarette across brands

Weekly Price Per Cigarette
Weekly mean, 5th, and 95th percentile price per cigarette.

THE FUTURE OF PRICE STATISTICS
Innovations in Data, Technology and Methods
Weekly Tax Stamp Presence
Weekly presence of the tax stamp on cigarette packages. Boxes represent the standard deviation of the binomial distribution.

VIEW BY BRAND
- All
- Boss
- Camel
- Champion
- Fortune
- Hope
- LA
- Marlboro
- Mighty
- More
- Philip Morris
- Plaza
- Winston

% of observations with tax stamp

20 30 40 50 60 70 80 90 100

Apr '15  May '15  Jun '15  Jul '15  Aug '15  Sep '15  Oct '15  Nov '15  Dec '15  Jan '16  Feb '16
Brand Variance

**Tax Stamp by Brand**

Tax Stamp presence by week for cigarette brands, colored by tax bracket. Boxes represent the standard deviation of the binomial distribution.

95% Binomial Mean Confidence Intervals

- **Low Tax Bracket**
- **High Tax Bracket**
- **Unknown**

Week of Feb 7, 2016
Geographic Improvements
CIGARETTES - TAX STAMP PRESENCE NEAR METROPOLITAN MANILA TAX DISTRICTS FROM OCT 1 - DEC 31 2015

**Least Compliant**

<table>
<thead>
<tr>
<th>BIR District</th>
<th>Tax Stamp Prevalence</th>
</tr>
</thead>
<tbody>
<tr>
<td>56</td>
<td>74%</td>
</tr>
<tr>
<td>60</td>
<td>75%</td>
</tr>
<tr>
<td>53A</td>
<td>75%</td>
</tr>
<tr>
<td>51</td>
<td>75%</td>
</tr>
<tr>
<td>55</td>
<td>75%</td>
</tr>
<tr>
<td>56</td>
<td>74%</td>
</tr>
</tbody>
</table>

**Most Compliant**

<table>
<thead>
<tr>
<th>BIR District</th>
<th>Tax Stamp Prevalence</th>
</tr>
</thead>
<tbody>
<tr>
<td>53B</td>
<td>100%</td>
</tr>
<tr>
<td>45</td>
<td>92%</td>
</tr>
<tr>
<td>21A</td>
<td>90%</td>
</tr>
<tr>
<td>27</td>
<td>90%</td>
</tr>
<tr>
<td>17A</td>
<td>90%</td>
</tr>
</tbody>
</table>

Data from Oct 1 - Dec 31 2015
### Customs Watch

**IN FOCUS: TOBACCO INDUSTRY**

The 5 types of tobacco imports in 2014 and make up 76% of the P6.5 billion total value of manufactured tobacco for the first half of 2014.

#### COMPARISON OF IMPORT VALUES DECLARED

<table>
<thead>
<tr>
<th>Company</th>
<th>Value (M)</th>
<th>Value (K)</th>
<th>Value (P)</th>
<th>Value (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,280,020</td>
<td>16,161,020</td>
<td>31,166,020</td>
<td>391,980</td>
</tr>
<tr>
<td>2</td>
<td>66,300</td>
<td>777,400</td>
<td>1,943,400</td>
<td>230,800</td>
</tr>
<tr>
<td>3</td>
<td>3,750,000</td>
<td>47,100,000</td>
<td>117,100,000</td>
<td>13,600</td>
</tr>
<tr>
<td>4</td>
<td>250,000</td>
<td>2,990,000</td>
<td>7,470,000</td>
<td>890,000</td>
</tr>
<tr>
<td>5</td>
<td>45,000</td>
<td>445,000</td>
<td>1,112,000</td>
<td>130,000</td>
</tr>
</tbody>
</table>

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### Declaration

Declare the proper values and take part in building the nation.

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**Public Disclosure**

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**The Future of Price Statistics: Innovations in Data, Technology and Methods**
Sin Taxes increased from 0.5 % to 1.0 % of GDP between 2012 to 2015, large due to cigarettes

1 % Tax Stamp Leakages = USD 20 million

Expansion to health warnings

Pilots to capture illicit tax stamps
Policy Implications

- Pay attention to excise tax design and implementation
  - Simple pays

- On-going re-fresh of tax stamp design
  - Easier for public capture

- Public scrutiny and information promote accountability
  - Government & Industry
Case #2: eProcurement in Amazonia, Brazil
1.6 million km$^2$
2.3 people/km$^2$
1.8% of pop.
27% rural pop.
62 municipalities

State of Amazonas

Source: IBGE 2010.
The state of Amazonas faced formidable challenges in procurement, paying high prices for low-quality inputs, and spending lots of time with bidding.

Treasure troves of data gathered by e-procurement, contract management and financial information systems helped understand the root causes of problems.

And, a strategic approach to procurement improved performance in core areas of results.
The State of Amazonas was paying much higher prices than the Federal government and the private sector.

Premium paid by government
Base is private sector price

0%  16%  27%  49%
Private sector  Federal government  State government  Municipal government

Procurement needed to be faster if it was to properly support service delivery.

Procurement lead times
% of processes completed in range 2012-2014

- <45 days: 27%
- 46-60 days: 27%
- 61-75 days: 20%
- 76-90 days: 10%
- >90 days: 16%
- Total: 100%

Target is 40%

Source: CCGOV, 2014.
Focus on priority flows & transactions

Understanding your expenditures are crucial to formulate policies and strategies

Source: WB Analysis of e-Compras AM data.
80-20 Analysis

**Pareto chart**
% of awarded value by % of number of items

80% of the total awarded amount went to only 4% of the items

Source: WB Analysis of e-Compras AM data.
Database of e-invoices gave access to all prices paid in the market

Unit prices paid for powder claritromicina, 500 mg
In R$

Supplier
- Decares
- Hospfar
- Expressa
- Tapajós
- Medicom
- Decares
- Tapajós

Median*: $35.5

Source: WB Analysis of e-Compras AM data. * Median for the full dataset; graph showing select prices.
E-procurement results in more economical prices; and faster processes

**Savings by method**
- **Hospital equipment**
  - e-reverse auction: 18.0%
  - Direct contract: -0.5%
  - Savings: -0.5%
- **Office supplies**
  - e-reverse auction: 22.5%
  - Direct contract: -22.0%
  - Savings: -22.0%
- **Pharmaceuticals**
  - e-reverse auction: 17.5%
  - Direct contract: -0.4%
  - Savings: -0.4%

**Avg. lead time**
- **Number of days**
  - Pregão eletrônico: 108 days
  - Pregão presencial: 119 days
  - Concorrência: 280 days
  - TP: 343 days

Source: WB Analysis of e-Compras AM data.
... and savings due to economy of scale achieved through framework agreements.

Expenditures with services using FA
In R$ million

- Cleaning services: $14.87, Savings: $3.82, 20%
- Maintenance of buildings: $94.38, Savings: $16.03, 15%
- Painting of schools: $22.04, Savings: $9.05, 29%

Source: CCGOV, 2014.
Conclusions
Getting Better Prices in Government

- International Benchmarking
- Prices for Impact Evaluations
- Open Governments & Accountability
  - Expectations!
THANK YOU