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Highlights of USAID Tax Technical Assistance Program

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Revenue TA from USAID and Other USG Agencies

Active in about two dozen countries

For USAID, larger projects in recent years have been in

- Conflict or Post-conflict Countries -- Afghanistan, South Sudan, Kosovo, Bosnia, West Bank

- Strategic Partners – Egypt, Jordan, Pakistan (customs)

- Low-revenue Countries – El Salvador, Philippines

See International Tax Dialogue website for further details:

http://www.itdweb.org/Pages/TechAssist.aspx

What are USAID's goals as a donor?

Rationale varies by country

- More efficient tax policy and administration (All countries)

- Improve taxpayer business environment (e.g., Georgia, Moldova)

- Reduce corruption in tax and customs (e.g., MCC Threshold and Compact Countries)

- Reduce future dependence on donor financial aid (especially in low-revenue countries of Sub-Saharan Africa, Central America, South Asia)

Themes for Increased Emphasis at USAID

Two Themes from Presidential Policy Directive on Foreign Aid (September 2010)

- **Sustainability Theme**
  - Host-country public sector capacity
  - Adequate revenue to provide public services
- **Achieving tangible results**
  - Health programs have been a model
  - Tax and customs programs also lend themselves to impact measurement – e.g., revenue collected; administrative burdens on taxpayer

Areas of Focus for USAID Revenue Projects

Does USAID have a special area of focus or comparative advantage?

Frequently, the project goals have been:

- **Customs projects**
  - trade facilitation
- **Tax projects**
  - improvement of IT system and applications
  - 'integrated project' – where a larger "critical mass" of outside specialists (local, regional, Western; resident and intermittent) might be needed to implement major improvements

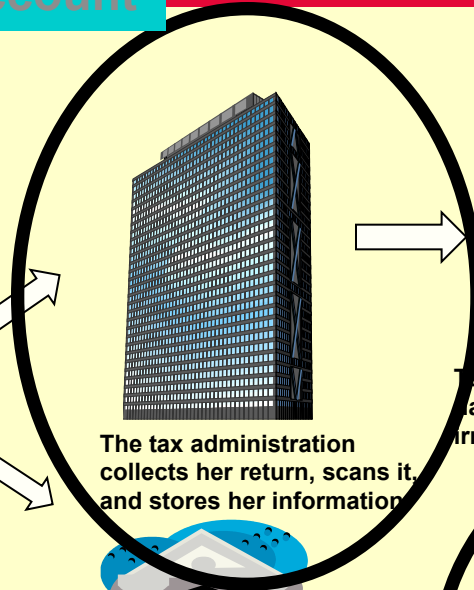# Applications of the IT System for Tax Administration

1. Taxpayer Registration System
2. Return Processing System / Scanning (registers all communication & transactions with the taxpayer)
3. Current Account System
4. Data Warehouse
5. Stop-filers Notification System
6. Call Center
7. Case Selection and Management System

El Salvador's Tax Collection Process

Current Account

Anti-Fraud

The tax administration collects her return, scans it, and stores her information.

Tax IT programs [...] data to look for errors and irregularities.

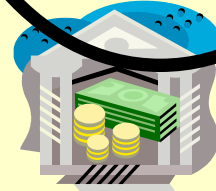[...] activity is detected, the case is assigned to an auditor.

Taxpayer prepares her taxes, and submits them to the tax administration

The treasury collects her payment or issues her refund.
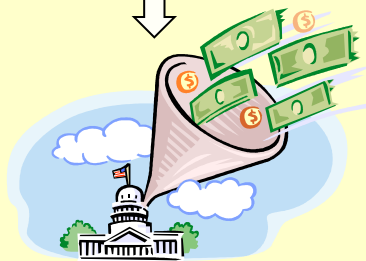
Fiscal Compliance Call Center calls stop and non-filers.

If fraud is detected, the Criminal Investigation Unit steps in.

The Taxpayer Service Call Center tax specialists field questions from taxpayers .

Taxpayer Advocate hotline hears taxpayer grievances.

Tax revenues fuel government expenditures.

Control of Stop-Filers After Call Center Automation

Performance Measure	Before Call Center Automation (Jan-July 2008)	After Call Center Automation (Jan-July 2009)
Tax Collected from Detected Stop-Filers	$1.57 million	$3.12 million
Number of Stop-Filers Brought into Compliance	917	2,685
Number of Notices Sent to Suspected Stop-Filers	3,495 Letters	34,721 Robo-calls

Impact of Case Selection System on Audit Yields

Main Elements of New Case Selection & Management System, CSMS

– Automatic Selection of Taxpayer Case to be Audited

– Automatic Assignment of Audit Personnel to Case

– Audit Software

Impact from Full Intro of CSMS (Sep 2009-Jan 2010)

– 2009 additional assessments based on DGII audits: $50 million (for full year)

– Jan-Jun 2010, 300 audits >> additional assessments: $100 million+ (over a six-month period)

– For 2010 (vs 2009) yield from audits now may reach 6-7% of total national tax revenue (vs 1.8% in 2009)

What Do We Need to Do Better?

Puzzle Noted by Mihir Desai: Why has IT failed to transform and improve tax collection in developing countries?

Maybe it can, if we

- Document examples of good practice – especially for recent improvements at other tax administrations of their IT systems and IT applications

- Mobilize local IT talent through better pay for IT professionals and use of local IT contractors

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