

# Implementation strategies for increasing the impact of tax administration reforms



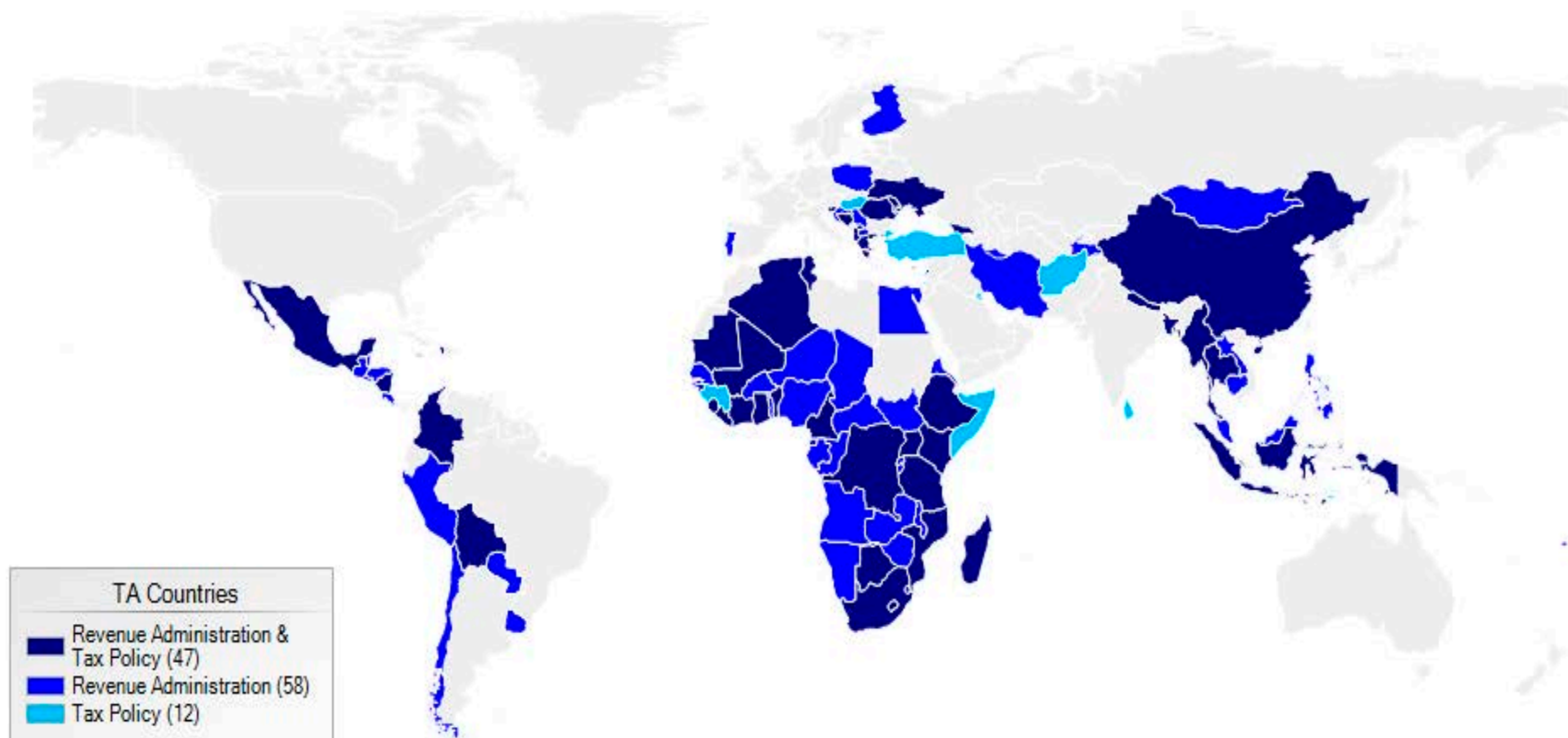
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# Introduction

- Tax administrations must continuously evolve and adapt
- FAD currently supports 117 countries undertaking tax and customs administration and tax policy reforms
- We see:
  - More modern administrations generally achieve better reform success
  - Lower capacity administrations are generally not as successful at achieving reforms, and sustaining progress
- What can be done to improve the prospects that of more effective reform programs implementation?

# FAD World TA Map FY2015



# Outline

- Understanding why reform programs do not have better traction
- Role of technical assistance (TA)
- Sharing country experiences:
  - Identifying and prioritizing reforms
  - Designing reforms
  - Owning reforms
  - Mechanics of reform governance
- Questions for the panel

**WHY DON'T REFORM PROGRAMS  
HAVE BETTER TRACTION?**

# Problems from the very beginning?

- Who or what is driving the reform agenda?
- Inertia: No compelling reasons to change?
- What is the appetite for reform across stakeholders?

# Stakeholder drivers for reform

Stakeholder	Areas of Interest
Politicians	Economic growth, job creation, revenue mobilization, protection of vulnerable, reduce size of government, special interests
Ministry of Finance	Revenue mobilization, economic efficiency, reduce cost of collection
Tax administration management	Revenue mobilization, increase compliance, better data
Tax administration staff	Up-skilling, new opportunities
Taxpayers	Simplicity, transparency, fairness, minimize payment, reduce administrative burden
Potential investors	Tax incentives, transparency, stability of system
Civil society	Fairness, equity, transparency
General public	Lower tax, fairness
Neighbors/trading partners	Coordination, favorable trade agreements

# Stakeholder drivers against reform

Stakeholder	Areas of Interest
Politicians	Special interests
Ministry of Finance	Revenue on target
Tax administration management	Revenue on target, status quo, additional workload
Tax administration staff	Job security, status quo, additional workload
Taxpayers	Status quo, ability to not comply/evade
Potential investors	Existing advantageous incentives/exemptions
Civil society	Existing low taxation
General public	Existing low taxation
Neighbors/trading partners	Potential increase in competition



# Determining reform possibilities

- Amongst all these stakeholders:
  - Do they really want to change?
  - Benefits of the status quo?
  - Costs of the status quo?
- Lack of definition of the problem to be solved and outcomes sought
- What is actually possible in the environment?
- Are expectations too high?

**WHAT ARE THE BIG ISSUES?**

# The big issues

- Challenge of transformational reform VS lack of progress with incremental reform
- Are the right priorities chosen?
- Whose priorities are they?
- Why aren't tax administrations benefiting from leapfrogging (telecoms model/modern IT)
- Choosing the right time for reform
- Pacing reform: urgency VS being realistic about how long things take

# The big issues

- Building genuine commitment among all stakeholders and sustaining this over time
- Reforms not prioritized/sequenced
- Not defining measurable outcomes clearly enough with interim milestones that implement changes that result in concrete and sustainable gains
- The challenge of institutionalizing reform

# The big issues

- Not applying sufficient resources – people and money
- Capacity challenges – staff, management, project management
- Delegating reform to TA providers/donors
- Lack of a stable and competent management over the reform period
- Lack of monitoring and accountability
- Sustaining a reform program across changes in management and government

# ROLE OF TECHNICAL ASSISTANCE

# Can TA be made more effective?

- Do we listen enough?
- Are TA expectations too high?
- Can too much TA be a bad thing?
- In what circumstances should you say No?
- In what circumstances should we say No?
- How do we get balanced counterpart support?
- Which delivery modalities work best?

# Our advice

- Put current reforms in long-term context of economic reform
- Define long-term vision
- Set realistic high level outcomes for next 3-5 years
- Develop a coalition/consensus around reforms across all stakeholders



# Our advice

- Debate and agree what success means and how it will be measured
- Determine the baselines
- Never compromise on main deliverables and outcomes
- But be flexible and adapt on the ways and means as it rolls out

# Our advice

- Write the plan down
  - Ensure it is in sufficient detail
  - Identify the risks from the beginning
  - Set a series of milestones to help manage expectations
  - Get it signed off by government
  - Publish it

# Our advice

- Resource the plan
  - Put best, least available, and most critical staff on it
  - Make sure management of the future are involved - find bright young people
  - Fund it in advance - get government approval or donor financing
- Lead from the top – tax administration head has most important role
- Assign responsibility for delivery of actions to named individuals

# Our advice

- Keep the reform on the priority agenda
- Communicate strongly across all stakeholders on a regular basis
- Look for quick wins
- Keep the plan “living”

# Our advice

- Proactively manage the implementation
- Provide structure to governance
- Add solid processes and stick to them
- Report results regularly
- Report problems honestly
- Hold people accountable
- Manage the budget

# EXAMINING THE CHALLENGES OF THE REFORM PROCESS

# Malaysia: Identifying and prioritizing reforms

- How did you identify the reforms?
- What external pressures assisted with getting reforms underway?
- What influenced the prioritization of reforms?
- What lessons did you learn about getting and maintaining political support for reform?
- Did you spend enough time identifying the risks/challenges of reform?

# Indonesia: Designing the reforms

- What factors determined your approach to designing reforms?
  - Transformational approach?
  - Can an incremental approach work?
- How did you set realistic goals/timeframes?
- What was your approach to developing a detailed reform plan?
- How did setting appropriate indicators of success assist?
- How did you ensure sufficient resources were available at the outset?



# Philippines: Owning the reforms

- What was the role of the tax administration leader in ensuring the success of reforms?
- How did you build consensus for reform?
  - With government
  - With business
  - With staff
  - With society
- What approaches worked to overcome staff resistance?
- In what way did you ensure reform work became an organizational priority?
- What approaches did you use to keep up the pace of reform?

# China: Managing the reforms

- FAD recommends formal structures for project - are these appropriate?
- Are there other models of project governance that are successful?
- What did you do to impose discipline on reform implementation?
- During difficulties, how did you get things back on track?

FOR THE PANEL

# What are the fundamentals?

- A high level integrated strategic reform plan
- Detailed reform program – milestones/  
deliverables/resources
- A multi-year resource plan
- Stakeholder consultation and engagement
- Appropriate governance framework
- Monitoring and review

# Ensuring success

- Are there critical things that need to change?
  - On the part of the tax administration?
  - On the part of the TA provider?