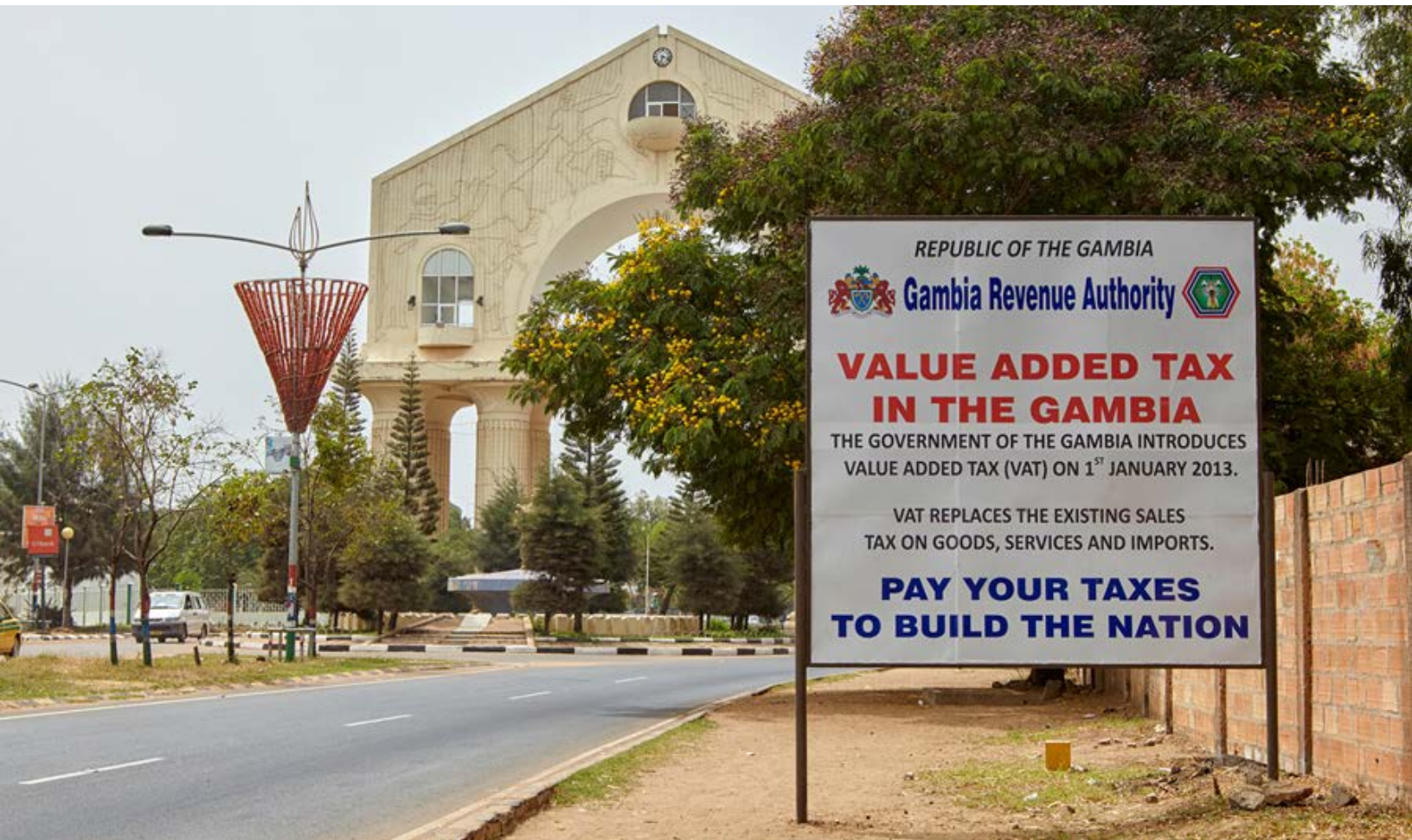




USAID
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TADAT IMPACT SURVEY 2018

Leadership in Public Financial Management II

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ACRONYMS

ATAF	African Tax Administration Forum
ATI	Addis Tax Initiative
DRM	Domestic Resource Mobilization
FIRS	Federal Inland Revenue Service
GRA	Gambia Revenue Authority
KPI	Key Performance Indicator
KRA	Kenya Revenue Authority
LPFM II	Leadership in Public Financial Management II
LRA	Liberia Revenue Authority
SAT	Superintendency of Tax Administration of Guatemala
RRA	Rwanda Revenue Authority
TADAT	Tax Administration Diagnostic Assessment Tool
TIN	Taxpayer Identification Number
USD	United States Dollars
VAT	Valued Added Tax
WATAF	West African Tax Administration Forum

INTRODUCTION

The Tax Administration Diagnostic Assessment Tool (TADAT) provides a baseline assessment of tax administration performance that can guide reform priorities and, with future repeat assessments, can track reform achievements. TADATs “provide an objective and standardized assessment of the relative strengths and weaknesses of the administration of a country’s tax system.”¹ Thus, TADAT is informative in determining where technical assistance can best be targeted to improve that system. The “TADAT Wagon Wheel,” shown to the right, demonstrates the nine performance outcome areas (POAs) of the TADAT.

TADATs are increasingly becoming a standard part of the toolkit for revenue authorities to explore the efficiency of their tax administration systems, and identify areas requiring reform. As of November 2018, more than 71 countries had completed TADAT assessments, covering all major regions and income groups.



Figure 1: Nine TADAT Performance Outcome Areas

Leadership in Public Financial Management II (LPFM II) collaborated with the TADAT Secretariat (TS) to deliver TADATs in USAID priority countries. LPFM II supported eight TADATs across countries in sub-Saharan Africa, Eastern Europe and Latin America, including:²

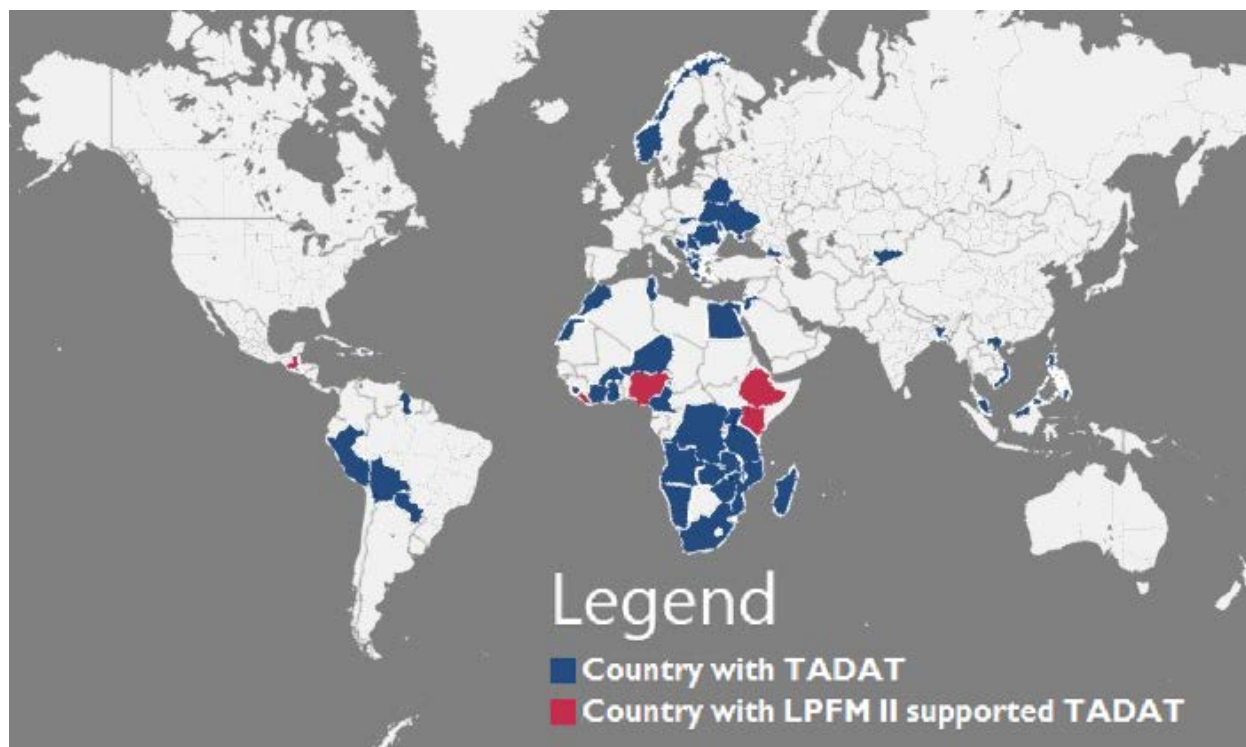
- Rwanda (pilot – August 2015),
- Ethiopia (April 2016),
- Liberia (June 2016),
- Armenia (November 2016),
- Kenya (November 2016),
- Guatemala (September – October 2017),
- Nigeria (February 2018), and
- The Gambia (April 2018).

¹ International Monetary Fund. *TADAT Program Document*. Washington, DC: TADAT Secretariat, International Monetary Fund.

² TADAT assessments are regularly implemented by multi-partner teams. For each of the listed countries, LPFM II funded one to two assessors to represent USAID who were a part of the larger assessment team.

The map below provides a visual representation of where TADAT assessments have been implemented overall, as well as the TADAT assessments supported by LPFM II.

Figure 1 Countries where a TADAT assessment has been conducted (as of November 2018)



For each of the assessments, LPFM II in collaboration with the TS and other partners fielded assessors to lead sessions for the pre, during and post TADAT trainings on the methodology for the partner country revenue authority staff and to participate in the assessment process. A total of 506 members of staff were trained in TADAT methodology (ranging from awareness to assessor level). The reported number of trainees per country is provided in the table below.

Table 1: Number of trainees for each TADAT country

COUNTRY	NUMBER OF TRAINEES
Rwanda	38
Ethiopia	23
Liberia	30
Armenia	20
Kenya	34
Guatemala	26
Nigeria	293
The Gambia	42
Total	506

LPFM II worked in conjunction with the TS to design a survey to analyze how the TADAT assessments

have been used by partner countries, and what initial impacts they appear to have had in those countries. LPFM II sent the survey to the revenue authorities in the eight countries that benefited from TADAT assessments under LPFM II in early October 2018. By the time that the survey closed in mid-November, six of the eight countries had completed the survey, including:

- Rwanda - Rwanda Revenue Authority (RRA)
- Liberia - Liberia Revenue Authority (LRA)
- Kenya - Kenya Revenue Authority (KRA)
- Guatemala - Superintendency of Tax Administration (SAT)
- Nigeria - Federal Inland Revenue Service (FIRS)
- The Gambia - Gambia Revenue Authority (GRA)

The TS is exploring the possibility of expanding the survey to additional countries that have completed TADAT assessments to identify broader trends among participating countries.

The following section summarizes the findings from this survey.

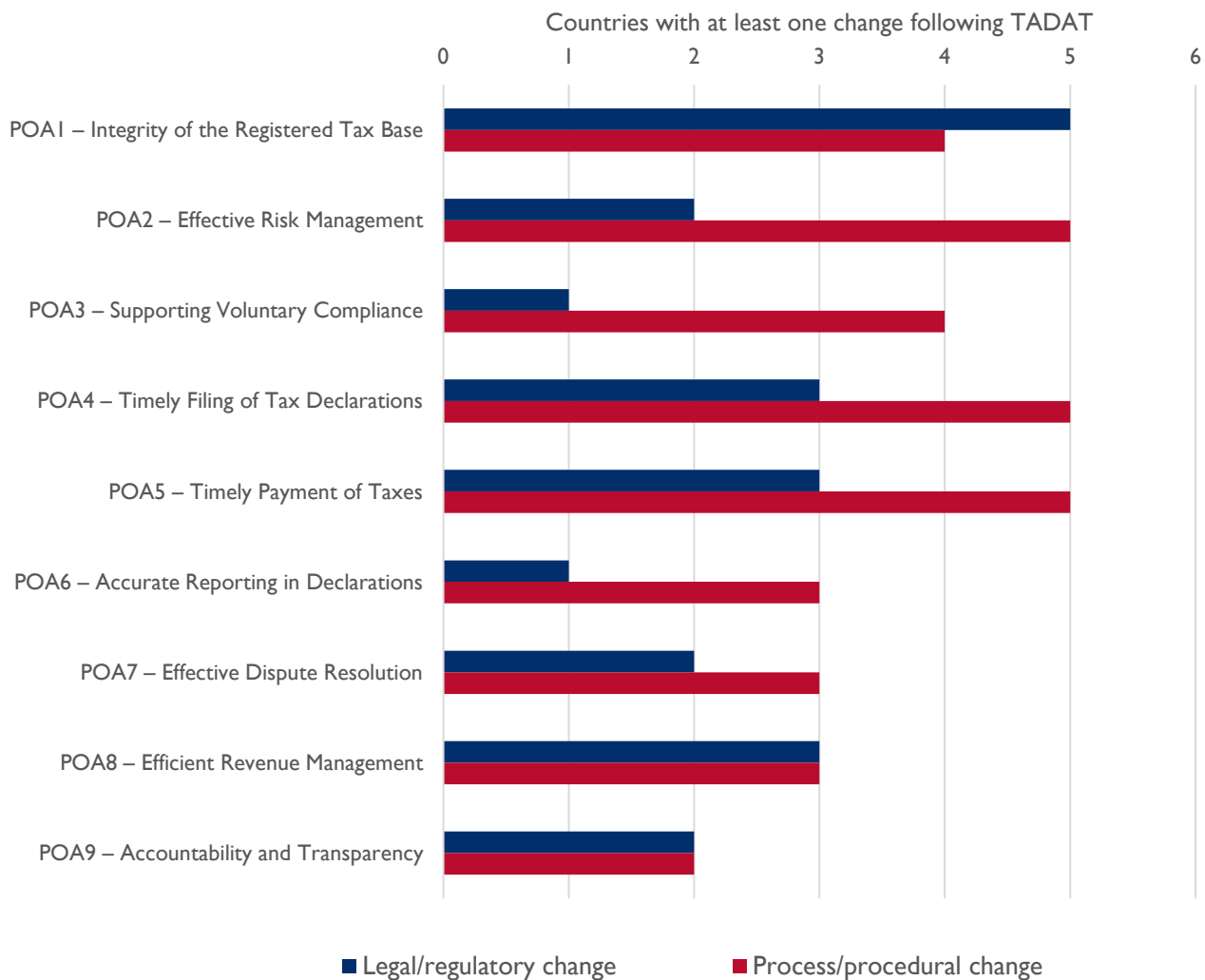
IMPACT OF TADAT ASSESSMENT: SURVEY RESULTS

The following sections provide a summary of the survey responses provided by tax administration officials from The Gambia, Kenya, Rwanda, Nigeria, Liberia, and Guatemala. The survey asked respondents to provide answers to fourteen questions to assess the impacts that the TADAT assessments have had the tax administration system in each of their countries.

PERFORMANCE OUTCOME AREAS

All six countries confirmed that the TADAT assessment helped them identify areas for reform and process improvement. Each country was asked for details of the identified changes to laws, regulations, policies and processes for each of the nine performance outcomes areas (POAs) in the TADAT framework. This section provides highlights of the reported changes for the nine POAs.

Figure 2: Number of countries that proposed changes to laws, regulations, processes and procedures following the TADAT



POA 1: INTEGRITY OF REGISTERED TAXPAYER BASE

Improving the integrity of the taxpayer base was the area of greatest reform, with five of six countries reporting having initiated at least one legal or regulatory change and four of six countries reporting having improved a process or procedure related to this area following the TADAT. Liberia has initiated a data cleansing project to improve the accuracy of its taxpayer registry. Kenya has enhanced its proof-of-identity requirements for registration and introduced a presumptive tax regime to bring informal businesses into the tax system. Rwanda has updated its policies for registration and deregistration. The Gambia's new registration policy is only to issue taxpayer identification numbers (TINs) to businesses and individuals that are taxpayers; previously, TINs were issued to individuals who wanted a TIN to serve as their national identification number. It has also proposed to develop registration guidelines for registration officers and a registration brochure for taxpayers. Nigeria's FIRS identified a number of reforms to improve its registration processes and taxpayer registry, including:

- New policy guidelines for the registration of ministries, departments and agencies (MDAs)
- Processes for managing registry information across the multiple existing systems
- Setting minimum required information to be obtained from taxpayers and making certain fields in the registration form mandatory
- New process to register new taxpayers who are identified during normal business operations carried out by FIRS
- Update approval process for new taxpayer registrations
- Introduce quality assurance processes to identify gaps in information capture during registration
- Introduce authentication procedures to ensure information provided by taxpayers is accurate
- New processes for the maintenance of the taxpayer registry
- Establish processes for how officials in functions such as audit and enforcement should update the registry if they receive updated information for a taxpayer

POA 2: EFFECTIVE RISK MANAGEMENT

Surveyed countries also report significant changes to internal processes to support effective risk management. While only two of six countries report having initiated a legal or regulatory change, five report strengthening a process or procedure in this area. The Gambia is setting up a specialized department responsible for risk management for the entire administration. Kenya has developed a compliance risk management policy. Rwanda drafted risk management policies that apply across the administration and developed a risk register. Liberia has implemented a comprehensive risk management framework and plans to institute a risk register system. Guatemala has created a risk committee and is carrying out risk analysis across the administration.

POA 3: SUPPORTING VOLUNTARY COMPLIANCE

Only one of the responding countries reports having initiated a legal or regulatory change related to supporting voluntary compliance, but five report having improved a process or procedure related to this area. Guatemala proposed introducing new customer service features for its web portal for taxpayers.

Liberia has expanded the tax information available to taxpayers through print and electronic media and its outreach events. It also intends to simplify its tax laws to reduce the cost of compliance for taxpayers. Kenya introduced a customer relationship management solution and is strengthening its stakeholder engagement function. The Gambia is developing tax brochures and has expanded its taxpayer education activities.

POA 4: TIMELY FILING OF TAX DECLARATIONS

Surveyed countries also report significant changes to internal processes to support timely filing of tax declarations. While only three of six countries report having initiated a legal or regulatory change, five report strengthening a process or procedure in this area. The Gambia is developing standard operating procedures for the filing and processing of tax returns. Kenya has implemented an online filing platform for all tax types and has a taxpayer outreach program to support online filing. It has also implemented a process to identify and follow up with non-filers as soon as the filing due date has passed. Rwanda instituted a process to monitor non-filing taxpayers. Nigeria proposed an initiative to classify all taxpayers as active or inactive, depending on their filing behavior. It also identified the need to implement other changes related to filing including deferring all compliance-related activities until the data from a return has first been captured, establishing key performance indicators (KPIs) for filing enforcement functions, and investigating taxpayers that consistently file late or don't file at all. Liberia has developed an electronic filing system for large taxpayers, which will eventually be rolled out to all taxpayers. It has also identified the need to increase awareness of filing deadlines for taxpayers in rural areas.

POA5: TIMELY PAYMENT OF TAXES

Countries also took steps to improve internal processes to support timely payment of taxes. Three countries report having initiated a legal or regulatory change and five report strengthening a process or procedure in this area. Liberia has developed a debt management strategy and write-off policy to reduce the stock of unpaid taxes. Kenya is utilizing a call center to follow up with taxpayers that have outstanding payments as well as enhancing its late payment penalties. Nigeria has identified a number of changes, including:

- Integrate electronic payment functionality into the integrated tax administration system.
- Eliminate the use of suspense accounts
- Eliminate duplicative processes for debt management
- Introduce processes to prioritize debt cases for action based on criteria including age, size and taxpayer compliance history
- Design processes for managing taxpayers with multiple outstanding debts
- Clarify the write off policy and initiate the process to write off existing uncollectible debts

POA 6: ACCURATE REPORTING IN DECLARATIONS

Less progress was reported on improving the accuracy of reporting in declarations. Only one of the responding countries reports having initiated a legal or regulatory change and three report having improved a process or procedure related to this area. Kenya is shifting towards a data-driven, risk-based

compliance management approach to improve the accuracy of taxpayer returns. Rwanda has reviewed and updated its audit manual. Liberia noted that the accuracy of returns is improving due to its efforts to provide better education to taxpayers and simplify tax return forms.

POA 7: EFFECTIVE DISPUTE RESOLUTION

Countries report undertaking some actions to improve dispute resolution. Two of the responding countries report having initiated a legal or regulatory change and three report having improved a process or procedure related to this area. Guatemala has conducted an analysis of its dispute resolution process and proposed modifications. Liberia is working to reduce the time taken to resolve a dispute. Kenya is working to make it easier for taxpayers to dispute an assessment and not allow auditors to take part in the resolution process. The Gambia plans to empower its tax tribunal and set up standard operating procedures for managing objections.

POA 8: EFFICIENT REVENUE MANAGEMENT

Countries also report having taken some actions to enhance the efficiency of revenue management. Three of the responding countries reports report having initiated a legal or regulatory change and three report having improved a process or procedure related to this area. For example, The Gambia intends to require all tax payments collected by banks to be transferred to the consolidated revenue fund within 24 hours. Kenya has enhanced its revenue forecasting methodology to include projected tax refunds. Rwanda has increased the efficiency of its VAT refund process.

POA 9: ACCOUNTABILITY AND TRANSPARENCY

Less progress was reported on improving accountability and transparency. Two of the responding countries report having initiated a legal or regulatory change and two report having improved a process or procedure related to this area. Guatemala proposed to redesign its web site to provide greater public transparency. Liberia developed a framework to measure tax expenditures and plans to develop a tax gap model. Kenya put in place an external oversight body and is implementing an internal audit department. It has also set up stakeholder engagement forums. The Gambia is setting up an internal affairs unit.

INTERNAL MANAGEMENT

Five of the six countries say they are utilizing the TADAT report findings to manage and guide the departments and sub-national offices of the revenue administration. The Gambia is using the TADAT assessment to guide its working relationship with key domestic stakeholders including the finance ministry. Kenya and Nigeria have communicated the results of the TADAT to their offices across the country. After the assessment, Rwanda formulated an internal task force to propose reforms to address the gaps identified in the TADAT. The task force's recommendations will guide the action plans of the revenue authority's departments.

STAKEHOLDER ENGAGEMENT AND TAXPAYER EDUCATION

Four tax administrations have used the TADAT assessment to guide their taxpayer education and stakeholder engagement strategies and activities. Following the TADAT assessment's recommendations, the Liberia Revenue Authority (LRA) expanded its taxpayer education strategy to include call centers, an information desk for taxpayers, and tax clinics. It also established a taxpayer advocate service to address taxpayer complaints and began discussions with universities and high schools to include tax education in their programs.

CAPACITY BUILDING

All tax administrations received TADAT training before or during the assessment mission. The number of officials trained varied (see Table 1). Many of the officials who were trained took the TADAT assessment exam and the majority are TADAT trained. However, across the six countries, only two officials from Rwanda participated in another country's TADAT assessment and training.

In Liberia, the TADAT increased officials' understanding of using indicators to measure performance. The TADAT training helped Nigerian officials understand best practices for various tax administration functions. Rwanda noted that many of its staff now understand the TADAT methodology and can use it when designing reforms. The TADAT training boosted the confidence of Kenyan officials and encouraged them to actively participate in international forums.

RELATIONSHIPS WITH OTHER INSTITUTIONS AND KNOWLEDGE SHARING

All six tax administrations confirmed that the TADAT exercise helped them enhance the exchange of information and ideas within their organizations. Kenya uses its knowledge management platform to share information across the administration. Following the TADAT, Liberia has worked to improve the timeliness and accuracy of its internal reporting. Guatemala is improving its information exchange processes to ensure that all actions and processes are aligned with its strategic goals.

Four of the six countries leveraged the TADAT experience to network with other tax administrations to discuss best practices and exchange information. Liberia has used platforms with African Tax Administration Forum (ATAF), West African Tax Administration Forum (WATAF) and Addis Tax Initiative (ATI) to engage with other administrations. Rwanda has engaged with neighboring countries through the East African Revenue Authorities Technical Committee. Kenya has set up an international desk to coordinate dialogue with other revenue authorities. Gambian officials communicate regularly with Liberian and Nigerian officials to discuss mutual interests and share best practices. To date none of the six countries have yet offered TADAT framework training to officials from other government institutions.

DONOR ASSISTANCE

TADAT assessments teams are in many cases multi-partner/donor. This creates the opportunity to leverage the assessment to improve coordination of technical assistance provided to revenue authorities. Survey results indicate that TADAT has in fact facilitated donor coordination. Five of the six countries reported that the TADAT assessment has helped them guide and coordinate technical assistance. Guatemala and Rwanda noted that the assessment report provides a common understanding

of the highest priority areas for assistance for development partners. The TADAT provided Liberia with a framework to assess the relevance and importance of technical assistance proposed by development partners. Nigeria is using the TADAT in its discussions with African Regional Technical Assistance Centre in West Africa (AFRITAC West 2) to determine the scope of future technical assistance. The International Monetary Fund, the US Treasury and the European Union are all supporting The Gambia in the functional areas that were identified as weaknesses in the TADAT report.

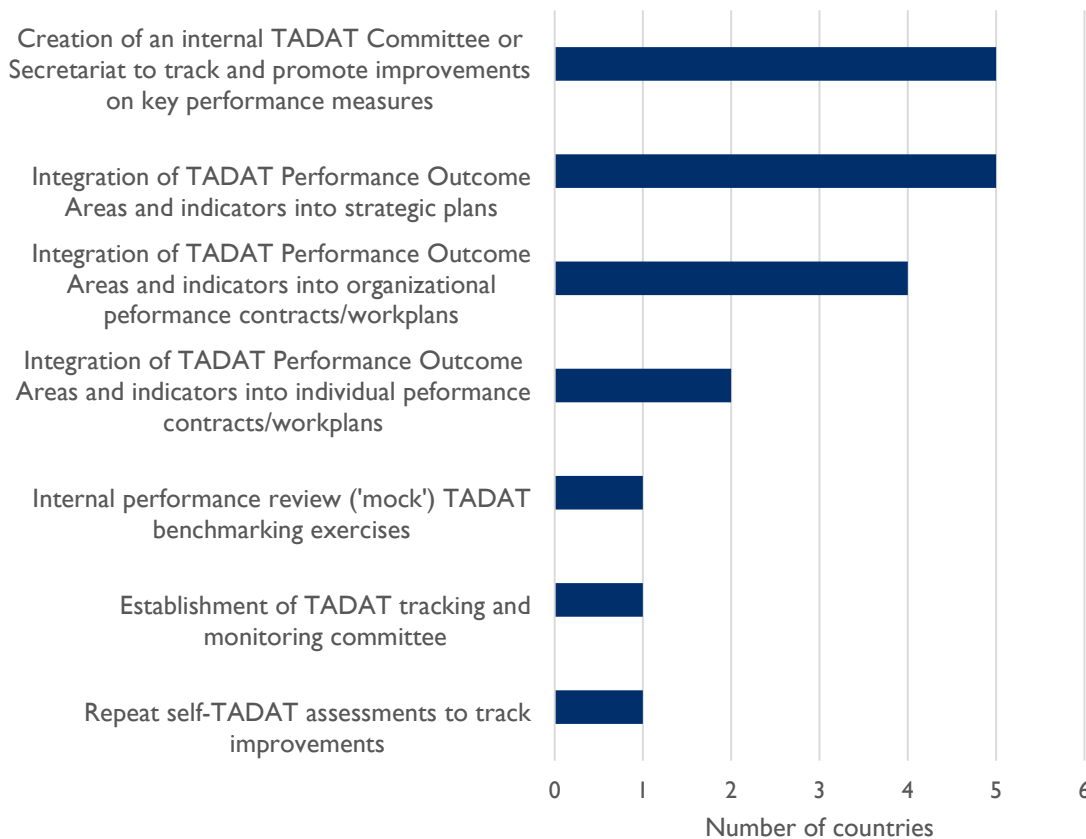
FUTURE USE OF TADAT AS A PERFORMANCE MEASUREMENT TOOL

All six countries have continued to use the TADAT as a mechanism to benchmark internal performance. They have chosen various mechanisms to achieve this objective. The two most common mechanisms are:

- a) creating an internal TADAT Committee or Secretariat to track and promote improvements on KPIs; and
- b) integrating TADAT POAs and indicators into strategic plans.

These two measures were adopted by five of the six countries.

Figure 3: TADAT mechanisms used to benchmark internal performance, Number of countries



CONCLUSION

TADAT is increasingly becoming one of the central tools to assess and understand domestic tax administration systems. Based on these initial survey findings, countries that undertake TADAT assessments find them to be helpful tools to identify areas for improvement and motivate management to implement reforms. They also help facilitate effective knowledge sharing both within and between tax authorities.

While promising, these results are based on a small sample of countries, predominantly in Sub-Saharan Africa. They do not include the experiences of countries that have completed repeat assessments or those that have completed sub-national TADAT assessments. Expansion of this analysis to observe a wider range of experiences would be informative.