

African Tax Administration Forum & WU Global Tax Policy Center

Virtual Workshop

Digitalization of Tax Administrations

Best Practices in Technology Assessment and Acquisition Strategies for Tax Authorities

13h00 – 16h30 SAT, Wednesday, 27th March 2024

Concept Note & Agenda

Introduction

Investing in IT is a central component of tax reform, it can address critical gaps in enforcement, compliance, and trust whilst enabling data driven decision making to inform better policy design and strengthening risk management. Over the last decade, technology has supported tax administrations around the world to enhance business processes and procedures, increase their capacity, and improve compliance management. Indeed, investment in IT capabilities now forms a significant part of the budgets of tax authorities and this requires careful and efficient governance.¹ The decision to implement IT is not simple, multiple solutions with significant functional differences exist and this can influence cost, time-to-market, and usability.² The decision to procure an IT solution should be viewed as a strategic business decision that should conform with the broader strategic objectives of the tax administration to guarantee usability, institutional capacity, and cost-efficiency.³

Tax authorities must keenly take into consideration the policies, procedures, and tools employed to assess, acquire, and make use of a system. A comprehensive assessment and acquisition process should involve the following essential steps:

- Identification and validation of the strategic business need – innovation should not be driven by novelty but a clear business need. This is important because the implementation of an IT solutions requires a range of reforms to the organization, processes, staffing roles and skills.
- Develop the requirements for the solution – these requirements set the foundation for design, development or purchase, and implementation. This should be a collaborative process to capture the specific needs, constrains and expectations. In addition, this process should outline the features, capabilities and characteristics that should exist to meet the business needs.

¹ Margaret Cotton & Gregory Dark, *Use of Technology in Tax Administrations 1: Developing an Information Technology Strategic Plan (ITSP)*, IMF Technical Notes and Manuals, 2017.

² Guillermo Jimenez, Niall Mac an tSionnaigh & Anton Kamenov, *Information Technology for Tax Administration*, USAID & LPFM, Feb. 2013.

³ Ibid

- Assess the existing system – the aim is to try to understand if the IT requirements can be accommodated under the current infrastructure and identify the gaps between current systems and future systems needs.⁴
- Evaluate the environment within which any solution is expected to operate – this will help determine how sophisticated the solution can be as this will impact the cost (either of development or purchase). In particular, understanding the IT skills and infrastructure of taxpayers and broader government will play an important role. This will also support in establishing the preferred timing and sequencing of delivery of the solution.
- Market research to identify system options – identify solutions that can satisfy the established requirements, costs should be evaluated (see cost benefit analysis below), and timelines established to full operation. This should also include a review of the experiences of other revenue authorities and government institutions that have made use of the identified solutions.
- Carry out a cost benefit analysis – the costs include hardware, software, procurement, implementation, integration, operation, training, and replacement expenses. Additional indirect costs to be considered are staff time, testing, general downtime while deploying the solution.

The above should be underpinned by a solid governance framework which ensures the following:

- Alignment with the ICT strategy of the organization.
- Ensuring that all business application development/adoption projects comply with the same governance structure.
- One comprehensively defined project lifecycle highlighting the governance gateways, the required documentation and monitoring procedures. This is essential to informing the timing for release of funds and establishing auditable processes.
- A structured change management framework to support technology adoption and integration and ensure all stakeholders are prepared.
- The identification and mitigation of risk

The main aim is to establish and maintain a consistent approach to the adoption of IT solutions. Tax authorities must implement a measure of standardization in order to properly set and evaluate targets and document the process to remain reportable and as part of a future-proofing strategy.

Overall, to adequately prepare for, implement, and make use of IT solutions, tax authorities must, in the process of designing or identifying the appropriate system, understand the inherent constraints arising from existing administrative and policy processes that may prevent the technology from operating as intended; and ascertain the institutional, political, cultural, financial, and human capacity-related factors that could be enablers or inhibitors. It is important to acknowledge that an effective solution is highly dependent on it being adapted to the capabilities and strategic objectives of the tax authorities.

⁴ Jimenez et al. (2013), n.2

Session objective: The objective of this joint workshop by the African Tax Administration Forum (ATAF) and the WU Global Tax Policy Centre at the Institute for Austrian and International Tax Law, Vienna, is to unpack the importance of comprehensive assessment and acquisition strategies for IT solutions by tax authorities. Our aim is to establish an overview of the best practices and identify the distinct procurement principles that should be applied to these processes.

Agenda:

| Time (CET) | Activity | Speaker |
|----------------------|---|---|
| 13h00 – 13h10 | Opening Remarks | Representative, ATAF Jeffrey Owens, WU GTPC |
| 13h10 – 13h30 | A high-level roadmap to the effective implementation and use of technology | Richard Stern, WU GTPC Rhodah Nyamongo, WU GTPC |
| 13h30 – 13h50 | The importance of an organizational digital strategy | Sophie Arjevanidze, Forum on Tax Administration, OECD |
| 13h50 – 14h05 | Presentation: An Overview of the Assessment and Acquisition Procedures and ATAF's work. | Joy Waruguru Ndubai-Ngigi, ATAF |
| 14h05 – 14h25 | Country Case Study: Kenya | Representative from the Kenya Revenue Authority |
| 14h25 – 14h35 | Open discussion (Q&A) | |
| 14h35 – 14h55 | Country Case Study: Togo | Representative from the Office Togolais Des Recettes |
| 14h55 – 15h05 | Open discussion (Q&A) | |
| 15h05 – 15h20 | Coffee Break | |
| 15h20 – 15h40 | Country Case Study: Finland | Timo Laukkanen, Director, Taxation Unit, Finnish Tax Administration |
| 15h40 – 15h50 | Open discussion (Q&A) | |

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| 15h50 – 16h10 | Establishing a Governance Framework for ICT Project Delivery – key features and benefits (TBC) | David O’Sullivan & Anders Agerskov, World Bank |
| 16h10 – 16h20 | Overview of the Discussion, Closing Remarks and Next Steps | Joy Waruguru Ndubai-Ngigi |