

TC DOCUMENT

I. Basic Project Data

▪ Country/Region:	JAMAICA
▪ TC Name:	Towards the Digitalization of the Tax Administration in Jamaica
▪ TC Number:	JA-T1180
▪ Team Leader/Members:	Reyes-Tagle, Gerardo (IFD/FMM) Team Leader; Astudillo, Karen (IFD/FMM); Calijuri, Monica (IFD/FMM); Ho Lung, Jodi (CCB/CJA); Park Kwon, Yery (IFD/FMM); Park, Yaerin (IFD/FMM); Roman Sanchez, Susana (IFD/FMM); Vila Saint-Etienne, Sara (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	24 May 2021
▪ Beneficiary:	Tax Administration Jamaica (TAJ)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Institutions(INS)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months of execution; 35 months of disbursement.
▪ Required start date:	July 2021
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division-
▪ Unit of Disbursement Responsibility:	IFD/FMM-Fiscal Management Division-
▪ TC included in Country Strategy (y/n):	y
▪ TC included in CPD (y/n):	y
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

2.1 The objective of this Technical Cooperation (TC) is to support the efforts of the current Tax Administration Jamaica (TAJ) in achieving a mature digitization process to maximize the ability to enable a comprehensive range of predictive modeling and risk assessment capabilities and use of data analytics. By achieving this, the TC will contribute to the technological advancement of TAJ and identify fiscal policy solutions to address the tax issues facing the Jamaican economy for collecting revenues more effectively and efficiently and improve the risk management responsiveness.¹

2.2 **Justification.** Tax reform is stated as one of the key areas for the achievement of a stable macro-economy in Jamaica's national development plan, Vision

¹ The TAJ has a dual reporting: as a semi-autonomous revenue authority (SARA) it functionally reports to the MOFP (the Ministry of Finance and the Public Service, which approves salaries, investments, and sale of investments) and a Board of Directors oversees the general administration of the TAJ.

2030 Jamaica, which was established in 2008.² The Government of Jamaica has implemented a series of institutional and systematic reforms for tax and fiscal policy and administration from 2013 to 2019, along with notable progress in macroeconomic performance and the decrease in the poverty level. In alignment with these national plans and objectives, the Bank's country strategy for Jamaica 2016-2021 stress the importance to attain fiscal sustainability in the medium term (1.1), strengthen the public financial management system (1.2) and increase efficiency of public sector (1.4) as strategic objectives to achieve. The Bank has also supported through the loan "Fiscal Administration Modernization Programme" (2658/OC-JA; JA-L1039) to assist the modernization of the tax and customs administrations in Jamaica. As a result, the Government of Jamaica has successfully implemented a new revenue administration information system, which is an internet-based customized solution system that is built with sophisticated risk modeling tools.

- 2.3 Promoting effectiveness in tax and revenue administration is crucial in allocating and executing public resources in a timely manner, and efficient public service delivery. However, the current public health crisis caused by the current pandemic (COVID-19) has put unprecedented policy challenges for Government of Jamaica in ensuring social and economic growth. The Government of Jamaica needs to manage public resources efficiently and timely to adopt and implement policy measures to tackle economic and social challenges that have resulted from the current pandemic and aid the vulnerable population. Particularly, for this objective, transparent, efficient, and accountable institutions, policies, and information systems are essential for reliable fiscal resources management.³
- 2.4 Against this backdrop, the TC will support Government of Jamaica to strengthen its data analytics and risk management capacities on tax and revenue administration. This TC will evaluate the achievements and challenges of the revenue administration system (which was supported by 2658/OC-JA; JA-L1039) and assist in building data analytics capacities for effective tax and revenue data administration and management contributing the government efforts to regain economic growth for the post-pandemic recovery. Specifically, this TC aims to: (i) support the implementation of analytical diagnostics for predictive modeling and risk assessment and ii) strengthen the data analytics capacities of TAJ.
- 2.5 This TC is in continuity with the completed loan program "Fiscal Administration Modernization Programme" (2658/OC-JA; JA-L1039) in that one of the key activities is to assess the performance of the revenue administration system constructed and implemented as a result of the program. Likewise, this TC will contribute to and create synergies with the present and future Bank operational programs on strengthening institutional capacity for digitalization of tax administration in LAC countries, including "Tax Compliance in the Developing Digital Economy: The Case of LAC" (ATN/KR-16875-RG; RG-T3259), "Digital Transformation in Tax Administration" (ATN/OC-17612-RG; RG-T3456). Particularly, this TC will contribute to the Bank's effort on enhancing the digital maturity in tax administration in the key dimensions: creating digital environment,

² JA-L1039 Fiscal Administration Modernization Programme Project Completion Report (2010, 1)

³ World Bank, 2019.

resources for transformation, data management and the provision of digital services to taxpayers, and to promoting scale-ups in LAC region.

- 2.6 This TC is aligned with the Second Update of the Institutional Bank Strategy 2020-2023 (AB-3190-2) and is aligned with the development challenge and cross-cutting issue of the Bank's strategy on strengthening institutional capacity and the rule of law. Specifically, it will contribute to increasing the capacity of the public sector and civil service to deliver services, fight corruption and enforce the rule of law. This TC will contribute to establishing more distributive fiscal policies by improving revenue management and designing more progressive tax systems contributing to remediate the structural and emerging development challenges stemmed from social exclusion and inequality. The TC is also aligned to the Strategic Program for Institutional Development (INS) (GN-2819-1) financed with Ordinary Capital, by: (i) contributing to the development of policies and public institutions that are more effective, efficient, open, and citizen-oriented; and (ii) improve the provision of services to citizens. Also, this TC is aligned with the Jamaica Country Strategy (2016-2021) that supports Jamaican government's development agenda. Notably, this TC will contribute to accelerating the achievement of improving public sector management, which is one of the three overarching goals of the Country Strategy. Particularly, this TC is a part of the Bank's continuous effort to strengthen tax administration by simplifying the tax system to enhance tax compliance and enforcement and promoting efficiency in the system. In addition, the TC is aligned to the Fiscal Policy and Management Sector Framework Document (GN-2831-8) which underscores the importance of institutional capacity-building in the public sector to design and implement fiscal policies that improve efficient mobilization and allocation of resources that improve tax equity and social inclusion, strengthening of institutional capacity to design and implement fiscal policies to improve the allocation of resource for investment expenditure in public infrastructure. Finally, this TC will contribute to the following Corporate Results Framework (CRF) 2020-2023 (GN-2727-12) through the indicators to support countries in strengthening tax and expenditure policy and management and government agencies with strengthened digital technology and managerial capacity.

III. Description of Activities and Outputs

- 3.1 **Component 1. Identification of the current fiscal gaps and strengthening of risk management capacities.** This component will finance analytical diagnostics to identify fiscal gaps and improve the risk management capacities of TAJ. This component will finance: (i) development of a methodology to calculate the tax gap of direct and indirect taxes, determinants of the informal economy and tax challenges in the digital economy. The tax gap analysis will focus on measuring the VAT and Income taxes and an estimation of the tax compliance cost; and (ii) support the design of a predictive modeling and risk responsiveness plan containing holistic coverage of all aspects of risk management to ensure the business continuity of the tax agency in emergency such as the COVID-19.
- 3.2 **Component 2. Strengthen the data analytics capacities.** This component will finance activities to strengthen the data analytics unit of TAJ. Therefore, this component will finance: (i) assessment on the current business practices using data analytics and identify areas to scale up the digital maturity progress of the tax

administration in the areas of digital environment, resources for transformation, data management and the implementation of an electronic invoicing system (EIS)⁴ for the TAJ; and (ii) delivery of capacity building programs to strengthen the data analytics unit human capital. The implementation of the EIS will allow to improve TAJ's evidence-based decision making by maximizing the authority's ability to undertake a range of predictive modeling and risk assessments, ensure tax compliance and reduce tax evasion, a critical component to enhance the revenue collection capabilities of the TAJ.

- 3.3 **Component 3. Production of knowledge products and dissemination of results.** This component will aim to manage the knowledge developed in Components 1 and 2 to enhance the lessons learned from the assessments and capacity building programs and create a space of policy dialogue and knowledge sharing with the Jamaica authorities. This component will finance activities such as: (i) dissemination of results of studies carried out virtually and through the channels currently used by the Bank for dissemination of knowledge; and (ii) policy briefs and blog articles to be shared with the Jamaican authorities and relevant policy makers to socialize research results. All knowledge products derived from this Technical Cooperation shall belong to and remain as the intellectual property of the Bank.
- 3.4 By the end of this TC, the Bank will have strengthened its knowledge of various tax data analytics and related capacity building measures taken by the LAC countries, as well as reinforced its grasp of how best to improve a digitalized tax revenue administration system and data analytics function. Moreover, it will have formed strong ties with the tax authorities of LAC and other regions of the world, thereby improving its ability to provide more relevant and multi-dimensional policy recommendations to the countries hard-hit by the COVID-19 pandemic. Expected products of this TC include research papers and active knowledge sharing on the topic of tax data analytics and efficient revenue administration system.
- 3.5 This TC will provide benefits to TAJ in that it will strengthen tax data analytics and related administrative capacity, which will be foundational in sustainable tax revenue management. As a result, this TC will also benefit the Jamaican population by enabling them to access more efficient and simplified tax services. More importantly, by mutually benefiting the administration and the taxpayers of Jamaica, there will be increased trust and confidence in the process of domestic public resource mobilization.
- 3.6 The total cost of this TC will be US\$150,000, which will be financed by the INS fund. The execution period of this TC will be 36 months (including the disbursement period). The products and results of this TC will also be shared with the INS Technical Secretariat.

⁴ The implementation of the Electronic Invoicing System (EIS) will be linked to the Revenue Administration Information System (RAIS) which was previously developed and implemented under the Bank's Fiscal Administration Programme (FAMP) in 2018. The EIS will allow to improve the RAIS functionalities, which will account for all taxable activities conducted by registered taxpayers. It aims to centralize the connection between RAIS and the decentralized collection of indirect taxes, as well as the TAJ access to electronic records of taxpayers.

IV. Budget

Indicative Budget (US\$)

Activity/Component	Description	IDB/INS Funding	Total Funding
Component I. Identification of the current fiscal gaps and strengthening of risk management capacities.	This component will finance analytical diagnostics to identify fiscal gaps and improve the risk management capacities of TAJ.	70,000.00	70,000.00
Component II. Strengthen the data analytics capacities.	This component will finance activities to strengthen the data analytics unit of TAJ.	60,000.00	60,000.00
Component III: Production of knowledge products and dissemination of results	The goal of this component is to disseminate findings, recommendations, and lessons learned from the execution of previous two components.	20,000.00	20,000.00
Total		150,000.00	150,000.00

V. Executing Agency and Execution Structure

- 5.1 At the request of the Government of Jamaica, this TC will be executed by the Bank. The technical responsibility for the execution of the TC rests mainly with the Fiscal Management Division (FMM), which can be supported by the Bank's Country Office in Jamaica (CCB/CJA). The designated focal point with responsibility for executing this TC will be the Lead Sector Specialist in IFD/FMM. The Bank team will lead implementation, oversight of TC activities and coordination of results with authorities in Jamaica. IFD/FMM will be responsible for procurement of required services. Prior to the initiation of any project activities within the jurisdiction of Jamaica, the project team (PT) will obtain a non-objection letter from the corresponding official entity in Jamaica.
- 5.2 The Bank is best-placed to coordinate information and activities with relevant public and private sector stakeholders during the COVID-19 pandemic, which is drawing heavily on public sector personnel and financial resources. Furthermore, the Bank will be able to leverage its extensive network of internal and external subject-matter experts and well-established relationships with stakeholders in order to facilitate timely execution. Furthermore, in accordance with Annex II of OP-619-4, the Government of Jamaica and the Bank agree that contracting by the IDB would guarantee that the products meet the appropriate quality standards and enhance the independence of the studies.
- 5.3 All activities will be executed in accordance with the Bank's established procurement policies as follows: (i) AM-650 for individual consultants; (ii) GN-2765-4 and Guidelines OP-1155-4 for consulting firms for services of an intellectual nature; and (iii) GN-2303-28 for logistics and other related services.
- 5.4 The activities of the components of this TC will be closely monitored and coordinated by the tax administration specialists in the Bank, who will evaluate: (i) the alignment with the objectives of the TC; and (ii) the impact and additionality with the program in the tax administration in Jamaica. The evaluation results will

be put together as technical evaluation notes and reports. There will be mid-year and end-of-year reviews.

- 5.5 To foster ownership and appropriation of the Government of Jamaica, the Bank team will implement the following strategies: (i) support the Government of Jamaica establish clear set of project goals and plans by engaging in communication with them on a frequent basis; (ii) identify the needs and priorities of Government of Jamaica and support the adjustment of goals; and (iii) support the Government of Jamaica evaluating the progress of the project.

VI. Project Risks and Issues

- 6.1 Risks for this project are low due to the direct request by the Government of Jamaica for this client support TC. Nonetheless major risks to project execution include: (i) identification and selection of adequate human resources within the various beneficiary institutions assigned with sufficient time to strengthening capacity; and (ii) limited capacity for data collection and communication risks due to the continuous travel restrictions and social distancing measures due to the pandemic. Some mitigation efforts could include: (i) recruit new local human talent and retain within the beneficiary institutions by providing adequate incentives and capacity building to fill gaps within the executing agency over the life of the project, mitigating the current unavailability of human resources; and (ii) actively utilize virtual meeting platforms and communication channels until travel restrictions are lifted to conduct field visits and in-person dialogue with the Ministry of Finance and Public Service, Tax Administration of Jamaica and the Planning Institute of Jamaica, as other local stakeholders that may be required.

VII. Exceptions to Bank policy

- 7.1. This TC does not involve exceptions related to Bank's policies.

VIII. Environmental and Social Strategy

- 8.1. Given the nature of the TC, no negative environmental impacts are foreseen. The TC will support the strengthening of processes and capacities of the Ministries of Finance and similar agencies, for which reason public works or infrastructure will not be financed. In accordance with the Bank's Environmental and Safeguards Compliance Policy (OP703), this operation has been classified in category "[C](#)".

Required Annexes:

[Request from the Client - JA-T1180](#)

[Results Matrix - JA-T1180](#)

[Terms of Reference - JA-T1180](#)

[Procurement Plan - JA-T1180](#)