

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	JAMAICA/CCB - Caribbean Group
▪ 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; ROMAN SANCHEZ, SUSANA (IFD/FMM); PARK KWON, YERY (IFD/FMM); CALIJURI, MONICA (IFD/FMM); ASTUDILLO, KAREN (IFD/FMM); PARK, YAERIN (IFD/FMM); VILA SAINT-ETIENNE, SARA (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	24 May 2021
▪ Beneficiary:	Jamaica
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$150,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ 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):	Yes
▪ TC included in CPD (y/n):	No
▪ 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 so as 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.
- 2.2 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 2030 Jamaica, which was established in 2008. 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) and strengthen the public financial management system (1.2) as strategic objectives to achieve. The Bank has also supported through the loan "Fiscal Administration Modernization Programme" (JA-L1039) to assist the modernization of the tax and customs administrations in Jamaica. As a result, the GoJ 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 GoJ in ensuring social and economic growth. The GoJ 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.
- 2.4 Against this backdrop, the TC will support GoJ 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 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.

III. Description of Activities and Outputs

- 3.1 **Component I: Identification of the current fiscal gaps and strengthening of risk management capacities.** 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, 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 II: Strengthen the data analytics capacities.** 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 digital services (i.e., electronic invoicing) and (ii) delivery of capacity building programs to strengthen the data analytics unit human capital.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: Identification of the current fiscal gaps and strengthening of risk management capacities	US\$75,000.00	US\$0.00	US\$75,000.00
Component II: Strengthen the data analytics capacities.	US\$75,000.00	US\$0.00	US\$75,000.00
Total	US\$150,000.00	US\$0.00	US\$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 IDB. The IDB's Country Office in Jamaica (CCB/CJA) in close collaboration with the Fiscal Management Division (IFD/FMM) will have the technical responsibility for the execution of the TC. The designated focal point with responsibility for executing this

TC will be the Lead Sector Specialist in IFD/FMM. The IDB 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.

- 5.2 The IDB 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 IDB 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 IDB 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: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and (c) GN-2303-28 for logistics and other related services.

VI. Project Risks and Issues

- 6.1 Risks for this project are low due to the direct request by the GoJ 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; (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 (a) 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; (b) 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. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".