

TAX ADMINISTRATION AND PUBLIC EXPENDITURE MANAGEMENT

(BA-0035)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Government of Barbados

EXECUTING AGENCY: Ministry of Finance and Economic Affairs

AMOUNT AND SOURCE:

IDB:	US\$ 8,100,000 (OC)
World Bank:	US\$ 352,000 (Grant)
Local counterpart funding:	US\$ 2,215,200
Total cost:	US\$10,667,200

TERMS AND CONDITIONS:

Amortization period:	20 years
Disbursement period:	3 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%

COFINANCING: A grant of US\$352,000 from the IDF Fund through the World Bank to contribute to the VAT implementation.

OBJECTIVES: The main objectives of the program are: (a) to strengthen the Ministry of Finance in the area of fiscal administration by enhancing operational efficiency in the Inland Revenue Department; the Customs and Excise Department, and the Land Taxation Department; (b) to improve public expenditure management and control by strengthening performance of the agencies involved in the Budget preparation, execution and monitoring; (c) to strengthen the Office of the Auditor General in order to be able to implement a "value for money" auditing system.

DESCRIPTION: Consists of four subprograms that will contribute to the institutional strengthening of the: (a) Inland Revenue Department; (b) Customs and Excise Department and implementation of the value-added tax; (c) Land Taxation Department; (d) Public Expenditure Management.

ENVIRONMENTAL CLASSIFICATION: The Environmental Management Committee, at its meeting of February 8, 1993, classified this as a Category II operation.

BENEFITS: The program will contribute to the implementation of a sound tax system and an efficient administration. With respect to direct-taxes, responsibility of Inland Revenue, the program will assist the implementation of the tax reform enacted in 1992. As

to the indirect tax reform, the program will support the implementation of VAT and improve the enforcement functions of the Department of Customs and Excise. The institutional capacity of the involved revenue collecting agencies will be strengthened in order for them to carry out their duties of assessing and collecting taxes due on a current basis and in an efficient manner. Also, enforcement functions will be improved and the necessary support for implementation of the value-added tax system will be provided.

Technical support to the Land Tax Department will improve the efficiency of their administration with management information systems, in order to provide better service to the public and to improve the Land Registry Office.

The current budgeting system will be improved in the Ministry of Finance, the line ministries, and other institutions of government in order to make the budget a functional means of implementing public policy and development plans. The program will support the implementation of value-for-money auditing, in order to make civil servants accountable not only for financial management but also for their performance and results obtained.

RISKS:

The implementation of the program may be affected by delays in the initiation of activities due to possible weaknesses in the interinstitutional coordination. In order to minimize this risk the subprograms have been designed independently from each other. A high-level Steering Committee will be created to monitor the progress of the program and resolve policy issues.

**EXCEPTIONS TO
BANK POLICY:**

A waiver to the procurement procedures of the Bank is recommended, as requested by the Government of Barbados, for the direct contracting of the Inter-American Center of Tax Administrators (CIAT) for the execution of the Tax Administration subprograms (I, II and III). CIAT is a non profit public international organization, specialized in the tax field, with a proven track record. CIAT is currently providing technical support in the execution of various Bank financed projects in Latinamerica and the Caribbean. Given its accumulated experience and the scope and nature of this operation it is recommended to use CIAT for the execution of the subprograms cited above.

**THE BANK'S
COUNTRY STRATEGY:**

In view of the current economic recession in Barbados, the Bank's strategy focuses on assisting in the design and implementation of adjustment measures to restore growth and improving the competitiveness of productive sectors. High priority is also given to the support of programs to improve the productive infrastructure and natural resource management. There is also the need to strengthen the institutional capabilities of public agencies in order to enhance policy and program design and implementation, as well as overall government administration. Social sector programs should emphasize rationalizing and improving effectiveness of resources devoted to these functions.

The CPP also underlines a strong need to strengthen the institutional capabilities of public agencies in order to enhance policy and program design and implementation, as well as overall government administration. This operation is designed to respond to this last cited objective.

I. BACKGROUND

A. Economic background

- 1.1 The external payment problems which have troubled Barbados since late 1989 reached crisis proportions in the third quarter of 1991. A decline in tourist arrivals combined with a strong demand for imports and high debt service obligations rapidly depleted the country's foreign exchange reserves. In response to the payment crisis, and with the support of the International Monetary Fund (IMF), the government enacted stringent fiscal, monetary and income policies starting in August 1991 to restore a sustainable balance in the country's external accounts.
- 1.2 The main fiscal objective was to reduce the overall deficit to 1% of GDP in the fiscal year 1991/92 (down from about 8% in 1990/91) and eliminate it completely in 1992/93. The burden of the fiscal adjustment was to fall more heavily on expenditures, which were to be cut by 3.25% of GDP, than on revenues, which would increase by 1.75% of GDP. In the case of current spending, the chief target was to reduce the total wage bill by 1% of GDP by laying off about 8% of the work force and instituting an 8% general wage cut for all central government staff, effective October 1, 1991. The required drastic reduction in capital outlays was to be obtained by deferring projects with little or no external financing and by reducing capital transfers to public sector entities.
- 1.3 Economic policy during 1992 concentrated on implementing the stabilization program enacted in the last four months of 1991. In February, the country signed a stand-by arrangement with the IMF, to support the stabilization program for a period of 15 months. The program featured austere demand management policies, designed to boost international reserves sufficiently to allow Barbados to undertake the structural reforms needed to restore the competitiveness of its exports. This would put the country on a path of sustained economic growth and avoid the need for devaluation of the currency.
- 1.4 Throughout 1992 the authorities were successful in achieving the quarterly targets established in the stand-by arrangement, particularly with respect to the fiscal deficit and level of net international reserves. However, the restoration of external and internal stability came at a high cost in terms of lost output and increased unemployment. The severity of the recession surprised authorities and led them to take cautious steps to stimulate economic activity in the second semester. Specifically, in view of the high level of liquidity in the banking system, the Central Bank lowered its discount rate from 18 to 15% in July and to 12% in September. The minimum rate on savings was reduced from 7 to 4% in the same period. Also in September, the level of required reserves that banks have to hold in the form of securities was lowered from 25 to 23% of total deposits. As a result of these measures, the

prime lending rate fell from a peak of 15% to 11% at the end of the year. Mortgage rates declined slightly and the Treasury Bill rate, which had peaked at 14% in May, fell to 6% by the end of the year.

- 1.5 Some fiscal measures to stimulate the economy were taken in the second semester of 1992, specifically elimination of the stabilization tax for corporations and restoration of exemptions from import duties for certain, manufacturing firms. However, the most important fiscal measure during the year was the July enactment of a sweeping reforms of the direct tax system, which is to take effect over a period extending into 1994. This reform was designed basically to simplify the system for both taxpayers and the government alike. It will also eliminate inequities accumulate over the years and regulations that gave the wrong economic incentives to individuals and companies. The core of the reform was the reduction of the top marginal tax rate from 50 to 40%, to be offset by reduction or elimination of special allowances and exemptions. In terms of revenues, the reform was designed to be neutral.
- 1.6 Medium-term prospects for the Barbadian economy are clouded by the serious problems faced by tourism, the country's principal economic activity. These problems include: diminished competitiveness, reduced quality of service and management, a need for large investments in renovating and updating the physical plant, and continuing pollution damage to the beaches and coastal areas. Nevertheless, if economic policies are reoriented toward export promotion and diversification, there exist good opportunities for increasing and broadening exports including tourism.
- 1.7 The government has started the implementation of a structural adjustment program (SAP) whose main objective would be to restore international competitiveness of Barbados and foster output growth. The SAP includes a comprehensive reform of the direct and indirect tax systems to enable the Barbadian economy to improve resource allocation and incentives for export, add neutrality and transparency to the system, and facilitate trade. With assistance from the IMF the direct tax system was reviewed in early 1992 and direct tax reform was enacted in July 1992, to be effective mostly in 1993. The stabilization program was conceived as a necessary, but not sufficient, first step in an adjustment effort that would restore the Barbadian economy to a path of self-sustained growth. Thus stabilization would offer a breathing spell in which the country could develop and implement a medium-term program of structural reforms oriented towards improving external competitiveness and removing disincentives to exports. More specifically the problem is viewed as being mainly one of reforming a tax and incentive system which had become very complex and lacking in neutrality and transparency. The neutrality problem is evidenced by an indirect tax system consisting of trade and consumption taxes aimed at protecting import-substitution activities -protection ultimately paid for by local and tourist consumers- and generating a strong anti-export bias. The transparency problem involves the heavy use of special incentives and exemptions for specific

activities, which are not automatic but often apply on a case-by-case basis, creating a degree of administrative discretion which magnifies the distortions inherent in the incentives themselves, and making it difficult to assess the tax burden of the various agents. The reform has two key elements: the replacement of the present stamp duties and consumption taxes with a value-added tax (VAT), reducing the protection of import substitution and insuring that tourism and all other exporters have access to imported inputs at free trade prices; and phasing out ad hoc fiscal incentives and the remaining non-tariff trade barriers.

- 1.8 Prospects for the Barbadian economy in 1993 will greatly depend on tourism. Information on advanced tourism bookings indicates that the increasing trend noted in the last quarter of 1992 will continue at a moderate pace through 1993. In agriculture, sugar output is expected to hit a new low of 44,000 tons, 20% below the depressed 1992 level. The performance of commerce and most other services will reflect that of tourism, while manufacturing and construction will depend largely on the government's economic policies. The authorities have indicated their intention to continue relaxing monetary policy to further reduce the cost of borrowing to foster a recovery of private investment and job creation. In addition, the Central Bank was expected to remove the existing ceilings on credit for distribution activities and consumer purchases as a percentage of total credit. The government also announced that, as of the beginning of the fiscal year on April 1, it will restore to public sector employees the 8% that was cut from their salaries as part of the stabilization program. However, the more relaxed fiscal monetary policy stance should induce strong import growth in 1993. This might once again put pressure on the balance of payments and probably cause a loss of reserves, unless the upsurge in tourism income is considerably stronger than expected, and/or a substantial net inflow of foreign capital can be generated.
- 1.9 The solution to this dilemma is to enhance the country's capacity to earn foreign exchange, which implies improving the competitiveness of exports and tourism. In order to achieve this, the authorities have indicated their intention to adopt a number of fundamental reforms of the economic system. The hope is that this will allow the country to resume substantial economic growth in the medium term, while avoiding an undesirable exchange rate adjustment. Key to that strategy is a reform of the country's indirect tax and foreign trade policies designed to eliminate their existing anti-export bias. This would be achieved mainly by replacing the existing consumption tax and stamp duties with a new value-added tax (VAT), and by abolishing non-tariff barriers to trade. The degree of success of this approach will depend on the cooperation between the government and the private sector and organized labor to contain wage and price increases in the medium term.

- 1.10 Against this background it should be considered that Barbados has a labor force of 137,000, out of a population of 255,000, and has a tax burden of 30% of GDP. Compared to this, in the 1990 tax year only 37,200 individual income tax returns were filed. For the same year 1800 corporation income Tax Returns were filed. Delinquency in filing Individual Returns could be as high as 66%, thus potential for revenue increase by better enforcement mechanisms is highly desirable, and would produce substantial revenue increases, up to US\$60 million, without having to resort to any increase in taxation.
- 1.11 In view of the above, it is a high priority for government to implement the tax reforms and successfully improve the management of the tax administration, in order to reduce tax evasion and increase revenue collection. It is also a high priority for the government to allocate public resources in a more efficient way, using a system of public expenditure management that allows a thorough analysis of fiscal policy. This technical cooperation will provide the Barbados government with the necessary tools to attain these objectives.

B. Tax structure and budgetary management

- 1.12 Tax revenues account for the bulk of fiscal revenue in Barbados, more than 90% of total revenue. During the last half of the 1980s, the government introduced measures that shifted the tax burden from direct to indirect taxation. However, in most recent years a number of ad-hoc measures have been adopted to reduce the deficit and deal with short-term financing considerations which were threatening the equity and effective administration of the system. Thus, the need for which the government is implementing. (See Annex I for a description of the fiscal structure of Barbados)
- 1.13 The revenue collection activities are carried out by three department of the Ministry of Finance and Economic Affairs. These are: the Inland Revenue Department; the Customs and Excise Department; and the Land Tax Department. The Inland Revenue Department is responsible for administering most direct internal taxes with the exception of land taxes. This department requires changes in its organizational structure; it does not properly control its workload, lacks appropriate accounting control for revenues assessed and collected, does not have adequate workplans or control over enforcement programs, particularly in collection and audit; has an obsolete computerized system and no active program to encourage voluntary compliance.
- 1.14 The Customs and Excise Department, while controlling revenues and workflows effectively, would benefit from improving the efficiency of various functions, in particular the enforcement function (audit and collection). The Land Tax Department manually conforms and posts payments in cards and is in dire need to implement reasonable control over revenues by streamlining the department's process and computerizing its accounting and other activities. The IMF had

agreed with the government that the administration of the VAT be under the responsibility of the Customs and Excise Department.

- 1.15 The financial management of the Government of Barbados is governed by the Financial Administration and Audit Act of 1985. Pivotal to this management is the Consolidated Fund. Virtually all government cash receipts are deposited into the Fund. They can only be released on the authority of Parliament. Once released they are placed under the authority of the Ministry of Finance.

C. Executing and beneficiary agencies

- 1.16 The Ministry of Finance and Economic Affairs will be responsible for the supervision and coordination of the execution of activities of the program through their Permanent Secretary. The overall financial and economic management of the government is the responsibility of the Ministry of Finance and Economic Affairs. Its chief official is the Director of Finance and Economic Affairs who is responsible for direction and policy formulation and overseeing financial and economic management. Reporting to him are two permanent secretaries one for Finance and the other for Economic Affairs. The Executing Unit of the program would be under the responsibility of the Permanent Secretary for Finance. See Annex I for institutional chart.
- 1.17 There are eight principal units in the ministry that carry out a total of 13 activities. The staff totals 780, of which about 300 are professionals and administrative employees. The description of activities and functions of the different units of the ministry as well as the distribution of staff also appear in Annex I.
- 1.18 The main beneficiary agencies of the Public Expenditure Program are the following:
 - a. Permanent Secretary for Finance. The Permanent Secretary for Finance is responsible for financial management, including the budget. The Budget Division and Expenditure Policy Unit are part of the Permanent Secretariat. The Budget Division is responsible for the technical processes of budget evaluation for the government. The Expenditure Policy Unit is responsible for the releases of funds, by the issue of warrants and other forms of intervention.
 - b. Office of the Accountant General. The Accountant General is the manager of the government's financial information system, responsible for the government's cash management, and for most of its accounting and financial reporting.
 - c. Office of the Auditor General. The Auditor General is essentially the financial watchdog, on behalf of Parliament, over the executive arm of the government. He has virtually unlimited access to any record or person within the government

and some statutory corporations, and can require testimony on oath.

- d. Data Processing Department. All the routine financial data processing and much of the government's accounting and other information is carried out by the Data Processing Department of the Prime Minister's Office. The department has 62 employees, of which approximately 30 are professionals and technical staff, with the remainder as support staff.
- e. The Inland Revenue Department, the Customs and Excise Department and the Land Tax Department are the three revenue collecting entities within the Ministry of Finance and Economic Affairs. Their role, responsibilities, the taxes they administer and general observations regarding their operating procedures are described in Annex I.

D. The request

- 1.19 The Government of Barbados, through the Ministry of Finance and Economic Affairs, submitted to the Bank, on May 3, 1991 a request for a study of the tax administration system and the public expenditure management. As a result the Bank financed a short term technical cooperation ATN/SF-3816-BA and consultants were hired to produce the necessary supporting documentation for the preparation of this plan of operations. This technical cooperation is part of the programmed strategy agreed with the Government of Barbados and the Bank.
- 1.20 Three Bank missions have taken place, September 1991, December 1992 and February 1993, in order to review with the national authorities the diagnostic study and the technical assistance proposal.

E. Bank strategy

- 1.21 The 1992-1995 Bank's strategy was discussed with the government during a programming mission in July 1992. The loan program for Barbados consists of 13 projects with loans estimated at US\$315 million.
- 1.22 The primary focus of the Bank's activities is assistance in the design and implementation of adjustment measures to restore growth and improve the competitiveness of productive sectors. The deterioration of the country's fragile ecosystems, both marine and land, threaten the foundation of the tourism and agricultural sectors. Accordingly, programs to improve the protective infrastructure and natural resource management will remain a high priority for the Bank. Social sector programs will focus on rationalizing and improving the effectiveness of resources currently devoted to these functions.
- 1.23 The CPP also underlines a strong need to strengthen the institutional capabilities of public agencies in order to enhance

policy and program design and implementation, as well as overall government administration. This operation is designed to respond to this last cited objective.

F. Assistance from external agencies

- 1.24 There have been several important efforts by the Government of Barbados and multilateral organizations, to address the deficiencies of the tax and the financial management system. The IMF has been working on the reform of the system of direct and indirect taxation in Barbados. The subject of import duties is being addressed by the World Bank with the national authorities as part of the SAL, within the context of reforms to the trade and tax regimes, including public administration and privatization. The level of commitment and timetable of the GOB to undertake the latter measures have not yet been fully articulated.
- 1.25 With assistance from the IMF in early 1992 the system of direct taxation was reviewed leading to the direct tax reform enacted in July 1992. The review included personal, corporate, stabilization, payroll, and property taxes. In examining proposals for reform of these taxes, special attention was given to the issues of efficiency and competitiveness. The strategy for implementing reform of the direct tax system covers the period 1992-1994 (a gradual approach), and the revenue projections from these measures indicate that revenue neutrality will be achieved in 1992/93.
- 1.26 The review of the indirect tax system was conducted in the second half of 1992 also with direct assistance from the IMF Fiscal Department, and various proposals are presently being analyzed by the Government. Reform of the indirect tax system has as its objectives to eliminate any burden on exports of goods, any burden on the use of capital goods, to eliminate complexity and cascading of tax burdens and the distortion of consumption and production. In addressing the defects of the existing system and the objectives to be achieved, the replacement of the existing consumption tax and services taxes with a value added tax is the strategy being recommended and currently being pursued.
- 1.27 The Bank approved on December 2, 1992, a multisectoral Preinvestment Program to strengthen investment programming and management of project cycle in the public sector. These programs will complement benefit each other from the improvement of the Public Expenditure Management and budgeting system.

II. OBJECTIVES

- 2.1 The Bank's contribution would be to:
 - a. strengthen the Ministry of Finance in the area of fiscal administration by enhancing operational efficiency in the three

revenue collecting agencies of the central government, mainly the Inland Revenue Department, the Customs and Excise Department, and the Land Taxation Department; and assistance in the implementation of tax reform;

- b. improve public expenditure management and control by strengthening the performance of the agencies involved in the preparation, implementation, monitoring and execution of the Budget, specifically the Budget Division and the Office of the Accountant General;
- c. strengthen the Office of the Auditor General in order to be able to implement a "value-for-money" auditing system.

III. PROGRAM DESCRIPTION

- 3.1 To achieve the objectives of this technical cooperation, consultants would be engaged to help the Government of Barbados improve its operational procedures and management capability. 1/ The proposed program consists of four subprograms:

- Subprogram I: Institutional strengthening of the Inland Revenue Department;
- Subprogram II: Institutional strengthening of the Customs and Excise Department and Implementation of the Value Added Tax;
- Subprogram III: Institutional strengthening of the Land Taxation Department;
- Subprogram IV: Institutional strengthening of Public Expenditure Management.

A. Subprogram description and resource requirements

- 1. Subprogram I - Institutional strengthening of the Department of Inland Revenue

- a. Specific objectives

- 3.2 The objective of the proposed subprogram is to: (a) strengthen the ability of the Department of Inland Revenue to discharge its duties of assessing and collecting taxes due to the government on a current basis and in an efficient manner; and (b) successfully implement the direct tax reform enacted in 1992.

1/ International, 344 man/months, and national, 204 man/months.

b. General description and areas of action

- 3.3 The proposed subprogram will provide technical assistance and develop systems and procedures in the following areas: (a) organization, human resources, public relations and management; (b) tax systems and procedures; (c) management information system, MIS; and (d) training.
- 3.4 Organization, human resources, public relations and management. The subprogram will assist in designing and implementing a more modern organizational structure for the Inland Revenue Department. Specific criteria will be developed for a employment- productivity review process and assist in its implementation, and guide the department in establishing a public relations program.
- 3.5 Tax systems and procedures. A policy and procedures manual designed and in use for each operational area (taxpayer masterfile, return processing, storage, retrieval and delinquent system); and recommendations for revision of tax laws and regulations to be made to Parliament. A taxpayer master file with all the information needed to properly identify taxpayers and able to support an effective tax and collection systems with all the programs, procedures and operation manuals needed to maintain and update the master file; an automated current account system capable of providing a record of financial and nonfinancial activity, initiate appropriate collection action, controlling arrangements and providing information on status, age of account, amounts, etc.; redesigned forms, programs, procedures and operation manuals needed for timely and accurate assessment of main direct taxes, of processing and payment and collection. Manuals, computerized systems and procedures for the administration, registration and control of large taxpayers.
- 3.6 Management information systems. The subprogram will assist in the strengthening of the information technology infrastructure of the Inland Revenue Department to accomplish the following goals: (a) restructure the information services group as a separate division; (b) assist in implementing operational policies and procedures for this decentralized information processing environment; (c) assist in the design, development and implementation of computer-based information systems in tax administration and revenue collection; (d) assist with the phase out of the present information system; (e) establish a high-speed synchronous telecommunication link with the Government Data Processing Center (GDPC); (f) provide skills training for the management and technical staff of the new information services division.
- 3.7 At the core of the new information systems will be a relational tax database that integrates all relevant taxpayer data, data for the management of the agency and for the delivery of taxpayer services. The information will include, but will not be limited to, taxpayer masterfiles, general ledger, accounts receivable, accounts payable,

delinquent accounts, accounts in arrears, taxpayer history, legislative information, returns processing, PAYE withholdings information and audit data. Software modules for each of the functions listed will be developed and integrated into a single comprehensive system for the agency.

- 3.8 The information system will be implemented on a networked computer system composed of a mid-range computer, LAN server and several personal computers. This system will be linked with a telecommunications line, to the mainframe computer at the Government Data Processing Center (GDPC) for information exchange between this computing facility and the Inland Revenue Department.
- 3.9 **Training.** In-house training of the tax administration officials and technicians in tax administration, particularly in the area of tax information systems covering the areas of taxpayer master file, return filing/file storage, assessment function, payment processing, current account, collection of direct taxes, and internal auditing. In addition to courses on computer use and operation, a program of visits to selected member countries of the Bank where procedures and satisfactory results have been observed in the area of tax administration. This training will contribute to the effective application of the policies, procedures and management systems introduced with the program.
- 3.10 A detailed list of activities by area to achieve the desired results outlined above is included in Annex II.

c. Resource requirements

- 3.11 **Consulting services 2/.** The subprogram will require the engagement of tax and information system experts for a total of 63 international consultant man months and 72 local consultant months, as follows:
 - a. an international expert in tax administration as technical coordinator for the project for a period of two years. The consultant will have broad experience in modernizing tax administration and provide services in the area of organization, policy and procedures, collection systems and will participate in the design and implementation of tax information systems;
 - b. an international consultant in tax administration with broad experience in the design and management of tax information systems for a period of two years;
 - c. short-term consulting services for up to 15 months covering the following areas: audit techniques and procedures, tax account-

2/ Terms of reference are presented in Annex II.

ing and collection systems, systems and procedures for enforcement, taxroll return processing and storage; and training instructors;

- d. three local analyst/programmers to assist in the design, development and implementation of the computerized tax information systems and the integrated data bases for a period of 24 months each.

3.12 Local counterpart. The Inland Revenue Department will provide the technical and administrative support staff and the necessary materials and facilities for program execution. This staff should be appointed on a full-time basis. This is a condition prior to the first disbursement of this subprogram (see chapter III, section F).

3.13 The local professionals, who will act as counterparts to the experts, will be provided by the Ministry of Finance and will include the following: a subprogram coordinator; one information systems manager (Inland Revenue); four analyst-programmers (Inland Revenue); one Inland Revenue audit manager; two professionals of which one will be a certified accountant and the other will have a degree in accounting and knowledge of tax administration; and a training specialist. The analysts/programmers and the professional accountants will be deployed by the government within six months of the effective date of the technical cooperation agreement.

3.14 Computer equipment and software. The consultants will prepare the computer resource requirements for this program after a detailed analysis of the existing system and other information needs of the department. To the extent possible, software programs and other resources from the current system must be integrated to the new environment to reduce costs. In general, the computer architecture, application programs and the network elements must be technically compatible with the computing equipment of the other agencies in this technical assistance program. Specialized software for tax administration must be purchased and customized to meet the program goals.

2. Subprogram II - Institutional strengthening of the Customs and Excise Department and implementation of the value-added tax

a. Specific objectives

3.15 The objectives of the proposed subprogram are: (a) to improve the efficiency of the Department of Customs and Excise so that more resources may be assigned to enforcement functions; and (b) to prepare the department to administer the proposed value-added tax (VAT) and manage the transition to this new type of taxation.

3.16 The proposed subprogram will:

- a. reorganize the department to include a division which will be responsible for the administration of a value-added tax and

assist in all areas related to its implementation (training, human resource, administrative and computerized systems, equipment);

- b. assist the department in developing enforcement programs for the audit and collection functions related to customs duties, consumption tax, and VAT when enacted;
- c. assist the department in developing a management information system for the VAT and improving the existing management information systems for the remaining taxes under the administration of the Customs and Excise Department.
- d. to increase the efficiency and effectiveness of the department in order to manage more efficiently its personnel resources and to increase the recovery of revenue.

b. General description and areas of action

- 3.17 The proposed subprogram will provide technical assistance and development systems and procedures in the following areas: (a) organization, human resources and publicity; (b) accounting and collection program for customs duties following audits of importers and consumption taxes in arrears; (c) audit programs for customs valuations and consumption taxes; (d) management information systems; (e) administrative activities, tax information systems and procedures for the design, implementation, and maintenance of the administration of the value-added tax.
- 3.18 **Organization, human resources and publicity.** The subprogram will assist in the designing and implementation of a more modern organizational structure for the Customs and Excise Department. The necessary staffing (staffing, recruitment, job descriptions, accommodation and training) will be provided in the establishment of a unit or division for VAT administration; also, support activities to carry out the necessary publicity and education-related tasks for the successful value-added tax implementation process.
- 3.19 **Accounting and collection program for customs duties following audits of importers and consumption taxes in arrears.** Assist with the preparation of functional specifications for computer applications to drive a new accounting and collection system including procedural and policy instructions. Assist this department in proposing improved legislation to facilitate collection including broader powers to garnishee, obtain judgment against property, writs for the sale of property and improved positioning as a creditor and directors' liability for corporate debt.
- 3.20 **Audit programs for customs valuations and consumption taxes.** Develop an audit program including a selection process, procedural

manual for auditors, and a system for measuring the effectiveness of the audit programs.

- 3.21 **Management information systems.** The program will assist with new information technology resources for the agency to accomplish the following goals: (a) establish an information resource management unit for the VAT program; (b) assist in the design, development and implementation of a computer-based information system for VAT tax administration and revenue collection, and (c) provide appropriate skills training for the use and operation of the new systems.
- 3.22 **Computer equipment and software.** The consultants will prepare the computer resource requirements for this program after a detailed analysis of the information needs of the proposed VAT program. From the information needs analysis, the computing architecture, applications and systems development schedule is to be prepared. In general, computer software and hardware equipment must be technically compatible with the computing equipment of the other agencies in this technical assistance program. Specialized software for VAT management must be purchased and customized to meet the needs of the agency.
- 3.23 A detailed list of activities by area to achieve the desired results outlined above is included in Annex III.

c. Resource requirement

- 3.24 **Consulting services 3/.** This subprogram will require the engagement of tax and information system experts for 159 international consultant/months and 48 local consultant/months for varying periods. The World Bank is cofinancing this effort as indicated below.
- a. one international consultant for Audit for 12 months;
 - b. one international consultant for management information system for 12 months;
 - c. one international VAT consultant for 24 months (six months to be covered by the World Bank);
 - d. an international VAT analyst/procedures specialist for 18 months;
 - e. various training specialists for VAT audit, accounting and collections for a total of 9 man/months (4 months to be covered by the World Bank);

3/ Terms of reference are presented in Annex III.

- f. one international VAT information systems expert for 24 months (four months to be covered by the World Bank);
- g. two international analyst/programmers for design and implementation of the VAT computerized system for 24 months each;
- h. two local VAT analyst/programmers for 24 months each;
- i. training for EDP for 3 months;
- j. one international legal VAT expert for 8 months (to be covered by the World Bank);

3.25 **Local counterpart.** The Customs and Excise Department will provide the technical and administrative support staff, and the necessary materials and facilities for this subprogram's execution. The national specialists who will act as counterparts to the program will include the following: one Customs and Excise auditor; four Customs and Excise analyst/programmers. For value-added tax implementation the following personnel will be necessary: approximately 75 persons for the unit or division, of which 17 staff would be absorbed from consumption tax and the incremental administrative staff associated. This staff should be in place as soon as the VAT is operational, in accordance with progress made in the implementation of the subprogram. The designation of the director for value-added tax implementation is a necessary condition for project initiation for these consultancies (see chapter III, section F). Furthermore, publicity is considered an essential element for successful implementation of a new tax. Therefore, resources will be required for the production of pamphlets, TV, radio, newspaper announcements. The World Bank will be contributing with a US\$352,000 grant to finance 24 consultant-months to support the implementation of the VAT as described in this document.

3. Subprogram III - Institutional strengthening of the Land Taxation Department

a. Specific objectives

3.26 The specific objectives of the proposed subprogram are: (a) to improve the efficiency of the Land Tax Department so that more resources may be assigned for the proper documentation of property ownership; (b) the development of a management information system for monitoring the effectiveness of the administration; and (c) to provide easier access to information so that the department may be able of improve its service to the public and its liaison with the Land Registry Office.

b. General description and areas of action

3.27 The proposed subprogram will include activities in the area of data processing and in the area of accounting and collections.

- 3.28 **Accounting and collections.** An analysis of the current processing functions which are partly computerized will be carried out and a simplification of the various activities eliminating non-productive activities and improving the accuracy of accounting records. Procedural and policy manuals will be developed and training of the new information system so that staff may be able to perform their duties more effectively.
- 3.29 **Management information system.** The program will assist the Land Tax department to achieve the following information technology goals: (a) introduce information technology into several manual work processes of the agency; (b) establish a new information resource management unit; (c) assist in the design, development and implementation of computerized information systems in land valuations and collections; and (d) provide skills training for the technical staff of the new information services unit.
- 3.30 The development of MIS will be executed in a phased modular manner, and on-the-job training will be carried out by international and local consultants to ensure adequate transfer of technology and timely utilizations of the applications developed and implemented. Given that the transition from manual to computerized information systems will involve the upgrading of present skills and functions of land tax personnel, particularly in the areas of audit and collection, specialized training will be provided. Furthermore, personnel currently performing manual tasks will have to be redeployed to other public sector activities. This subprogram will support the retraining necessary for this staff.
- 3.31 A detailed list of activities by area to achieve the results outlined above is included in Annex IV.

c. Resource requirement

- 3.32 **Consulting services.** The subprogram will require the engagement of an international tax analyst-programmer with broad experience in land taxation for a period of 24 months. One local tax analyst-programmer will be hired for 24 months. The terms of reference for this consultant are included in Annex IV.
- 3.33 **Local counterpart.** The Land Tax Department will designate a coordinator responsible for this subprogram (see chapter III, section F) and will provide the technical and administrative support staff as well as the necessary materials and facilities for subprogram execution. Within six months of project execution two analyst/programmers will be assigned to this department by the Ministry of Finance. The Government Data Processing Center (GDPC) will present a schedule of system development resources to the Land Tax Department for the fulfillment of the latter department's programme needs. The report will be submitted annually for approval by the Ministry of Finance and Economic Affairs, and the Bank. One

should be a senior analyst. The profiles and terms of reference of these professionals appear in Annex IV.

- 3.34 Computer equipment and software. The consultants will prepare the computer resource requirements for this program after a detailed analysis of the information needs of the land valuations and collections program. From the information needs analysis, the computing architecture, applications and systems development schedule is to be prepared. In general, computer software and hardware equipment must be technically compatible with the computing equipment of the other agencies in this technical assistance program. Specialized software must be selected and customized to meet the information needs of the agency.
- 3.35 Prior to the arrival of the international consultants for this subprogram, the collection section should have physically moved to the new offices of the land tax building (The National Insurance Office Building). This requirement is essential to facilitate the hook-up of computers and the execution of the subprogram.
- 3.36 In order to ensure adequate resource allocation of systems-development staff time from the Government Data Processing Center (GDPC), an agreement to this effect should be subscribed by the Land Tax Department and the GDPC. This agreement should be presented to the Bank prior to the initiation of services of the MIS international consultants.

4. Subprogram IV - Strengthening of public expenditure management

a. Specific objectives

- 3.37 The specific objectives of this subprogram are to:
 - a. support the Ministry of Finance in all the areas required to produce a multi-year financial strategy that would cover existing sources of revenue and expenditure, as well as new capital and current revenues and expenditures arising from the development strategy;
 - b. improve the existing program budgeting system in the Ministry of Finance, the line ministries, and other institutions of government, in order to make the budget a functional means of implementing public policy and development plans;
 - c. improve the capacity of statutory corporations and other public institutions to produce budgets that are compatible with the program budgeting system adopted for the government, in order to meaningfully consolidate the budget of the nonfinancial public sector;

- d. provide the Office of the Accountant General with adequate policy and operations support to facilitate the processing of the transactions against the Consolidated Fund;
- e. support the Office of the Auditor General to implement a value-for-money auditing system, in order to make public organizations accountable not only for financial management, but also for their performance and results obtained, for the entire nonfinancial public sector;
- f. implement a management information system to link the formulation, execution, and evaluation modules of budget management, as well as the unit responsible for public credit and debt monitoring. A complementary managerial information system to monitor the budget cycle will be also developed, serving the Ministry of Finance, Accountant General, and Auditor General;
- g. identify training programs for key government officials involved with the financial management system.

b. General description and areas of action

- 3.38 The proposed subprogram will provide technical assistance and develop systems and procedures in the following areas: (a) budget formulation; (b) budget execution; and (c) auditing.
- 3.39 **Budget formulation.** A complete program budgeting system, incorporating all the required programmatic categories and performance indicators; computerized information exchange and processing between the spending agencies and the Ministry of Finance, and within the Ministry of Finance; trained human resources in all the relevant areas of public financial management in the spending agencies and in the Ministry of Finance.
- 3.40 **Budget execution and accounting.** A reliable system of execution programming, through a strengthened warrant compliance mechanism (See Annex I, page 13). A reliable system of budgetary execution, through a systematic process of approval and issue of payable orders. Computerized information exchange between the Accountant General's Office and the spending agencies, the Ministry of Finance, and the Data Processing Department, guaranteeing that all transactions against the Consolidated Fund be carried out in real time. Automated processes of report generation.
- 3.41 **Auditing.** Improved auditing procedures that enable performance, as well as stewardship auditing. An expanded scope of action of the Auditor General, to include all statutory corporations as well as the government agencies. Computerized information exchange with the components of the budget cycle for effective monitoring of public expenditure.
- 3.42 **Management information systems.** The program will assist in the strengthening of the information technology resources of the

Ministry of Finance, Accountant General, Auditor General and 12 spending agencies to accomplish the following goals: (a) establish information resource management units in each agency; (b) assist in the design, development and implementation of computer-based information systems in budget formulation, execution and audit; (c) establish telecommunication links between agencies and the Government Data Processing Center for data transfer, and (d) provide appropriate skills training for the use and operation of the new systems.

- 3.43 A detailed list of activities by area to achieve the desired results outlined above is included in Annex V.

c. Resource requirements

- 3.44 Consulting services 4/. This subprogram will require the engagement of financial management experts, 98 man/months of international consultants and 60 man/months of local consultants, for varying periods as follows:

- a. an international expert in financial management who will be the project technical coordinator for a period of 18 months;
- b. an international expert on accounting/management information systems for a period of 12 months;
- c. an international systems analyst for a period of 18 months;
- d. an international expert specialized in "value for money" auditing for a period of 12 months;
- e. an international expert on budget management for a period of 18 months;
- f. up to 8 months of short-term consultancy on financial planning;

- 3.45 Local counterpart. The Office of the Permanent Secretary of Finance will provide the technical and administrative support staff, and the necessary materials and facilities for program execution. The national specialists who will act as counterpart to the experts will be provided by the Ministry of Finance and will include the following: a subprogram coordinator, a legal advisor, one senior and one junior systems analyst, the budget specialists from the budget division; a training coordinator; four accountants; a local consultant with experience in accounting/MIS systems, for a period of 12 months, and two local systems analysts to assist in the design and implementation of the management information system for a period of 12 months each, (see chapter III, section F). If the decision is made to go ahead with value-for-money audit, upon

4/ Terms of reference for the consultants are included in Annex V.

legislative approval of value-for-money auditing one additional analyst-programmer would be required.

- 3.46 Computer equipment and software. The consultants will prepare the computer resource requirements for this program after a detailed analysis of the information needs of the proposed revised budget process. From the information needs analysis, the computing architecture, applications and systems development schedule is to be prepared. In general, computer software and hardware equipment must be interoperable with the computing environment of the other agencies in this technical assistance program. Specialized software for budget management must be purchased and customized to meet the needs of the agencies.
- 3.47 Annex VI lists the equipment to be purchased for the program, using the Bank's financing. It also lists the training equipment for execution of the training and instruction component. This equipment will be acquired in stages, in accordance with the implementation schedule envisaged for the different systems being developed in the subprograms, and following the Bank's norms and procedures.

B. Program execution

1. Executing agency

- 3.48 The Office of the Director of Finance at the Ministry of Finance and Economic Affairs will have overall responsibility for program execution. A program coordinator will be appointed and appropriate administrative support will be assigned. This is a condition prior for first disbursement. The executing agency for subprogram I will be the Inland Revenue Department, for subprogram II the Customs and Excise Department, and for subprogram III the Land Tax Department. Overall execution for subprograms I-III shall be channeled through the respective commissioner of each of these departments. For the public expenditure subprogram the Office of the Permanent Secretary shall appoint a coordinator through their office which would have the responsibility to monitor program execution. The counterpart staffing requirements will be fulfilled through reassignment of existing staff, redeployment, of staff in other departments or through hiring of new staff.
- 3.49 A high-level Steering Committee will be established to provide policy guidelines, approve the work plans, review and approve the progress reports presented by the specialized agencies and conduct periodic evaluations of the program. It will meet at least every quarter. The committee will be chaired by the Permanent Secretary of Finance, and will consist of the Accountant General, the programme coordinator, and the chief of the Government Data Processing Center, and representatives of the specialized agencies for each subprogram. The program coordinator will act as secretary to this committee. Heads of the support organs and other staff involved in the revenue collection and public expenditure

management will participate at the chairman's request. The creation of the Steering Committee is a condition prior to first disbursement. See paragraph 3.68

2. Specialized agency

- 3.50 Technical support for the execution of subprograms I-III will be the responsibility of a specialized agency, the Inter-American Center of Tax Administrators (CIAT), to be contracted by the Ministry of Finance within 60 days pursuant to the agreement to be signed by the Government of Barbados and the Bank. Each subprogram will be implemented independently thereby permitting flexibility in each subprogram's rate of execution. CIAT will be responsible for contracting and paying the consultants, the selection and procurement of equipment and other pertinent administrative actions, in accordance with Bank rules and regulations. The consultants assigned by the specialized agency will provide management and technical advice to the staff of the respective executing unit. Annex VII contains the terms of reference of the specialized agency. The list of consultants should be presented for GBA's and the Bank's consideration and approval within 30 days of the date of the signing of the services contract by CIAT.
- 3.51 The World Bank, through the IDF Fund, will contribute to support the VAT implementation with a US\$352,000 grant. The consultants to be financed (24 man/months) with these funds are part of the international team proposed under subprogram II and would be hired through CIAT.
- 3.52 CIAT is a nonprofit public international organization, established in 1967. Between 1983 and 1992 CIAT successfully executed the first stage of the RUC/CC program (taxpayer master file - current account system) in the Central American countries, Panama and the Dominican Republic (ATN/SF-2231-RE), the first stage of the RUC/CC program in Uruguay and the second stage of Honduras. CIAT is currently acting as the specialized agency for ongoing Bank-financed projects in Bahamas, Ecuador, El Salvador, Nicaragua, Panama, Peru, the Dominican Republic, Suriname, Uruguay, Venezuela, and two regional training projects for senior tax administrators in Jamaica and Venezuela.
- 3.53 CIAT is highly capable given its accumulated experience and track record. CIAT has a multi-disciplinary approach so that it can present the tax authorities with a choice of the best available consultants in the area. Owing to the scope and nature of the consulting services, contracting CIAT in this case has an advantage over hiring independent consultants or consulting firms, in that the latter generally lose ongoing contact with the countries' tax administration agencies once their work has been completed. On the contrary, the ongoing relationship between CIAT and its member countries means it can formally and informally monitor activities in which it has been involved and continue to provide advice to tax administrations once programs are completed. Based on an analysis

of its institutional and technical capacity, and of other activities it will be carrying out over the next three years, CIAT has the capacity to satisfactorily execute the proposed technical cooperation.

- 3.54 CIAT will assign a technical coordinator for each subprogram to be in charge of the coordination of the agency/firm personnel and provide advisory, technical direction and support services to the Permanent Secretary of Finance in all matters related to the program. Program planning and execution will be prepared as described in the following section. The work plans produced will assign tasks to different work teams and will draw up the work and execution schedules that are to be pursued as the frame of reference for monitoring and evaluating the execution of the program. Each agency will procure the computer equipment and software necessary for the program through the specialized agency, in accordance with IDB's procurement rules.

3. Consulting firm

- 3.55 To carry out the subprogram on public expenditure a consulting firm will be contracted based on Bank's norms and procedures.

4. Bank supervision

- 3.56 The IDB will supervise this program through the Country Office in Barbados. It will also be necessary to field periodic review missions from headquarters. These should coincide with important junctures in the execution of the program and with meetings of the steering committee for the program.

C. Reports

- 3.57 The specialized agency and the consulting firm will prepare the following reports, submitting them to the Office of the Financial Secretary for review, approval and subsequent presentation to the Bank:
- 3.58 **Initial report.** To be presented within 60 days of the beginning of activities. It will consist of: (a) a general work plan that will include measurable objectives and specific expected results for each semester of the operation; (b) tentative benchmark indicators for each subprogram that would be utilized in measuring the subprograms' progress and performance success in improving the tax administration and public expenditure management; (c) a description and overall timetable of activities, an operation-wide budget, and a procurement plan; (d) a detailed timetable for the activities to be carried out during the first semester of the operation, as well as a description of resources required; (e) the agencies' methodology to be utilized for project supervision; (f) detailed terms of reference for international and local consultants to be hired during the first semester, in addition to a procurement

program listing equipment to be purchased for that semester if applicable; and (g) the necessary training linked to the execution of each subprogram.

- 3.59 **Quarterly progress reports.** To be presented within 30 days after each end of quarter and containing: (a) an evaluation of the previous work program conducted by the specialized agency in the immediately preceding period in each area of activities, including a description of compliance with the programmed and agreed upon schedule and outputs; (b) comments on achievements or shortcomings and formulation of recommendations to the Ministry of Finance and the Bank; (c) a cost summary of consultants hired, equipment purchased, and other expenses incurred by the operation; (d) programming and timetable of activities to be performed during the next quarter and, if deemed necessary, proposed new activities that could complement and strengthen those already scheduled; (e) an estimate of resources needed for the next quarter; (f) any other work performed outside the terms of reference; (g) additional revenue collected resulting from implementation of the subprograms should be included; and (h) review compliance with benchmark indicators established in the initial report.
- 3.60 **Final report.** To be presented 30 days after the date of the last disbursement. With the same format as the semiannual progress reports, it should summarize the activities carried out and the results obtained in comparison with the objectives and results originally programmed, along with a detailed cost summary per component and area of activity, and a description of all equipment purchased with IDB financing which should be formally transferred to the Ministry of Finance.
- 3.61 The Ministry of Finance, through its Office of Permanent of Finance, shall submit to the Bank the following reports:
- 3.62 **Mid-term report.** Halfway after the effective date of initiation of activities. The report would describe the results achieved in the mid-term evaluation cited in paragraph 5.2, as well as progress in the activities of the program and any changes that might be deemed necessary for the remaining half of the execution period to ensure the subprogram meets with the completion of its stated objectives.
- 3.63 **Annual financial reports.** Within 90 days of the close of each project fiscal year, plus a final report within three months of the final disbursement. All financial reports would be duly audited by an independent accounting firm approved by the Bank.
- 3.64 **An ex-post evaluation report,** to be presented two years after presentation of the final report. It should discuss the impact and dissemination of the program's results (see Evaluation Section).

D. Cost and financing

- 3.65 The total cost of the program would be the equivalent to US\$10,667,200. The Bank would finance US\$8,100,000 from its ordinary capital. The World Bank will finance US\$352,000, with grant resources from the IDF. The local counterpart resources amount to 21% of the total cost of the program, or US\$2,215,200. An itemized budget is contained in the annex of each subprogram. A consolidated cost table is presented here:

CONSOLIDATED BUDGET BA-0035					
CATEGORIES	IDB	WORLD BANK	LOCAL COUNTERPART	AMOUNT	%
A. SUBPROGRAM I (R)	1,903,500		360,000	2,263,500	21%
1. Specialized Agency 1/	1,253,500			1,253,500	
1.1 Honoraria	1,019,700			1,019,700	
2. Equipment	590,000			590,000	
3. Local Personnel			360,000	360,000	
4. Fellowships & Training	50,000			50,000	
5. Publications	10,000			10,000	
B. SUBPROGRAM II (C&E/VAT)	2,107,100	352,000	1,500,000	3,959,100	37%
1. Specialized Agency 1/	1,640,100	352,000		1,992,100	
1.1 Honoraria	1,381,300	352,000		1,733,300	
2. Equipment	417,000			417,000	
3. Local Personnel			1,500,000	1,500,000	
4. Fellowships & Training	20,000			20,000	
5. Publications	30,000			30,000	
C. SUBPROGRAM III (LT)	484,000		106,800	590,800	6%
1. Specialized Agency 1/	338,400			338,400	
1.1 Honoraria	278,400			278,400	
2. Equipment	95,600			95,600	
3. Local Personnel			76,800	76,800	
4. Fellowships & Training	50,000			50,000	
6. General Support			30,000	30,000	
D. SUBPROGRAM IV (PEM)	2,128,100		85,000	2,213,100	21%
1. Consulting Firm 2/	1,661,000			1,661,000	
1.1 Honoraria	664,400			664,400	
2. Equipment	407,100			407,100	
3. Local Personnel					
4. Fellowships & Training	60,000			60,000	
6. General Support			85,000	85,000	
E. UNALLOCATED COSTS	1,477,300		163,400	1,640,700	15%
98. Contingencies	605,300		71,400	677,700	
Interest 3/	791,000			791,000	
Commission			92,000	92,000	
Inspection & Superv.	81,000			81,000	
TOTAL AMOUNT	8,100,000	352,000	2,215,200	10,667,200	100%
Percentage	76%	3%	21%	100%	
1/ Includes 14% overhead on investment category 1.1 2/ Includes 150% overhead on investment category 1.1 3/ Ordinary Capital (7%)					

E. Execution and disbursement periods

- 3.66 The technical cooperation will be carried out over a period of 30 months. The final disbursement will be scheduled 36 months from the effective date of the agreement between the Bank and the Ministry of Finance.

F. Administration of disbursements

- 3.67 Disbursements from the Bank's contribution would be administered by the Ministry of Finance through the Office of the Secretary for Finance. To that end, the Bank may set up a revolving fund in the amount of up to 10% of the total IDB contribution if requested by the Ministry of Finance. The revolving fund shall be replenished pursuant to the Bank's procedures for this purpose, and the executing agency will be required to present a written request, accompanied by a breakdown of expenses incurred chargeable to the Bank's contribution.
- 3.68 The conditions precedent for disbursements for the program and for each subprogram are the following:
- a. for the initiation of each of the subprograms I, II and III, the contract of services subscribed with CIAT and the subscribed contract with a consulting firm for subprogram IV;
 - b. designate, on a full-time basis, a general program coordinator and support staff in the Office of the Permanent Secretary for Finance;
 - c. creation of a high-level Steering Committee.
- 3.69 Prior to the initiation of works by the specialized agency and/or consulting firm, the Executing Agency should present evidence of the appointment of the following local counterpart staff, on a full-time basis, for each subprogram:
- (i) Subprogram I. Inland Revenue: one project coordinator, one information systems manager, and one training specialist;
 - (ii) Subprogram II. Customs and Excise and VAT: designation of a VAT director in the Customs and Excise Department; four Customs and Excise analyst-programmers;
 - (iii) Subprogram III. Land Tax: designations of a subprogram coordinator; and

- (iv) Subprogram IV. Public Expenditure Management: designation of a subprogram coordinator, a legal advisor, one senior analyst, one junior analyst, budget specialists, a training coordinator, six accountants.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The proposed program is a fundamental element of the adjustment measures that the Government of Barbados has begun to implement. It is a tax reform which is revenue-neutral and diversifies the tax base. It will also implement trade reform. This program addresses both the revenue as well as the expenditure side of the fiscal equation.
- 4.2 The main benefit of the expenditure management system is the sound decision making process that it will allow through the provision of timely, reliable and complete public sector financial information, as well as by the strengthening of the organization, systems and staff capabilities in the areas of budgeting, accounting, and audit.
- 4.3 The utilization of computer technology and the information systems strategy being proposed within the Ministry of Finance and the training planned for this program will equip the staff to participate effectively and efficiently in the improvement of the Revenue Collection Entities.

B. Risks

- 4.4 Project risks. The Inland Revenue Department is the only agency among the four beneficiary agencies of this technical operation, that faces risks associated with the transition from an operational information system to a new system. Errors in the transition phases can adversely affect the performance of the department in the short term. To minimize this risk, the Steering Committee and the project coordinator must closely monitor all phases of this process.
- 4.5 The present program comprises several agencies of the Ministry of Finance and there is a general risk of slow implementation due to difficulties in the opportune deployment of staff that will need to be retrained or transferred and the designation of new qualified staff as needed by the program. To minimize these risks, subprograms were designed where bottlenecks in the execution of one subprogram would not hinder or affect the others. Allocation of resources has been made for the training of staff to facilitate the transition and adequate deployment of staff. Furthermore, the organizational structure for program execution includes a high-level Steering Committee, national coordinators for each

subprogram, and the specialized agency's consultative group to provide guidance and follow-up to insure proper and timely execution.

V. EVALUATION

- 5.1 The program will be evaluated focussing in particular on the program's objective (Chapter II) and activities and results (Chapter III and Annexes II-V). The following paragraphs describe the evaluations to be conducted.
- 5.2 **Mid-term review.** Within 15 months of the date of effective initiation of activities of the program. The purpose of this mid-point review would be to ascertain the progress of the project, the results obtained, any difficulties and discrepancies that may exist in the project execution, and proposed recommendations for solutions thereto (see paragraph 3.57 and 3.64). The mid term review will update and refine the performance and progress indicators. If this review would show the objectives are not being attained, the Bank may suspend disbursements. The mid term review will also report on the World Bank and IMF tax studies, with emphasis on Inland taxation policy.
- 5.3 **Final.** At the end of the execution, the Office of the Permanent Secretary of Finance would perform an evaluation of project activities as a part of its final report. The Bank would assist in this purpose through its fiscal unit which would provide technical support directly or would provide the consultancy services required. The final report will measure the effect of the operation on government tax revenue; look into the improvements in the operations and technical structure of the revenue collection and public expenditure in Barbados, and look into the performance of the officials who were trained through the program. An evaluation of the performance of the specialized agency will also be included. Emphasis will be placed on the difficulties encountered during the project execution and the ways they were resolved, a comparison of the results obtained through the operation with those first proposed, with an explanation of the disparity between the two; and, most specially, the actions taken within the Ministry of Finance as a result of the technical assistance provided.
- 5.4 **Ex-post evaluation.** At the end of the second year after program execution is completed, the Office of the Secretary for Finance will conduct an ex-post evaluation to determine the results achieved during that period, particularly in regard to revenue collection, the reduction of noncompliance, enforcement actions, and the use made of the tax information system developed under the program. It will also draw up an inventory to update the location of the various national counterparts and compile a list of the persons who received training during program execution.

FISCAL STRUCTURE OF BARBADOS

Table 1

	1980	1981	1982	1983	1984	1985	1986
Revenues and Grants	420.8	446.8	486.1	545.9	560.4	639.4	682.7
Total Revenue	20.8	446.8	486.1	545.9	560.4	639.4	682.7
Current Revenue	420.8	446.8	486.1	545.9	560.4	639.4	682.7
Tax Revenue	373.0	394.3	429.4	479.0	490.0	586.3	605.2
Direct Taxes	184.3	181.3	224.0	223.5	213.0	259.4	231.2
Income, Profits,	158.7	166.1	189.8	198.8	189.2	198.9	173.0
Capital Gains							
Payroll & Work Force	5.2	-2.1	-1.0	-0.1	0.0	17.4	24.8
Property	20.4	17.3	35.2	24.8	23.8	43.1	33.4
Other (Stabilizat.)	-	-	-	-	-	-	-
Indirect Taxes	188.7	213.0	205.4	255.5	277.0	326.9	374.0
Sales & Production	97.9	115.7	127.5	141.3	158.3	166.0	190.1
External Sector	86.3	91.9	73.4	90.4	84.2	94.6	108.3
Other	4.5	5.4	4.5	23.8	34.5	66.3	75.6
Non Tax Revenue	47.8	52.5	56.7	66.9	70.4	53.1	77.5
Grants	-	-	-	-	-	-	-
Total Expenditures	471.9	628.5	585.9	633.4	656.4	741.7	821.9
Current Expenditures	371.6	442.0	461.5	486.2	532.6	609.5	641.5
Goods & Services	212.2	239.1	256.7	282.5	299.9	347.2	379.1
Wages & Salaries	162.8	180.3	198.3	225.9	239.4	278.4	307.3
Goods	49.4	58.8	58.4	56.6	60.5	68.8	71.8
Interest Paym.on Debt	25.2	33.5	74.6	59.0	61.7	68.3	73.3
Domestic	15.3	21.6	55.9	36.9	38.3	40.6	32.7
Foreign	9.9	11.9	18.7	22.1	23.4	27.7	40.6
Transfers & Subs.	134.2	169.4	130.2	144.7	171.0	194.0	189.1
Capital Expendit. &							
Net Lending	100.3	186.5	124.4	147.2	123.7	132.2	180.4
Capital Expendit.	102.6	186.4	124.2	121.4	122.9	137.2	177.2
Total Investment	68.5	127.5	71.1	70.3	84.1	97.6	136.6
Capital Transfers	34.1	58.9	53.1	51.1	38.8	39.6	40.6
Financial Invest.							
& Net Lending	-2.3	0.1	0.2	25.8	0.8	-5.0	3.1
Net Lending	-2.3	0.1	0.2	25.8	0.8	-5.0	3.2
Current Account Savings	49.2	4.8	24.6	59.7	27.8	29.9	41.2
Overall Balance (-Deficit)	-51.1	-181.7	-99.8	-87.5	-95.9	-102.3	-139.3
Fiscal Deficit							
Financ.	51.1	181.7	99.8	87.5	95.9	102.3	139.3
Domestic Financing	8.8	72.3	58.2	35.1	57.4	3.8	33.5
Foreign Sources	51.8	95.4	27.6	60.4	17.9	102.9	109.6
Cash Balance	-9.5	14.0	14.0	-8.0	20.6	-4.4	-3.8
GDP (million of Barbados dollars)	1730.6	1904.6	1990.0	2112.7	2302.8	2409.9	2646.0

Sources: Central Bank of Barbados and Ministry of Finance.

	1987	1988	1989	1990	1991	Prel. 1992	1992
Revenues and Grants	737.0	896.1	1002.2	944.0	1026.5	985.1	1005.4
Total Revenue	737.0	896.1	1002.2	944.0	1026.3	985.1	1005.2
Current Revenue	737.0	896.1	1002.2	944.0	1026.3	985.1	1005.2
Tax Revenue	632.5	767.3	923.3	872.6	959.0	916.5	924.4
Direct Taxes	202.6	304.4	387.4	379.1	443.6	437.0	444.9
Income, Profits, Capitals Gains	133.2	186.3	252.2	254.0	272.3	295.4	245.4
Payroll & Work Force	36.8	77.2	84.1	85.9	93.0	88.2	96.2
Property	32.6	40.8	51.0	39.1	60.3	53.4	53.4
Other (Stabilizat.)	-	-	-	-	18.0	-	49.9
Indirect Taxes	429.9	462.9	536.0	493.6	515.5	479.5	479.5
Sales & Production	217.6	260.0	311.9	283.7	318.9	327.1	327.1
External Sector	117.8	118.2	130.4	112.3	101.1	145.8	70.6
Other	94.5	84.7	93.7	97.6	95.5	6.6	81.8
Non Tax Revenue	104.5	128.8	78.9	71.4	67.3	68.6	80.8
Grants	-	-	-	-	0.2	-	0.2
Total Expenditures	890.0	965.9	1028.2	1175.4	1096.6	1021.1	1083.7
Current Expenditures	701.3	757.7	847.9	938.0	934.4	912.4	974.8
Goods & Services	419.9	436.5	504.6	553.5	540.4	490.5	506.4
Wages & Salaries	345.0	353.6	409.2	446.4	432.5	397.1	307.0
Goods	74.9	82.9	95.4	107.1	107.9	93.4	109.4
Interest Paym.on	98.5	109.5	112.4	134.4	151.2	188.1	182.7
Debt	45.6	45.5	58.1	72.7	99.5	-	128.2
Domestic	52.9	64.0	54.3	61.7	51.7	-	54.5
Foreign	182.9	211.7	230.9	250.1	242.8	233.8	285.7
Transfers & Subs.	188.7	208.2	180.3	237.4	162.2	108.7	108.9
Capital Expendit. & Net Lending	181.5	174.7	177.6	240.0	154.4	91.6	91.7
Capital Expendit.	121.9	177.6	117.6	154.7	n.a	69.2	n.a.
Total Investment	59.6	57.1	60.0	85.3	n.a	22.4	n.a.
Capital Transfers	7.3	33.5	2.7	-2.6	7.8	17.1	17.2
Financial Invest. & Net Lending	7.3	33.5	2.7	-2.6	7.8	17.1	17.2
Net Lending							
Current Account Savings	35.7	138.4	154.3	6.0	91.9	72.7	30.4
Overall Balance (-Deficit)	-153.0	-69.8	-26.0	-231.4	-70.1	-36.0	-78.3
Fiscal Deficit	153.0	69.8	26.0	231.4	70.1	36.0	78.3
Financ.							
Domestic Financing	57.4	24.8	8.5	255.9	71.3	154	154.6
Foreign Sources	139.3	82.1	27.3	-8.5	5.1	-85.7	-85.7
Cash Balance	-43.7	37.1	-9.8	-16.0	-6.3	-32.3	9.4
GDP (million of Barbados dollars)	2913.7	3099.2	3427.0	3440.3	3392.6	3166.0	3166.0

THE NON-FINANCIAL PUBLIC SECTOR
OF BARBADOS

I. GOVERNMENT

- 1.1 Unlike other countries where divisions of government into central, regional, and local administrations are required, Barbados has only a central core of government, equivalent to a central government. This core of ministries and other institutions is comprised in the following way:

1. Governor-General
2. Judiciary
3. Parliament
4. Prime Minister's Office
5. Cabinet Office
6. Ministry of Civil Service
7. Ombudsman
8. Audit
9. Ministry of Finance and Economic Affairs
10. Ministry of Agriculture, Food and Fisheries
11. Ministry of Justice and Public Safety
12. Attorney General
13. Ministry of Education
14. Ministry of Foreign Affairs
15. Ministry of Health
16. Ministry of Housing and Lands
17. Ministry of Community Development and Culture
18. Ministry of Labour, Consumer Affairs and the Environment
19. Ministry of Trade, Industry and Commerce
20. Ministry of Public Works, Communications and Transportation
21. Ministry of Tourism and Sports

II. REVENUE COLLECTION ENTITIES WITHIN THE MINISTRY OF FINANCE

A. Inland Revenue Department

1. General observations

- 2.1 The Inland Revenue Department is a department of the Ministry of Finance and Economic Affairs. It is headed by the Commissioner of Inland Revenue who reports directly to the Permanent Secretary-Finance. The present allocation of staff to Inland Revenue Department is one hundred fifty seven.

2. Mandate

- 2.2 The Department has a written mandate which follows:

a. General objectives

- (i) to encourage voluntary compliance with the requirements of the tax laws;
- (ii) percentage of all categories of taxpayers and also by applying legal sanctions where necessary;
- (iii) to administer the tax laws fairly and impartially, as well as with diligence, firmness, courtesy and efficiency;
- (iv) to maximize tax collection; and
- (v) to maintain the highest level of integrity so as to ensure public confidence in the tax system.

b. Role and responsibilities

- 2.3 The Department of Inland Revenue is responsible for the administration of specific tax laws directed mainly towards the collection of taxes for the government to enable it to meet the costs of providing social services for the benefit of the entire Barbadian community.
- 2.4 Other laws which have the objective of promoting economic development are also administered. Thus , the department which is one of government's main revenue collection agencies plays a very significant role in assisting government in realizing its fiscal policies.

c. Taxes and laws administered

Income Tax Act (including Corporation Tax);
Public Entertainments Act 1985;
Part of Hotel Aids Act (Incentive Legislation);
Petroleum Winning Operations Taxation Act;
Part of Industrial Development (Export Industries) Act
(Incentive Legislation);
International Business Companies (Exemption form Certain Taxes) Act;
Industrial Incentives (Factory Construction) Act
(Incentive Legislation);
Fiscal Incentives Act;
Hotel and Restaurant (Sales Tax) Act;
Airline Service Business Tax;
Part of Barbados Telephone Company (Amendment) Act
(Tax on rents \$1,000 and over);
Service Tax Act (Tax on proceeds derived from boat cruises);
Part of Shipping (Incentives) Act, 1982-39;
Part of Banks (Tax on Assets) Act, 1983-1;
Part of Tax on Remittances Act, 1983-22;
Travel Ticket Tax Act, 1984-2;
Tax on Quarriable Minerals Act, 1985-22;
Stabilization Tax Act 1991-9;
Companies Stabilization Tax Act 1991-22;

B. Customs and Excise Department

1. General observations

- 2.5 The Customs and Excise Department is a department of the Ministry of Finance and Economic Affairs. It is headed by the Controller of Customs who reports directly to the Permanent Secretary - Finance. The present allocation of staff to the Customs and Excise Department is 346.

2. Mandate

- 2.6 The Department's mandate was written while the study was in progress and is attached.

3. Management information systems

- 2.7 Although a variety of reports are prepared and management meetings held there is no formal system in place to measure the quantity and quality of work performed by working level staff and to measure the elapsed time necessary to complete tasks. Further, systematic reporting of such items as revenue collections, arrears and costs are not in place.

4. Value added tax

- 2.8 Should the Government of Barbados proceed with the implementation of a Value Added Tax, as has been recommended by the International Monetary Fund, it should be administered by the Customs and Excise Department at least in the initial years of its administration.
- 2.9 The reasons for this are as follows: (a) it will replace the Consumption Tax presently administered by the Department; (b) the senior staff have done some planning regarding the potential changes; (c) the Department is well-managed and has the confidence of its present clients; and (d) the Inland Revenue Department does not want the responsibility and at present could not be expected to achieve successful implementation.
- 2.10 Transfer of knowledge and technology to the Controller of Customs and his management team is needed, particularly with respect to auditing values reported by importers on customs declarations and the calculations of manufacturers who pay the present consumption tax. In addition, a vigorous program to collect the duties and taxes in arrears is needed.

C. Land Tax Department

1. General observations

- 2.11 The Land Tax Department is a department of the Ministry of Finance and Economic Affairs. It is headed by the Commissioner of Land Tax who reports directly to the Permanent Secretary - Finance. The organization reflects an allocation of staff of 98. The Department is divided into two major subdivisions. One, the Valuation Division, headed by the Deputy Commissioner of Valuations and two, the Collection Division, headed by the Senior Accountant. Both Officers report to the Commissioner.

a. Mandate

- 2.12 The Department does not have a written Mandate or Mission statement that has been disseminated to its employees.

b. Management information systems

- 2.13 In order for the Department to become more efficient, computer applications are necessary to improve and track land transfers from the original large parcels but more importantly to greatly improve the accuracy and timeliness of accounting, billing and payments. There are none in place.

c. Valuation Division

- 2.14 There are approximately 80,000 parcels of land in Barbados. These are properly mapped and identified for valuation and assessment purposes. The computer system, operated entirely by the government Data Processing Department, has a master file for the 80,000 parcels. The data stored in that file includes the geographic location of the land, the owner's name and address, the dimensions of the land and the most recent valuation.
- 2.15 Within the 80,000 parcels of land, which are mapped, identified, and on the computer master file, there are parcels of land which have been subdivided, mainly by family members without benefit of a proper legal conveyance. As these subdivisions without legal conveyance are not recorded, tax bills generated by the computer are directed to the owner of record. Periodically, as might be expected, these owners of record ask for and receive adjustments to tax paid or billed.
- 2.16 Computer application for valuation would accomplish the following goals:
- a. Establish, as part of the master file, the identity of what would be described as the original large parcels of land granted or otherwise conveyed to the original owners of the land (i.e. the large estates).
 - b. From the base data described in (i) above, track the conveyance from the large original parcels of land through each subsequent subdivision of the land to provide a ready record for resolution of disputes over the liability for taxes in arrears if and when they arise. Resolution of such disputes is presently a lengthy, time consuming, labor intensive activity.

d. Assessment of tax

- 2.17 The computer system, operating from the data on the master file, (i.e. geographic location, owner's name and address, dimensions and valuation) issues the annual land tax bill. Included in the bill is an amount for taxes in arrears. The accounting and management data which flows from the billing process could be greatly improved.
- 2.18 The assessment reports generated by the computer following the annual issuance of land tax bills does not distinguish three categories where

lesser amounts will be paid. These include exempt land such as land owned by the government, land where rebates will be paid such as agricultural land and land on which hotels are situated and land owned by indigent citizens of Barbados where the Relief Board has recommended to the Ministry of Finance a reduction in tax assessed.

- 2.19 The computer system will be enhanced to properly categorize these classifications of taxpayers and produce a report which not only reflects gross assessed taxes, but also identifies and quantifies the exceptions.

e. Collection of tax

- 2.20 The computer system is not designed and managed to be responsive to management needs or to serve the taxpaying public. As taxes are paid at the Land Tax Department's several locations in Barbados, a very labor intensive process is implemented:

- a. cash registers are utilized and a tape generates a cash receipt and totals for the day's activity;
- b. a separate, handwritten receipt is also issued. A copy is included hereunder;
- c. the office copy of the handwritten receipt is used for three purposes:
 - (i) the office copies are batched and sent to the government Data Processing Department to be keyed to update the taxpayer's account in the computer (i.e to apply the payment against the assessment). This process is badly flawed and it was suggested that significant errors occur in the keying and/or the computer program has shortcomings. Whole batches are not keyed and where they are keyed, elements of the payment are not credited to such items as arrears, interest, etc.
 - (ii) Because of the alleged problems with the computer process, ledger cards are maintained for every payment. The receipts are manually posted to these cards but the ledger cards do not record the assessment data leaving only the payment information available.
 - (iii) The above information is also recorded manually in a daily cash journal and balanced to cash received for deposit.
- d. input to the computer of the keyed data from receipts takes up to six weeks; and
- e. an accurate and timely report of the taxes in arrears is not available to management due to input delays and errors and output anomalies and design deficiencies.

III. PROFIT-ORIENTED CORPORATE ENTERPRISES

- 3.1 There are 13 profit-oriented corporate enterprises where the government has majority participation, and three where minority participation is held. These respond to the policies set out by the sector head ministry. Some of the most important are the Arawak Cement Company Limited, the National Petroleum Corporation, and the enterprises managed by the Barbados Tourism Investment Corporation.

IV. REVENUE-EARNING SERVICE AGENCIES AND DEVELOPMENT INSTITUTIONS

- 4.1 At present, there are nine revenue-earning service agencies and development institutions, and one of these (Barbados Transport Board) is in the process of being privatized. Some of the most significant are the Barbados Water Authority, the Caribbean Broadcasting Corporation, and the Barbados Agricultural Development Corporation, among others.

V. NON-REVENUE EARNING SERVICE AGENCIES

- 5.1 Three public institutions make up the category of non-revenue earning service agencies. These are the Barbados Tourism Investment Corporation, the Barbados Board of Tourism, and the Sanitation Service Authority.

VI. ADMINISTRATIVE STATUTORY BOARDS

- 6.1 The administrative statutory boards are commissions created to regulate a vast array of policy and procedures. These twelve boards regulate areas such as child care, culture, sports, training, standards, insurance, public utilities, and conservation, among others.

VII. OTHERS

- 7.1 There are ten public institutions in Barbados that are not classified in any of the above categories. These are museums, colleges, a meteorological institute, the National Drug Service, and others.

VIII. BUDGETARY MANAGEMENT

- 8.1 Only the government institutions present their budgets in the Annual Estimates for approval at the Assembly. In case another public institution requires a budgetary allocation from the Consolidated Fund, it receives it via a transfer from its head ministry. The global amount is reflected in the transfer account in the Estimates, for the particular ministry.

THE BUDGET CYCLE OF THE CENTRAL GOVERNMENT

REVIEW AND DIAGNOSIS

I. THE CONSOLIDATED FUND

1.1 Barbados manages all the available resources for government operation, including foreign loans for investment projects, through a single account, called the Consolidated Fund. According to the Financial Administration and Audit Act, the Consolidated Fund is regulated by the following articles:

- a. Subject to the provisions of this or any other Act for the time being in force, the revenues of Barbados shall be paid into the Consolidated Fund.
- b. The public debt of Barbados, including the interest on that debt, sinking fund payments and redemption moneys in respect of that debt and the costs, charges and expenses incidental to the management of that debt, shall be a charge on the Consolidated Fund.
- c. No sum shall be paid out of the Consolidated Fund except upon the authority of a warrant under the hand of the Minister [responsible for Finance] or under the hand of some other person authorized by him in writing.
- d. Any sums issued in accordance with subsection (1) shall be disposed of for meeting the cost of the public services specified by the Appropriation Act for the financial year during which the withdrawal is to take place or for the services otherwise lawfully charged on the Consolidated Fund.

1.2 In the 1992/93 Estimates (Approved Budget), the Consolidated Fund receives the following revenue (in Barbados Dollars):

Taxes on Income and Profits	293,400,000
Taxes on Property	61,672,000
Taxes on Goods and Services	348,935,200
Taxes on International Trade	104,700,000
Other Taxes	13,500,000
Non-Tax Revenue	62,702,345
Special Receipts	100,394,100
Loans and Advances	2,624,100

Total Revenue	1,077,927,745
Foreign Financing	160,937,093
Domestic Financing	9,000,000
Total Resources	<u>1,247,864,838</u>

II. THE BUDGET CYCLE

A. Budgetary policy

1. Determination of the macro aggregates

- 2.1 The determination of the macroeconomic framework under which the budget is to be formulated is carried out by the Joint Economic Group, a newly-formed team of the senior staff of the Ministry of Finance and Economic Affairs and the Central Bank. This group replaces the Budget Subcommittee, and has the responsibility of studying real growth indicators and deficit targets. It provides revenue projections, expenditure ceilings, and borrowing guidelines. Most of the raw data is provided by the Statistical Office of the Ministry of Finance and Economic Affairs, and processed by the Central Bank Research Department. The five-year development plan is also taken into consideration, primarily for determining sectoral allocations of capital expenditure. The meetings of this Group to undertake this activity take place in August and September.

a. Diagnosis

- 2.2 It is a concern of the Research Department of the Central Bank that macroeconomic planning is not adequately reflected in budgetary policy. However, this department acknowledges that macro projections by themselves are not always reliable, since there has been a historical trend of considerable deviations between projections and actual outcomes.

2. Emission of budget circular

- 2.3 The Ministry of Finance, under the guidelines provided by the Joint Economic Group, prepares the Budget Circular (or Budget Call), which establishes the parameters that the spending agencies use for preparing their estimates. This circular provides the macroeconomic framework and general budgetary targets, as well as the overall ceilings of current and capital expenditure for each spending agency. This is carried out in September.

B. Preparation of the draft budget estimates

1. Preparation of Draft Budget Estimates by Spending Agencies

- 2.4 Once the budget circular is received by the spending agencies, they prepare the estimates for current and capital expenditure, as well as revenue estimates for those agencies where it corresponds. The estimates must provide adequate justification for the expenditures, by including "explanatory notes" where applicable. The estimates must only reflect those capital investment projects that have been approved by the Central Planning Committee. Any loans to be received during the budget year that will finance capital projects, must be included in the estimates as "capital receipts". This document is prepared during October.

a. Diagnosis

- 2.5 The Budget Estimates are prepared by each spending agency under guidelines that incorporate some elements of program budgeting. Each "head" (or ministry) is the highest programmatic category. The second level of hierarchy are the "programs", and the third and last level are the "subprograms". This system has three main deficiencies: First, the programs and subprograms are not properly defined. The output of all the subprograms within one program should be measurable in equivalent units, which when added, give the total output of the program. In the present system, activities have been in many cases defined as subprograms. Second, activities and projects have not been included as programmatic categories; budgeting is in effect done at the subprogram level. Third, there are no quantified performance indicators that allow the output to be measured in physical terms, therefore making efficiency analysis and determination of costs impossible.

2. Submission of draft budget estimates to Ministry of Finance

- 2.6 Under the signature of the accounting officer, the spending agency submits the budget estimates to the Ministry of Finance during November.

3. Review of draft budget estimates by Ministry of Finance

- 2.7 The Budget Analyst of the Ministry of Finance receives the estimates from the spending agency and reviews them in detail. The levels of expenditure are compared with the ceilings provided by the budget circular, determining the degree of compliance with budgetary policy. If the analyst considers it appropriate, he/she may review individual programs or projects in comparison with past performance, and evaluate the proposed expenditure levels taking into account the operations programmed for the budgeted year. The budget analysts will submit their comments and observations to the Estimates Committee, during December.

4. Review of draft budget estimates by Estimates Committee

- 2.8 With the comments received from the budget analyst, the Estimates Committee will proceed to review the budget estimates. Although the current and capital budgets were previously reviewed separately, they are currently reviewed simultaneously. The Manager of the Public Investment Unit and the Permanent Secretary for Economic Affairs participate in the review process, but exclusively with the capital expenditures. In addition, the Head of the spending agency will participate in the process, along with his support staff. The Estimates Committee reviews the draft budgets during December and January.

5. Adjustments to the draft budget estimates

- 2.9 In the event that the Estimates Committee makes observations on the draft estimates, they are returned to the spending agency's accounting officer for modification and re-submission. If the new draft document still does not comply with the guidelines of the Committee, which is often the case when a significant reduction has to be made from the proposed expenditure

level, the Budget Analyst at the Ministry of Finance will carry out the final adjustments. The final draft estimates must be prepared in February, two weeks before the discussions start in the House of Assembly. Once adjusted, the draft estimates pass on to the Cabinet for endorsement.

a. Diagnosis

- 2.10 The initial draft estimates prepared by the spending agencies often have expenditure levels that exceed the ceilings indicated in the budget circular. If the Estimates Committee observes an excess in spending, the document will be returned to the spending agency with an instruction to reduce a certain percentage off expenditures, without specifying the program or subprogram where the reduction has to be made. If the document revised by the spending agency still does not comply with the ceiling, or if reductions need to be made for other reasons, the Budget Section of the Ministry of Finance will cut spending where it deems appropriate. However, there is no defined, systematic methodology to carry this out. Within a complete budgeting system, adjustments in expenditure can be made in a rational manner by analyzing individual category output and costs.

C. Approval of the budget estimates

1. Approval of the budget estimates by the assembly

- 2.11 Once the Cabinet endorses the estimates, the Prime Minister presents the document to the Legislature, in three distinct parts: (a) The Draft Budget document; (b) the Appropriation Bill (covering all non-statutory expenditures); and (c) the Personal Emoluments Schedule (covering all statutory expenditures). The House of Assembly reviews and approves the document and passes it on to the Senate, generally within one week. The Senate then reviews and approves the Appropriation Bill, in approximately three days.

2. Signing of Appropriation Bill by Governor General

- 2.12 The Parliament Secretary then presents the Appropriation Bill to the Governor General for signature, after which it becomes the Appropriation Act. Legislation establishes that by March 31, Barbados must have an Appropriation Bill.

3. Supplementary appropriations

- 2.13 The Constitution of Barbados does not allow for supplementary appropriations of any kind, without the authorization of the House of Assembly. The accounting officer of the spending agency must present the Ministry of Finance with a request for supplementary appropriation, adequately justified, and is then passed on to the Assembly by the Cabinet. This may take place any time during the fiscal year, until March 31. Furthermore, no allocations made to any line item in any subprogram or program may be transferred to another line item, even

within the same programmatic category, without authorization by the Assembly.

a. Diagnosis

- 2.14 Even though the current system, with its rigidities regarding modification of the budget, encourages thorough technical programming at the pre-approval stages of the budget cycle, it should be modified with a complete program budgeting system. This is to allow spending agency managers to make modifications within programs and subprograms with a less complex approval process.

D. Execution of the budget

1. Issue of yearly warrants by Ministry of Finance

- 2.15 At the beginning of the fiscal year, on April 1, the Ministry of Finance issues a yearly warrant to the Accountant General and each spending agency, indicating the total amount authorized in the budget estimates. This is a formal notification from the ministry regarding the spending limits, but it does not specify the amounts to be executed by quarters.

2. Issue of quarterly warrants by Ministry of Finance

- 2.16 In order to start executing the budget, the Ministry of Finance determines an expenditure ceiling for the first quarter, for each spending agency, and issues the corresponding quarterly warrant to the Accountant General and the spending agency. This amount is determined by the amount of resources available in the Consolidated Fund for the particular quarter.

a. Diagnosis

- 2.17 Although there is agreement that budget execution and cash management are two distinct concepts in the budget cycle, the fact is that in this particular case, they are one and the same. The warrant system, which is in effect the only means of controlling the pace of budgetary execution by the Ministry of Finance, is a method of determining quarterly cash allowances to spending agencies. It is determined exclusively by the availability of cash in the Consolidated Fund for the quarter. Although commitments may be known in advance, execution at the accrual level is not considered; the reasons for this are that a large part of the expenditures are statutory (wages and salaries), and that the system of purchasing agencies takes care of government acquisitions, reducing the scope of an accrual accounting system enough as to demerit its implementation.

3. Issue of voucher by spending agency

- 2.18 In order to incur an expenditure, the spending agency must submit a voucher, detailing the program, subprogram, object code, amount, and nature of the expenditure to be made. The completed form is presented to the Accountant General's Office, where it is determined if the expense is

in fact within the limit established by the quarterly warrant, and if the particular programmatic category maintains a sufficient balance under the specific object code.

4. Payment of payable order by Accountant General

- 2.19 Once it is ascertained that the request is within the required parameters, the Accountant General will issue the corresponding Payable Order against the Paymaster's Account, managed by the Central Bank. The Payable Order is practically a cheque, negotiable at any commercial bank. If there is not enough cash at the particular time to meet the obligation, the Accountant General will retain the request and honor it as soon as enough funds are available. Another alternative, in these cases, is to issue the cheque with charge to the overdraft facility with the Central Bank. This facility, approved by the assembly, will honor overdrafts up to an amount equivalent to 17.5% of the year's estimated revenue. Once payment is made, the Accountant General will then debit the amount from the record of the quarterly warrant and the specific appropriation.

E. Accounting

1. Monthly statement of expenditure

- 2.20 At the end of each month, the Accountant General will prepare a statement of expenditure, showing the total expenditure for the month and the cumulative total expenditure for the financial year, by subprogram. This report is passed on to the Assembly through its clerk for review, within thirty days of the end of the accounted month.

2. Annual report

- 2.21 The Accountant General must submit a yearly report to the director of finance and planning and Auditor General, which will then be passed to the Assembly. This report contains the following:
- a. Annual Abstract Account
 - b. Sources and Applications of Funds
 - c. Consolidated Fund
 - d. Statement of Current Assets and Liabilities
 - e. Statement of Public Debt and Sinking Funds
 - f. Statement of Loans and Credits Guaranteed by Government of Barbados and Special Funds
 - g. Statement of Advances and Loans Outstanding
 - h. Appendices
 - i. Detailed Statement of Revenue
 - j. Detailed Statement of Total Expenditure
 - k. Detailed Statement of Capital Expenditure
 - l. Summary of Itemized Current and Annexed Expenditure
 - m. Summary of Itemized Capital Expenditure
 - n. Notes to Financial Statement

- 2.22 The legislation governing financial management requires that this report be presented no later than July 31 for the previous fiscal year.

a. Diagnosis

- 2.23 The Accountant General's yearly report is invariably presented to the Assembly by the established deadline, and its scope is fairly complete. However, an important statement that is not currently prepared is the Savings-Investment-Financing account. This account should reflect both the revenues and expenditures according to an economic classification, and all relevant below-the-line items. This will enable the ex-post analysis of current account deficits, overall deficits, and sources of financing, in an integrated statement.

F. Evaluation

- 2.24 At present, the only systematic evaluation for budgetary execution is contained in the yearly Accountant General's report, which compares the approved estimates with supplementary appropriations and actual expenditures. A column of excess/savings shows any variations. However, this document is not presented until three months after the fiscal year ends, and its usefulness for feedback in budgeting is limited. The Estimates document does not present any significant information for evaluation.
- 2.25 The minimal evaluation that is carried out is limited to the financial execution of the budget, since there is no evaluation carried out systematically of physical progress of capital expenditures, except individually by the head Ministries. Furthermore, the financial evaluation is done only on a yearly basis, once the Accountant General presents his report. However, no formal budget evaluation document is prepared, neither by the Accountant General or the Ministry of Finance.

G. Audit

- 2.26 The responsibility of auditing the operations of the public sector belongs to the Auditor General. The auditor performs ex-post financial auditing on all of the government agencies included in the annual Budget Estimates, and on some of the statutory corporations; ex-ante auditing is done exclusively for pension payments. A yearly report is presented to the Assembly by December 31, together with the Appropriations report and the report on Other Accounts, examining that the accounts are kept in a correct system and establishing possible irregularities or fraud.
- 2.27 Diagnosis: At present, the scope of action of the Auditor General is not the entirety of the Non-Financial Public Sector. External auditing is only carried out for the Central government and selected statutory corporations, depending upon the individual legislation governing each. The corporations that are not required to be audited by the Auditor General hire the services of private external auditors, which in turn submit their reports to the corporation's board. These corporations are not accountable for financial management to any other instance of government.

- 2.28 In addition, auditing is only carried out for "stewardship", that is, for financial management. Within the context of a strengthened budgeting system that includes performance indicators, the role of the Auditor General will have to be broadened to perform performance, or "value-for-money", auditing.

SUBPROGRAM I
INSTITUTIONAL STRENGTHENING OF THE DEPARTMENT OF INLAND REVENUE

I. SCOPE OF WORK

A. In the area of organization, human resources, public relations and management

1. Reorganization of the Inland Revenue Department

- a. Undertake a study of the organizational structure of the Department in order to identify problems dealing with organization, functions, decision-making and management.
- b. Analyze and evaluate the human resources, facilities and internal auditing of the Department with recommendations for their improvement and assistance in their implementation.
- c. Evaluate if operational activities are suitably controlled and monitored; and
- d. Provide assistance in the design and improvement of the Inland Revenue Department organizational structure and in the development of functions and operations manual of the new organization and units directly responsible for the management and operations of the new systems.

2. Employee performance review process

- a. Develop specific criteria to be measured in the annual appraisal of each employee's performance. Tie this criteria into data available from the Management Information System for quantities, establish quality criteria and personal factors such as suitability, initiative, leadership, etc.
- b. Develop a process for employees and supervisors to reach agreement periodically on specific goals and targets.
- c. Develop work review processes and forms to be utilized at specific milestones during the year.
- d. Develop a process for the establishment of an independent committee to review all completed annual performance appraisals to ensure consistency and fairness; an employee redress process where appraisals are disputed and a process to ensure that the Department provides opportunities for development when these have been recommended.
- e. Develop a procedural manual.
- f. Carry out training for all staff involved with the process.

- g. Validate the process after the first year appraisals are completed.

3. Public relations and service to the public

- a. Guide the Department in establishing a Public Relations Division including the following:
 - (i) expanded interface with the media;
 - (ii) drafting press releases, speeches and information guides;
 - (iii) being pro-active in finding ways and means to encourage voluntary compliance with the laws;
 - (iv) encourage taxpayers to complete their own returns to reduce the present demands on the Department's resources;
 - (v) encouraging the formation of volunteer groups to assist taxpayers in preparing returns.

B. In the area of tax information systems and procedures

1. Taxpayer masterfile, return processing, storage, retrieval and delinquent systems

- a. Develop the specifications for taxpayer master file for individuals, corporations, employers and such other taxpayers who must file returns and/or remit taxes withheld or collected on behalf of the Department that will accurately identify those taxpayers. In this regard seriously consider use of the National Registration Number for Individuals and the Registrar of Corporations Number for Corporations.
- b. Develop procedures for re-registering taxpayers in the existing files and for registering all other citizens, corporations, employers and others.
- c. Redesign the various income tax returns to facilitate the capture of pertinent data required to produce meaningful assessments and reassessments and to capture data necessary to produce statistical reports, audit selection, enforcement selection, delinquent action and other data as defined by other consultants and the Ministry of Finance and Economic Affairs.
- d. Develop sorting, batching and controlling procedures.
- e. Develop verification policies and procedures.
- f. Develop a procedural manual.
- g. Develop production standards, both volume and quality, for all phases of this operation.

- h. Develop filing and retrieval policies, culling direction and storage security policy.
 - i. Develop policy and procedures to enhance taxroll buildup through selective delinquent action.
 - j. Prepare functional specifications for computer applications for all phases.
 - k. Develop computer program testing, policies, procedures and sample test material.
 - l. Identify training needs and recommend training courses.
 - m. Validate all of the above after revised systems and procedures are operational.
2. Accounting and collections systems
- a. Assist the Department in rationalizing the elimination of corrupt data from the present accounting system to facilitate the entry on good data to the newly designed computerized accounting and collection system.
 - b. Assist with the preparation of functional specifications for computer applications to drive this new accounting and collection systems such as:
 - (i) control measures to ensure that all assessments and reassessments are debited to the proper account in the computer file;
 - (ii) control measures to ensure all payments are credited to the proper account in the computer file;
 - (iii) control measures to guaranty the integrity of assessment notices, forms and cash receipts;
 - (iv) develop a proper computerized general ledger;
 - (v) develop a proper computerized accounts receivable ledger;
 - (vi) develop specifications for computer generated statements of account, updated for interest and penalties;
 - (vii) develop specifications for computer generated collection letters;
 - (viii) develop specifications for computer generated account cards for all accounts requiring collection action;
 - (ix) develop a system for recording and imputing arrangements to pay, post-dated cheques and security in lieu of payment;
 - (x) develop a system for identifying late or deficient remitters of PAYE and other taxes withheld or collected on behalf of the Department and a related procedure for review and control for these deficient

accounts, quick response audits and collection thereof.

- c. Assist the Department in proposing improved legislation to facilitate collection including broader processes to garnishee, obtain judgement against property, writs for the sale of property and improved positioning as a creditor, as well as establishing the liability for taxes due from corporations by their directors.
 - d. Develop procedural and policy instructions for staff.
 - e. Conduct training.
 - f. Prepare a statement of the Department's collection policy for distribution to the media and the public.
3. PAYE system: enforcement of remittances
- a. To work closely with the consultant on accounting and collections to resolve smooth work flows between the Divisions.
 - b. Develop processes and where necessary, new Returns to ensure that all taxes withheld and/or collected on behalf of the Department are properly accounted for.
 - (i) annual information returns balanced, summary to supplementaries and to total remittances;
 - (ii) assessment notices issued by the computer;
 - (iii) reverse matching of supplementary sheets filed with individual and other Income Tax Returns is conducted on a statistically sound sample basis to ensure integrity of the system.
 - c. Develop audit techniques for this unique audit operation.
 - d. Develop standards and targets for the time needed to complete audits.
 - e. Develop a process for reacting to deficient and delinquent taxpayers identified by the computer and referred for audit through review and control in accounting and collection.
 - f. For routine audits develop selection criteria.
 - g. Develop a control process to assure all audits assigned are completed in a timely manner with high quality work.
 - h. Develop a procedural manual.
 - i. Validate completed Processes.

4. Audit operations

- a. Develop criteria for coding files to be placed on audit selection lists, such coding to be at least a combination of manual input and data captured from the income tax, employer/remitter and other returns filed by taxpayers to report taxes payable in their own right or taxes withheld or collected on behalf of the Department to establish the auditable population.
- b. Develop a proper process for selecting files for audit to provide broad audit coverage, well targeted at areas of avoidance and evasion, so as to maximize revenue collections.
- c. Develop an intelligence unit to gather and collate information on major areas of avoidance, evasion, failure to file.
- d. Develop an investigation unit to assume responsibility for finalizing audits where evasion and avoidance have been detected which is capable of carrying such cases through to prosecution.
- e. Develop a procedural manual for auditors, such manual to include audit policy, programs and internal processes, audit techniques and industry specialty data.
- f. Develop targets based on direct audit hours for the completion of cases in the various income ranges and categories in the revised audit program.
- g. Develop a system for measuring the effectiveness of the audit programs including:
 - (i) dollar value of taxes actually reassessed;
 - (ii) the effect reductions to losses, reserves, deductions, etc., in the current audit will have on future revenue;
 - (iii) dollars realized per direct audit hour;
 - (iv) no tax change or very low tax change rate in completed audits;
 - (v) actual hours, direct and indirect separately utilized on audits by category, income range, grade and salary of auditors;
 - (vi) factor into (i), (ii) and (iii) above decreases granted through negotiated adjustments, objections and appeals.
- h. Assess the training needs of the entire audit division and prepare a plan for securing the required training including:
 - (i) in-house training from courses developed by the Department;

- (ii) sending auditors to training facilities in other countries for specific courses;
- (iii) importing training courses and instructions from other countries;
- (iv) professional accounting training via correspondence, etc.

1. Validate the revised program operation.

5. Large taxpayers system

Design, develop and implement special manual and computerized systems and procedures for the administration, registration and control of the main taxpayers.

C. In the area of management information system (MIS)

- 1. Design standard work plans for each Division of Inland Revenue Department;
- 2. Plans to include estimates of intake of work in each major work flow to reflect volumes received daily or weekly depending on need, production of work for the same periods, inventories and year to date totals. Plans should provide for comparative actual intake, production and inventories for the same periods and comparative percentages, comparison to prior year actuals and variance information;
- 3. Establish production standards for each major work flow for utilization in planning described in (ii) above and to be used as part of the measurement of employee performance in the annual performance assessment;
- 4. Develop a time reporting system for employees and managers in which work activities are identified and coded, related production recorded, overhead and indirect costs such as leave, travel time, etc., are recorded;
- 5. Develop a computer program for utilization on a personal computer to capture the planning information, production standards, intake and time and production data indicated in (i) to (iv) above from which weekly management reports will be generated;
- 6. Develop a procedures manual and related forms to support the MIS system;
- 7. Conduct training sessions for managers and staff;
- 8. Oversee implementation of the system, validate the output and correct anomalies and errors.

D. In the area of data processing

1. Assist the Department in identifying which activities should be computerized and after setting appropriate priorities prepare a plan of systems development activities for the initiation of the program.
2. Conduct an analysis of all resources available and assist the Department with the acquisition of necessary computer equipment and its delivery and installation.
3. Assist the Department in negotiating an appropriate agreement with the Government Data Processing Department for computer service bureau support.
4. Assist the Department in phasing out its present computer applications. Ensure that master files which will form the bases for the master files of new applications are properly validated and free from corrupted data.
5. Assist the Department in developing effective computer systems as identified in item (1) above.
6. Provide project management direction for each project, transferring the responsibility to the Department's designated officers wherever possible.
7. To the extent possible, implement the use of the Government Data Processing Department's standards in Inland Revenue, and develop additional standards and work techniques that may be desirable.
8. Identify what software packages would be useful to the Department and arrange for their procurement.
9. Assist the Department in determining the benefit of using computer assisted system engineering (CASE) tools and assist in their implementation, if desirable.
10. Advise the Department of the responsibilities that data processing clients must accept if computer applications are to provide the necessary support to various functions. Organize appropriate data processing client meetings and encourage clients to play an active role in systems analysis, writing of end user procedures, systems testing and systems audit.
11. Assist and provide effective guidance to the Department for all phases of the systems development life cycle activities for those applications that are approved for development.
12. Participate in the training of end users of the various applications to ensure that information is correctly analyzed and they clearly understand what support is provided.

13. Assist the Department in developing a four year plan for its data processing function. The plan should provide the Government Data Processing Department with information that will be essential in determining its computer resource requirements for the period covered by the plan.
14. Transfer technical and managerial knowledge gained as a result of education and experience to departmental staff to the greatest extent possible. Although some of the training might be available in Barbados, it is recommended that the project should make provision for it, to ensure it is conducted when required and focused to the proposed applications and standards.
15. Training for analyst/programmers and for the data processing manager is required. It is estimated that four weeks will be required to gather course material and 16 weeks to conduct the courses. Because most of the training subjects are similar to those recommended for Customs and Excise (Part B 2) every effort should be made to conduct at least some of the training as a joint program.
16. Training of end users in personal computer applications, such as, word processing, LOTUS, DATABASE IV, will be required. This training is available locally.

E. In the area of training

1. Identify training needs in areas related with the project by conducting a survey among the operational staff and management, and develop courses to meet these needs.
2. Select operational staff and management to be trained.
3. Conduct on-the-job training.
4. Follow up and evaluate the training provided.

II. TERMS OF REFERENCE

Technical Coordinator/Expert on Tax Administration (24 months)

A. Qualifications and experience:

1. University degree in administration, economics, law.
2. At least 10 years working experience in tax administration, tax legislation, tax organization, tax policy and procedures, tax collection, audit, human resources and management.
3. Experience and knowledge in the organization, planning and management of computerized tax projects.
4. Fluency in English.

B. Activities

The technical coordinator's main function will be the technical coordination and management of the project, directing the activities of the group of long and short-term consultants in coordination with the national authorities and the national coordinator of the project. In this respect, the consultant must:

- a. Prepare working plans and schedules for the execution of the project.
- b. Analyze the organizational structure, function, management practices, responsibilities and accountability, recommend changes, and assist in their implementation.
- c. Evaluate if their operational activities, are suitably controlled and monitored, recommend changes, follow-up on changes required, and assist in plan of implementation.
- d. Analyze and evaluate the human resources, facilities and internal auditing, recommend changes and assist in their implementation.
- e. Identify the information required by the various levels of management in tax administration.
- f. Develop the specifications for taxpayer master file for individuals, corporations, employers and such other taxpayers who must file returns and/or remit taxes withheld or collected on behalf of the Department that will accurately identify those taxpayers. In this regard seriously consider use of the National Registration Number for Individuals and the Registrar of Corporations Number for Corporations.

- g. Develop procedures for re-registering taxpayers in the existing files and for registering all other citizens, corporations, employers and others.
- h. Redesign the various income tax returns to facilitate the capture of pertinent data required to produce meaningful assessments and reassessments and to capture data necessary to produce statistical reports, audit selection, enforcement selection, delinquent action and other data as defined by other consultants and the Ministry of Finance and Economic Affairs.
- i. Develop sorting, batching and controlling procedures.
- j. Develop verification policies and procedures.
- k. Participate in the design/redesign of forms, administrative policies, methods and procedures related to the new computerized systems.
- l. Participate in the drafting of recommendations for change in the tax law to simplify and enhance taxpayer compliance.
- m. Guide the Department in establishing a Public Relation Division.
- n. Guide the Department in establishing an employee performance review system.
- o. Participate in the identification of training needs and in the development of training courses for managerial and operational staff in order to meet the training needs.
- p. Develop production standards, both volume and quality, for all phases of this operation.
- q. Develop filing and retrieval policies, culling direction and storage security policy.
- r. Develop policy and procedures to enhance taxroll buildup through selective delinquent action.
- s. Prepare functional specifications for computer applications for all phases.
- t. Develop computer program testing, policies, procedures and sample test material.
- u. Validate all of the above after revised systems and procedures are operational.
- v. Prepare and submit all progress reports required by the project and a final report with conclusions and recommendations.

Expert on Tax Information Systems

A. Qualifications

The consultant should possess a Masters or equivalent university degree in engineering, management or economics. A minimum of 10 years of work experience at the project leader or manager level in the area of planning, developing and implementing tax information systems. The candidate must demonstrate sound technical knowledge of systems development methodologies and tools, database design, local and wide area networks and skill with organizing an effective information systems group. Interpersonal skills and the ability to work with senior management staff and a culturally diverse group is necessary.

B. Term

One consultant, 24 months.

C. Responsibilities

The expert together with the team of 6 systems analysts (3 local and 3 beneficiary staff) will have full responsibility for meeting the goals and activities established for the information technology area in the Inland Revenue Department. He will need to coordinate his activities with the technical coordinator of the program and other government agencies and information systems vendors.

D. Principal activities

The expert will:

- a. Conduct a study of the existing tax information system and prepare a two year prioritized schedule of operations and a detailed budget to accomplish the goals of this program.
- b. Manage the execution of this information systems project after the review and approval by the High Level Steering Committee established for this technical assistance program.
- c. Within the first 90 days of the initiation of his contract, the consultant will propose a detailed procurement bid document for the technical architecture of the information system including the specifications for the mid-range computer, LAN, PC's, software and other relevant elements of the system.
- d. Advise the technical coordinator and agency staff of this subprogram on all issues related to information systems.
- e. Advise and assist the chief of the information systems division on the organization, management, training required, and leadership of the new division.

E. Other activities

- a. Participate in all phases of the systems development and implementation life cycle.
- b. Lead the development of the tax collection database design and implementation.
- c. Participate in the installation and set up of all computer equipment, networks and telecommunication links.
- d. Assist with the activities of the procurement process for computers and telecommunications equipment. Participate in bid evaluations, selection of vendors and developing contracts.
- e. Ensure adequate software quality control through program testing prior to production implementation.
- f. Assist in the development and coordination of training programs for the technical staff of the agency and end-users of the information system.
- g. Coordinate the preparation of end-user manual for system operations and technical documentation for all application programs and source code.
- h. Perform any other tasks related to the information systems area as determined necessary by the project technical coordinator for realizing the goals of this operation.

F. Technical guidelines

Some technical guidelines are indicated below to provide the consultant with a framework for the development and implementation of the information system;

- a. All systems development activities must use industry standard tools and methodologies that maximize programming productivity and minimize development time.
- b. Interoperability between the principal elements of the technical platform i.e. the mid-range computer, LAN, PC's and the telecommunications link and all software programs must be ensured prior to procurement activities.
- c. Direct purchase and customization of pre-written commercially packaged software programs for tax applications is to be the preferred method for application development. In-house software development must be minimized.
- d. Selection of software programs and development tools, screen and application generators and languages must be 4GL in nature for flexibility in modifying and developing or rewriting code as necessary.

- e. Applications must be developed/modified using a modular programming methodology prior to integration with the central database. Software modules must be well documented internally for easy maintenance.
- f. Special attention to the transition plan to move the agency from the old system to the new system is required to ensure that information flow within the agency is not disrupted.

Local Systems Analysts/Programmers

A. Qualifications

The Systems Analyst must have at least a Bachelors degree together with at least 3 years of experience in systems analysis and application programming on mid-range and personal computer systems. Experience in the design, development, test and implementation phases of database applications is desirable.

B. Term

Three consultants for two years each.

C. Responsibilities

The systems analyst will perform all tasks delegated by the information systems project leader for the design and implementation of tax information systems.

D. Activities

- a. Participate in the systems analysis studies for the design and implementation of the centralized taxpayer and accounting databases.
- b. Code and test all software programs for menus, screens, reports, data entry necessary for the implementation of the tax information systems.
- c. Assist with the installation and management of the local area network within the agency.
- d. Provide general technical support to the end-users and professional staff of the agency with the operation of the new systems.
- e. Assist in the preparation of end-user and systems documentation for the operational system.
- f. Assist in the training for end-user and professional staff of the agency in the use of the new systems.
- g. Perform any other activities as determined by the project leader to meet the goals in the information systems area.

Short-Term Consultant Services in Accounting and Collection

A. Qualifications and experience

1. Extensive experience at a senior level gained over at least ten years managing the accounting and collection activities of a major government's income tax administration the major portion of which was gained in a headquarters area developing policy and programs.
2. Knowledge of the principles and practices of accounting, auditing and collecting.
3. The ability to develop time and quality standards for controlling program delivery.
4. The ability to develop collection policy and recommend improvements to legislation to facilitate collection of arrears and to draft procedures.
5. The ability to develop functional specifications for computer applications.
6. Extensive experience in guiding the transition from poorly designed computerized accounting systems containing corrupted data to enhanced computer applications.
7. The ability to and experience with the development of internal controls designed to ensure posting of assessments, payments and to ensure the issuance of statements of account, collection letters, identification of delinquent and deficient remitters and ensure collection action.
8. The ability to develop specifications for applications to control NSF cheques, post dated cheques and correspondence.
9. The ability to communicate effectively, both orally and in writing, in the English language.
10. The ability to identify training needs and to recommend training programs.

B. Term

One consultant, three months.

C. Responsibilities

Under the direction of the project coordinator and in coordination with other consultants and counterparts, shall develop the following activities:

- a. Assist the Department in rationalizing the elimination of corrupt data from the present accounting system to facilitate the entry on good data to the newly designed computerized accounting and collection system.
- b. Assist with the preparation of functional specifications for computer applications to drive this new accounting and collection systems such as:
 - (i) control measures to ensure that all assessments and reassessments are debited to the proper account in the computer file;
 - (ii) control measures to ensure all payments are credited to the proper account in the computer file;
 - (iii) control measures to guaranty the integrity of assessment notices, forms and cash receipts;
 - (iv) develop a proper computerized general ledger;
 - (v) develop a proper computerized accounts receivable ledger;
 - (vi) develop specifications for computer generated statements of account, updated for interest and penalties;
 - (vii) develop specifications for computer generated collection letters;
 - (viii) develop specifications for computer generated account cards for all accounts requiring collection action;
 - (ix) develop a system for recording and imputing arrangements to pay, post dated cheques and security in lieu of payment;
 - (x) develop a system for identifying late or deficient remitters of PAYE and other taxes withheld or collected on behalf of the Department and a related procedure for review and control for these deficient accounts, quick response audits and collection thereof.
- c. Assist the Department in proposing improved legislation to facilitate collection including broader processes to garnishee, obtain judgement against property, writs for the sale of property and improved positioning as a creditor, as well as establishing the liability for taxes due from corporations by their directors.
- d. Develop procedural and policy instructions for staff.
- e. Conduct training.
- f. Prepare a statement of the Department's collection policy for distribution to the media and the public.

**Short-Term Consultant in Enforcement Activities related to
the Remittance and Collection of Trust Funds**

A. Qualifications and experience

1. Extensive experience at a senior level gained over at least ten years management of tax programs related to the withholding of taxes from employees remuneration, investment income etc. and taxes collected by business on behalf of the Government the major portion of which was gained in a headquarters area developing policy and programs.
2. Knowledge of the principles and practices of accounting and auditing and collecting at the professional level.
3. The ability to develop time and quality standards for controlling program delivery.
4. The ability to develop functional specifications for computer applications.
5. Demonstrated experience in the development of internal controls and computer applications to generally identify delinquent and deficient remitters.
6. The ability to develop procedural instructions.
7. The ability to identify training needs and to recommend training programs.
8. The ability to communicate effectively, both orally and in writing, in the English language.

B. Term

One consultant, three months.

C. Responsibilities

1. To work closely with the consultant on accounting and collections to resolve smooth work flows between the Divisions.
2. Develop processes and, where necessary, new returns to ensure that all taxes withheld and/or collected on behalf of the Department are properly accounted for.
 - a. annual information returns balanced, summary to supplementaries and to total remittances;
 - b. assessment notices issued by the computer;
 - c. reverse matching of supplementary sheets filed with individual and other Income Tax Returns is conducted on a

statistically sound sample basis to ensure integrity of the system.

3. Develop audit techniques for this unique audit operation.
4. Develop standards and targets for the time needed to complete audits.
5. Develop a process for reacting to deficient and delinquent taxpayers identified by the computer and referred for audit through review and control in accounting and collection.
6. For routine audits develop selection criteria.
7. Develop a control process to assure all audits assigned are completed in a timely manner with high quality work.
8. Develop a procedural manual.
9. Validate completed processes.

Short Term Consultant in Audit Operation

A. Qualifications and experience

1. Extensive experience at a senior level gained over at least ten years managing the audit activities of a major Government's income tax administration the major portion of which was gained in a headquarters area developing policy and programs.
2. Knowledge of the principles and practices of accounting and auditing at the professional level.
3. The ability to develop time and quality standards for controlling program delivery.
4. The ability to develop audit selection criteria based on standard industrial coding, income levels and changes to net worth.
5. The ability to develop guidelines for intelligence gathering, delinquent programs and audit techniques.
6. The ability to develop audit policy and to propose improvements to legislation and to draft procedures.
7. The knowledge of and ability to design processes for the measurement of the effectiveness of the audit program including the tax earned by audit in the current year and in subsequent years as the result of current actions, dollars produced per direct audit hours, no/low change rates.
8. The ability to develop functional specification for computer applications.
9. The ability to communicate effectively, both orally and in writing, in the English language.
10. The ability to identify training needs and to recommend training programs.

B. Term

One consultant, three months.

C. Responsibilities

1. Develop criteria for coding files to be placed on audit selection lists, such coding to be at least a combination of manual input and data captured from the income tax, employer/remitter and other returns filed by taxpayers to report taxes payable in their own right or taxes withheld or collected on behalf of the Department to establish the auditable population.

2. Develop a proper process for selecting files for audit to provide broad audit coverage, well targeted at areas of avoidance and evasion, so as to maximize revenue collections.
3. Develop an intelligence unit to gather and collate information on major areas of avoidance, evasion, failure to file.
4. Develop an investigation unit to assume responsibility for finalizing audits where evasion and avoidance have been detected which is capable of carrying such cases through to prosecution.
5. Develop a procedural manual for auditors, such manual to include audit policy, programs and internal processes, audit techniques and industry specialty data.
6. Develop targets based on direct audit hours for the completion of cases in the various income ranges and categories in the revised audit program.
7. Develop a system for measuring the effectiveness of the audit programs including:
 - a. dollar value of taxes actually reassessed;
 - b. the effect reductions to losses, reserves, deductions, etc., in the current audit will have on future revenue;
 - c. dollars realized per direct audit hour;
 - d. no tax change or very low tax change rate in completed audits;
 - e. actual hours, direct and indirect separately utilized on audits by category, income range, grade and salary of auditors;
 - f. factor into (a), (b) and (c) above decreases granted through negotiated adjustments, objections and appeals.
8. Assess the training needs of the entire audit division and prepare a plan for securing the required training including:
 - a. in-house training from courses developed by the Department;
 - b. sending auditors to training facilities in other countries for specific courses;
 - c. importing training courses and instructions from other countries;
 - d. professional accounting training via correspondence, etc.
9. Validate the revised program operation.

Training Specialist for Audit, Accounting and Collections

A. Qualifications

1. University degree in Accounting and Law.
2. Extensive experience at a senior level (minimum ten years) managing the accounting and collection activities of the government's tax administration.
3. Experience in training.
4. Fluency in English.

B. Term

6 months.

C. Responsibilities

Under the supervision of the project coordinator and in coordination with the other experts in the area of auditing, the consultant shall:

- a. deliver the modules on audit, accounting and collections;
- b. prepare the supporting teaching materials where necessary;
- c. satisfactorily perform the contracted services on the dates specified in the established training schedule.

III. DETAILED BUDGET

SUBPROGRAM I. INLAND REVENUE (in US\$)			
	IDB	Local counterpart	Total
1. Specialized agency			
1.1 Salaries and benefits	1,019,700		1,019,700
A. International	882,000		
1.1.1 Long-term	732,000		
Project coordinator/expert on tax administrat. (24 months at 10,500)	252,000		
Tax administr./tax information systems (24 months at 10,000)	240,000		
Systems des./imp. MIS (24 months at 10,000)	240,000		
1.1.2 Short-term	150,000		
Consultants in audit, tax acctg. and collection systems, enforcement return processing, and training (15 months at 10,000)	150,000		
B.1.2.3 National consultants	137,700		137,700
1.1.3 Honoraria (Analysts/programmers 3 x 1,600 x 24 mos.)	115,200		
Travel (1500 x 5) Per diem (150 x 5 x 20)	7,500 15,000		22,500
C.1.2 Fellowships and training	50,000		50,000
D.1.3 Publications	10,000		10,000
C.1.4 Equipment	590,000		590,000
1.4.1 Computer	570,000		
1.4.2 Training	20,000		
1.5 Overhead (14% of 1.1 to 1.4)	233,800		233,800
6. General support - local personnel		360,000	360,000
Total	1,903,500	360,000	2,263,500

SUBPROGRAM II
INSTITUTIONAL STRENGTHENING OF THE CUSTOMS AND EXCISE DEPARTMENT AND
IMPLEMENTATION OF THE VALUE ADDED TAX

I. SCOPE OF WORK

A. Organization, human resources and publicity

1. Conduct a study of the organizational structure of the Department and its functions; evaluate operational activities and propose recommendations for their improvement and assist in their implementation.
2. Analyze and evaluate the human resources, facilities and internal auditing of the Department with recommendations for their improvement, and provide assistance in the implementation of the recommendations.
3. Assist in the establishment of a Unit (Division) within the Department for VAT Administration; staffing, recruitment, job descriptions, accommodation and training of this unit.
4. Assist the Department in establishing a unit responsible for consultation, publicity and education for the introduction of VAT. This unit should also be responsible for the production of pamphlets, advertising, seminars and plan advisory visits to taxpayers to explain the operation of VAT.

B. Accounting and collection program for customs duties following audits of importers and consumption taxes in arrears

1. Assist with the preparation of functional specifications for computer applications to drive this new accounting and collection system such as:
 - a. control measures to insure that all assessments are debited to the proper account in the computer file;
 - b. control measures to ensure all payments are credited to the proper account in the computer file;
 - c. control measures to guarantee integrity of assessment notice forms and cash receipts;
 - d. develop a proper computerized general ledger;
 - e. develop a proper computerized accounts receivable ledger;
 - f. develop specifications for computer generated collection letters, statements of account, updated for interest and penalties;
 - h. develop specifications for computer generated account cards for all accounts requiring collection action;
 - i. develop a system for recording and imputing arrangements to pay, post date cheques and security in lieu of payment;

- j. develop a system for identifying late or deficient remitters of consumption tax related procedure for review and control of these deficient accounts, quick response audits and collection thereof.
 2. Assist this Department in proposing improved legislation to facilitate collection including broader powers to garnishee, obtain judgment against property, writs for the sale of property and improved positioning as a creditor and directors, liability for corporate debt.
 3. Develop procedural and policy instructions for staff.
 4. Conduct training.
 5. Validate the entire system after operation begins.
 6. Prepare a statement of the Department's collection policy for distribution to the media and the public.
- C. In the area of audit programs for customs valuations and consumption taxes
1. Develop a proper process for selecting files for audit to provide broad audit coverage well targeted at areas of avoidance and evasion so as to maximize revenue collections.
 2. Develop an investigations unit to assume responsibility for finalizing audits where evasion and avoidance have been detected which is capable of carrying such cases through to prosecution.
 3. Develop a procedural manual for auditors. Such manual to include audit policy, programs and internal processes, audit techniques including speciality data.
 4. Develop targets based on direct audit hours for the completion of cases in the various income ranges and categories in the audit program.
 5. Develop a system for measuring the effectiveness of the audit programs including:
 - a. dollar value of taxes and duties actually reassessed;
 - b. dollars realized per direct audit hour;
 - c. no tax change or very low tax change rate of completed audits;
 - d. actual hours, direct and indirect separately, utilized on audit by category, income range, grade and salary of creditors;
 - e. factor into (a), (b), (c) above decreases granted through negotiated adjustments, objections and appeals.

D. In the area of management information system

1. Design standard work plans for each Division of Customs and Excise Department;
2. Plans to include estimates of intake of work in each major work flow to reflect volumes received daily or weekly depending on volume, production of work for the same periods, inventories and year to date totals. Plans should provide for comparative actual intake, production and inventories for the same periods and comparative percentages, comparison to prior year actual and variance information;
3. Establish production standards for each major work flow for utilization in planning described in (ii) above and to be used as part of the measurement of employee performance in the annual performance assessment;
4. Develop a time reporting system for employees and managers in which work activities are identified and coded, related production recorded, overhead and indirect costs such as leave, travel time, etc., are recorded;
5. Develop a computer program for utilization on a personal computer to capture the planning information, production standards, intake and time and production data indicated in (i) to (iv) above from which weekly management reports will be generated;
6. Develop a procedures manual and related forms to support the MIS system;
7. Conduct training sessions for managers and staff;
8. Oversee implementation of the system, validate the output and correct anomalies and errors.
9. Assess the training needs of the entire audit division and prepare a plan for securing the required training including:
 - a. in house training from courses developed by the Department;
 - b. sending auditors to training facilities in other countries for specific courses;
 - c. importing training courses and instruction from other countries;
 - d. professional accounting training via correspondence etc.
10. Establish a data bank which accurately reflects the fair market value of goods being imported for use as a support tool by auditors.
11. Validate the revised program operation.

E. VAT administrative and computerization activities

1. Administrative activities to support the VAT administration

Some of the basic requirements for successful administration of a VAT are the following: an appropriate taxpayer identification system; a simple VAT return form which does not request information that cannot be processed in a timely fashion; an effective taxpayer assistance program; a reliable electronic data processing (EDP) system, which provides accurate and timely information; systems for cross-checking information in VAT returns with information from other sources to detect underreporting; an enforcement system that applies different strategies to different kinds of noncompliance; and, finally, a sound and effectively applied penalty system. These requirements are dealt with in some detail in the following activities:

- a. develop a taxroll by utilizing information on the identification of corporations and self-employed individuals in the files of Inland Revenue Department;
- b. develop registration procedures and taxpayer identification processes to develop a computerized master file for VAT taxpayers;
- c. develop routines and procedures, forms, etc. from which registration data will be keyed;
- d. design monthly and annual remittance returns, public information concerning filing, payment, interest, penalties, etc.;
- e. develop procedures and functional specifications for computer processing of returns and remittances including:
 - (i) fishiering procedures, balancing and deposit;
 - (ii) posting assessments to the taxpayers account;
 - (iii) posting payments to the taxpayers account;
 - (iv) general ledger and account receivable ledger;
 - (v) identification of delinquent remitters;
 - (vi) computer generated statement of account;
 - (vii) computer generated collection letters;
 - (viii) computer generated account cards for collection actions;
 - (ix) procedures for NSF cheques, post dated cheques and arrangements to pay.
- f. develop a system for quickly auditing delinquent and deficient remitters;
- g. develop a collection program for remittances in arrears including assistance in drafting legislation that will broaden the Controller's power of garnishee, securing judgments against

property and writs to sell property without trial and improve the Department position as a creditor;

- h. develop an audit program to accomplish broad based coverage and generate maximum revenue for the government; the program to concentrate on areas where evasion is greatest;
- i. develop procedural instruction;
- j. identify training needs and recommend training program;
- k. validate all systems and procedures after operation begins.

2. Computerization of activities to support the administration of VAT

- a. Assist the Department in determining what activities will be computerized and develop a plan identifying priorities, resource requirements and time periods for the completion of each activity.
- b. Conduct appropriate analyses to identify master file requirements, transaction volumes, management information reports, forms requirements, data entry requirements, output printing and distribution, etc.
- c. Confirm the adequacy of proposed computer equipment and assist in its acquisition and installation.
- d. Assist the Department in the recruitment of a staff data of processing officers including one project manager.
- e. Assist in the design, development and implementation of the following systems:
 - (i) VAT register;
 - (ii) Preprinting tax return forms or taxpayer identification labels;
 - (iii) Accounting;
 - (iv) Tax return processing and files.
 - (v) System to control remittances from banks to the treasury (if banks are used to collect VAT).
 - (vi) Control of stopfilers.
 - (vii) Current ledger accounts of VAT taxpayers.
 - (viii) Control of excess tax credit applied to the VAT.
 - (ix) Control of penalties.
 - (x) Control of refunds.
 - (ix) Selection of taxpayers for audit.
 - (x) Audit support.
- f. Design, develop and implement manual and computerized systems and procedures for the administration, registration and control of the main taxpayers.

II. TERMS OF REFERENCE

Consultant in Audit Programs for Customs Valuations and Consumption Taxes

A. Qualifications and experience

1. Extensive experience at a senior level gained over at least ten years managing the audit activities of a Government's tax administration the major portion of which was gained in a headquarters area developing policy and programs.
2. Knowledge of the principles and practices of accounting and auditing at the professional level.
3. The ability to develop time and quality standards for controlling program delivery.
4. The ability to develop audit selection criteria based on standard industrial coding, income levels, classification of imports and trade practices.
5. The ability to develop sidelines for intelligence sothening, delinquent programs and audit techniques.
6. The ability to develop audit policy and to propose improvements to legislation and to draft procedures.
7. The knowledge of and ability to design processes for the measurement of the effectiveness of the audit program including the tax earned by audit, dollars produced per direct audit hours, no/low change rates etc.
8. The ability to develop functional specifications for computer applications.
9. The ability to communicate effectively, both orally and in writing, in the English language.
20. The ability to identify training needs and to recommend training programs.

B. Term

One consultant, 12 months.

C. Responsibilities

1. Develop a proper process for selecting files for audit to provide broad audit coverage well targeted at areas of avoidance and evasion so as to maximize revenue collections.

2. Develop an investigations unit to assume responsibility for finalizing audits where evasion and avoidance have been detected which is capable of carrying such cases through to prosecution.
3. Develop a procedural manual for auditors. Such manual to include audit policy, programs and internal processes, audit techniques including speciality data.
4. Develop targets based on direct audit hours for the completion of cases in the various income ranges and categories in the audit program.
5. Develop a system for measuring the effectiveness of the audit programs including:
 - a. dollar value of taxes and duties actually reassessed;
 - b. dollars realized per direct audit hour;
 - c. no tax change or very low tax change rate of completed audits;
 - d. actual hours, direct and indirect separately, utilized on audit by category, income range, grade and salary of creditors;
 - e. factor into (a), (b), (c) above decreases granted through negotiated adjustments, objections and appeals.

Technical Coordinator/Expert on VAT Administration

A. Qualifications and experience

1. University degree in administration, economics, or law.
2. At least ten years working experience at a senior level in the administration of value added tax.
3. Experience and knowledge in the organization, planning and management of computerized tax projects.
4. Fluency in English.

B. Term

24 months.

C. Responsibilities

The technical coordinator/expert in vat administration main function will be the technical coordinator and management of the implementation of the value added tax in all of its aspects, directing the activities of the group of long and short term consultants in coordinator with the national authorities and the director of the VAT. In this respect the consultant must:

- a. Prepare working plans and schedules for the execution of the project.
- b. Coordinate preparatory work, including decision on broad principles, coverage, rates, and exemptions.
- c. Assist in the implementation of the organizational structure, function, management practices, responsibilities and accountability of the VAT Division.
- d. Assist in the elaboration of profiles and in the selection of the human resources which would be incorporated in the VAT Division.
- e. Develop a taxroll by utilizing information on the identification of corporations and self-employed individuals in the files of Inland Revenue Department.
- f. Develop registration procedures and taxpayer identification processes to develop a computerized master file for VAT taxpayers.
- g. Develop routines and procedures, forms, etc. from which registration data will be keyed.

- h. Design monthly and annual remittance returns, public information concerning filing, payment, interest, penalties, etc.
- i. Develop procedures and functional specifications for computer processing of returns and remittances including:
 - i) cashiering procedures, balancing and deposit;
 - ii) posting assessments to the taxpayers account;
 - iii) posting payments to the taxpayers account;
 - iv) general ledger and account receivable ledger;
 - v) identification of delinquent remitters;
 - vi) computer generated statement of account;
 - vii) computer generated collection letters;
 - viii) computer generated account cards for collection actions;
 - ix) procedures for NSF cheques, post dated cheques and arrangements to pay.
- j. Develop an audit program to accomplish broad based coverage and generate maximum revenue for the government; the program to concentrate on areas where evasion is greatest.
- k. Develop a collection program for remittances in arrears including assistance in drafting legislation that will broaden the Controller's power of garnishee, securing judgments against property and writs to sell property without trial and improve the Department position as a creditor.
- l. Develop an audit program to accomplish broad based coverage and generate maximum revenue for the Government; the program to concentrate on areas where evasion is greatest.
- m. Develop procedural instruction.
- n. Identify training needs and recommend training program.
- o. Validate all systems and procedures after operation begins.
- p. Prepare quarterly progress reports on the state of execution of the program, in particular implementation of the VAT.
- q. Perform any other activities as determined by the national authorities to meet the goal of implementing the VAT in a timely and efficient fashion.

Consultant in VAT Organization and Methods

A. Qualifications and experience

1. University degree in administration, economics, law or accounting.
2. Knowledge and minimum 5 year experience in administrative analysis, organization and methods, development, procedures and work simplification manuals.
3. Knowledge and working experience in the reorganization of a Tax Administration Office and in particular in VAT offices.
4. Fluency in English.

B. Term

18 months.

C. Responsibilities

Under the supervision of the Project's Coordinator and in coordination with the other experts the consultant shall:

- a. Provide assistance in the design and implementation of the Value Added Tax Office's organization structure and in the development of functions and operations manuals of the units directly responsible for the management and operation of the new Value Added Tax.
- b. Participate in the analysis, design and implementation new the computerized systems for the taxpayer master file, return filing/file storage, assessment, payment processing, current account and collection functions of the VAT.
- c. Assist in the development of the operation manuals of the VAT computerized systems in order that these may be used as consultation, working and training material for the staff in charge of their operation.
- d. Participate in the design of forms, administrative policies, methods and procedures related to the new computerized systems.
- e. Analyze the tax laws in terms of methods and procedures established to ensure compliance.
- f. Participate in the identification of training needs and in the development of training courses for managerial and operational staff in order to meet the training needs.

- g. Prepare and submit all progress reports required by the project and a final report with conclusions and recommendations.
- h. Conduct courses on the methodology of administrative analysis with a minimum 30 hour duration.

Expert on Management Information Systems

A. Qualifications

The consultant should possess a Bachelors or equivalent degree in computer science, mathematics or other sciences. A minimum of 5 years of work experience at the senior analyst/programmer level in the area of planning, developing and implementing administrative information systems is required. The candidate must possess technical knowledge of personal computers in the areas of application programming, systems development, database design and local area networks. Interpersonal skills and the ability to work with senior management staff is necessary.

B. Term

One year (12 months).

C. Responsibilities

The expert will have full responsibility for developing and implementing administrative information systems to meet the operational needs of the Customs and Excise Department. He will need to coordinate his activities with the controller for administration, MIS staff of the department, the international consultant for audit and all information systems vendors.

D. Principal activities

The expert will;

- a. Conduct a study of the information requirements and prepare a prioritized schedule of operations to accomplish the goals of this program.
- b. Code, test and implement all information systems applications after the review and approval by the controller for administration.
- c. Coordinate the procurement of the information system components including the LAN, PC's, software and other relevant elements of the system.
- d. Advise the technical coordinator and agency staff of this subprogram on all issues related to information systems.

E. Other activities

1. Participate in all phases of the development and implementation life cycle.

2. Participate in the installation and set up of all computer equipment, networks and software.
3. Assist in the development and coordination of training programs for the technical staff of the agency and end-users of the information system.
4. Coordinate the preparation of end-user manual for system operations and technical documentation for all application programs and source code.
5. Perform any other tasks related to the information systems area as determined necessary by the controller for administration for realizing the goals of this operation.

F. Technical guidelines

Some technical guidelines are indicated below to provide the consultant with a framework for the development and implementation of the administrative information system;

- a. All systems development activities must use industry standard tools and methodologies that maximize programming productivity and minimize development time.
- b. Interoperability between the principal elements of the technical platform i.e. LAN, PC's and all software programs must be ensured prior to procurement activities.
- c. Direct purchase and customization of prewritten commercially packaged programs is to be the preferred method for application development.
- d. Selection of software programs and development tools, screen and application generators and languages must be 4GL in nature for flexibility in modifying and developing or rewriting code as necessary.

Expert on VAT Information Systems

A. Qualifications

The consultant should possess a Masters or equivalent university degree in engineering, management or economics. A minimum of 10 years of work experience at the project leader or manager level in the area of planning, developing and implementing VAT information systems. The candidate must demonstrate sound technical knowledge of systems development methodologies and tools, database design, local and wide area networks and skill with organizing an effective information systems group. Interpersonal skills and the ability to work with senior management staff is necessary.

B. Term

Two years (24 months)

C. Responsibilities

The expert together with the team of systems analysts will have full responsibility for meeting the goals and activities established for the information technology area in the VAT program of the Customs and Excise Department. He will need to coordinate his activities with the technical coordinator of the program and other government agencies and information systems vendors.

D. Principal activities

The expert will;

- a. Conduct a study of the VAT tax information requirements and prepare a two year prioritized schedule of operations and a detailed budget to accomplish the goals of this program.
- b. Manage the execution of the VAT information systems project after the review and approval by the High Level Steering Committee established for this technical assistance program.
- c. Develop a detailed procurement bid document for the technical architecture of the information system including the specifications for the LAN, PC's, software and other relevant elements of the system.
- d. Advise the technical coordinator and agency staff of this subprogram on all issues related to information systems.
- e. Advise and assist the chief of the VAT information systems unit on all organization, management and leadership issues.

E. Other activities

1. Participate in all phases of the systems development and implementation life cycle.
2. Lead the development of the VAT tax collection database design and implementation.
3. Participate in the installation and set up of all computer equipment, networks and telecommunication links.
4. Assist with the activities of the procurement process for computers and telecommunications equipment. Participate in bid evaluations, selection of vendors and developing contracts.
5. Ensure adequate software quality control through program testing prior to production implementation.
6. Assist in the development and coordination of training programs for the technical staff of the agency and end-users of the information system.
7. Coordinate the preparation of end-user manual for system operations and technical documentation for all application programs and source code.
8. Perform any other tasks related to the information systems area as determined necessary by the project technical coordinator for realizing the goals of this operation.

E. Technical guidelines

Some technical guidelines are indicated below to provide the consultant with a framework for the development and implementation of the information system:

- a. All systems development activities must use industry standard tools and methodologies that maximize programming productivity and minimize development time.
- b. Interoperability between the principal elements of the technical platform i.e. LAN, PC's and the telecommunications link and all software programs must be ensured prior to procurement activities.
- c. Direct purchase and customization of prewritten commercially packaged VAT software programs is to be the preferred method for application development. In-house software development must be minimized.
- d. Selection of software programs and development tools, screen and application generators and languages must be 4GL in

nature for flexibility in modifying and developing or rewriting code as necessary.

- e. Applications must be developed/modified using a modular programming methodology prior to integration with the central database. Software modules must be well documented internally for easy maintenance.

International VAT Systems Analysts/Programmers

A. Qualifications

The Systems Analyst must have a Bachelors degree together with at least 5 years of experience in systems analysis and application programming on mid-range and personal computer systems. Experience in the design, development, test and implementation phases of VAT database applications is desirable.

B. Term

Two consultants for two years

C. Responsibilities

The systems analyst will perform all tasks delegated by the information systems project leader for the design and implementation of the VAT tax information systems.

D. Activities

1. Participate in the systems analysis studies for the design and implementation of the centralized taxpayer and accounting databases.
2. Code and test all software programs for menus, screens, reports, data entry necessary for the implementation of the VAT tax information systems.
3. Assist with the installation and management of the local area network within the agency.
4. Provide general technical support to the end-users and professional staff of the agency with the operation of the new systems.
4. Assist in the preparation of end-user and systems documentation for the operational system.
5. Assist in the training for end-user and professional staff of the agency in the use of the new systems.
6. Perform any other activities as determined by the project leader to meet the goals in the information systems area.

Expert on VAT Legislation

A. Qualifications and experience

1. University degree in law at the doctoral level.
2. Minimum 10 years work experience in the drafting of tax legislation, regulation and norms, preferably in value added taxation.
3. Fluency in English.

B. Term

Total of 8 months.

C. Responsibilities

- a. Assist the Government in the drafting of value added tax legislation. The major policy issues to be addressed where the elaboration of norms and regulations will be required should include but not be limited to:
 - i. liability of tax
 - ii. invoicing requirements
 - iii. filing frequency
 - iv. treatment of exemptions
 - v. treatment of financial institutions
 - vi. small business threshold level
 - vii. treatment of farmers
 - viii. treatment of food products
 - ix. exports
 - x. sales to international organizations
 - xi. government purchases
 - xii. government sales
 - xiii. treatment of sales by charities
 - xiv. treatment of real property
 - xv. treatment of automobiles
 - xvi. treatment of sales of used goods.
 - xvii. transition issues related from the replacement of the consumption tax to VAT.
- b. Perform any other activities on tax legislation as determined by the national authorities to meet the goal of implementing the VAT in a timely and efficient fashion.
- c. Prepare a final report on the work completed.

Training Specialists for VAT audit, accounting and collections

A. Qualifications and experience

1. University degree in Accounting or Law.
2. Extensive experience at a senior level (minimum ten years) managing the accounting and collection activities of a Government's tax administration where a VAT is in effect.
3. Experience in training.
4. Fluency in English.

B. Term

Total of 10 months.

C. Responsibilities

Under the supervision of the Project's Coordinator and in coordination with the other experts in the area of auditing the consultant shall:

- a. Deliver the module on VAT audit, accounting and collections
- b. Prepare the supporting teaching material where necessary.
- c. Satisfactorily perform the contracted services on the dates specified in the established training schedule.

Local VAT Systems Analysts/Programmers

A. Qualifications

The systems analyst must have at least a Bachelors degree together with at least three years of experience in systems analysis and application programming on mid-range and personal computer systems. Experience in the design, development, test and implementation phases of VAT database applications is desirable.

B. Term

Two consultants for two years.

C. Responsibilities

The systems analyst will perform all tasks delegated by the information systems project leader for the design and implementation of the VAT tax information systems.

D. Activities

- a. Participate in the systems analysis studies for the design and implementation of the centralized taxpayer and accounting databases.
- b. Code and test all software programs for menus, screens, reports, data entry necessary for the implementation of the VAT tax information systems.
- c. Assist with the installation and management of the local area network within the agency.
- d. Provide general technical support to the end-users and professional staff of the agency with the operation of the new systems.
- e. Assist in the preparation of end-user and systems documentation for the operational system.
- f. Assist in the training for end-user and professional staff of the agency in the use of the new systems.
- g. Perform any other activities as determined by the project leader to meet the goals in the information systems area.

III. DETAILED BUDGET

SUBPROGRAM II. CUSTOMS AND EXCISE AND VAT IMPLEMENTATION (in US\$)				
	IDB	World Bank IDF	Local counterpart	Total
1. Specialized agency				
1.1 Salaries and benefits	1,381,300			1,731,300
A. International	1,282,000			
A.1.1.1 Long-term	1,152,000			
Expert on VAT/Proj. Mgr. (24 months at US\$10,500)	252,000			
Expert on VAT analysis/proced. (18 months at US\$10,000)	180,000			
Expert in VAT information systems (24 months at US\$10,000)	240,000			
Analyst/programmers for VAT (2 x 24 months at US\$10,000)	240,000	240,000		
Expert on audit (valuation) (12 months at US\$10,000)	120,000			
Expert on tax MIS (12 months at US\$10,000)	120,000			
A.1.1.2 Short-term	130,000	110,000		
Training specialist for VAT audit (10 months at US\$10,000)	100,000			
Training for EDP (3 months at US\$10,000)	30,000			
Legal VAT advisor (3 months at US\$10,000)		80,000		
Training VAT (3 months at US\$10,000)		30,000		
B. National consultants				
1.2 Two local analysts programmers (2 x 24 months at US\$1,600)	89,300			
Honoraria	76,800			
Travel (1500 x 5)	7,500			
Per diem (150 x 5 x 20)	15,000			
C.1.2 Fellowships & Training	20,000			
D.1.3 Publications	30,000			30,000
D.1.4 Equipment	417,000		-	417,000
1.4.1 Computer	397,000			
1.4.2 Training Office	20,000			
1.5 Overhead (20% of 1.1 to 1.4)	258,800			258,800
6. General support - Local team			1,500,000	1,500,000
6.1 Customs and Excise			108,000	
6.2 Value Added Tax			1,392,000	
Contingencies		2,000		
Total	2,107,180	352,000	1,500,000	3,959,100

SUBPROGRAM III
INSTITUTIONAL STRENGTHENING OF THE LAND TAX DEPARTMENT

I. SCOPE OF WORK

- A. Area of accounting and collections
- 1.1 Assist the Department in rationalizing the elimination of corrupt data from the present accounting system to facilitate the entry of good data to the newly designed computerized accounting system.
- 1.2 Assist with the preparation of functional specifications for computer applications to drive this new accounting and collection systems such as:
- a. Control measures to ensure that all assessments are debited to the proper account in the computer file;
 - b. Control measures to ensure all payments are credited to the proper account in the computer file;
 - c. Control measures to guaranty the integrity of assessments and cash receipts;
 - d. Develop a proper computerized general ledger;
 - e. Develop a proper computerized accounts receivable ledger;
 - f. Develop specifications for computer generated statements of account, updated for interest and penalties;
 - g. Develop specifications for computer generated collection letters;
 - h. Develop specifications for computer generated account cards for all accounts requiring collection action;
 - i. Develop a system for recording and imputing arrangements to pay, post dated cheques and security in lieu of payment;
- 1.3 Develop procedural and policy instructions for staff.
- 1.4 Conduct training.
- B. Area of data processing
- 1.5 Analyze the existing computer applications and revise weaknesses identified particularly those related to calculation errors, inability to allow on line access to Land Tax databases and validation of input transactions.
- 1.6 Enhance the present systems to allow data entry from Land Tax offices with proper controls and efficiency.

- 1.7 Assist the Department in identifying opportunities for further computerization of functions, particularly in the areas of maps, inventory and property location.
- 1.8 Develop a long term Plan for the Department so that it can project resource requirements and expected benefits.
- 1.9 Assist the Department in negotiating a service agreement with the Data Processing Department. The agreement should include all matters related to data exchange, priorities setting, costs, security of data and service expected.
- 1.10 Transfer, to the greatest extent possible, technical knowledge to Land Tax Data Processing staff so that they may be capable of maintaining operational systems and develop new systems to improve the efficiency of the Department.
- 1.11 Develop efficient and for tracking land transfers from the original large parcels to the smaller sub divided parcels and prepare functional specifications for computer applications to facilitate this tracking.
- 1.12 Develop functional specifications for computer applications to modernize the entire accounting systems including receipts of payments and issuance of receipts, balancing and deposits of cash, issuance of statements of account and collection letters, NSF cheques, post dated cheques.
- 1.13 Develop an effective collection operation by setting policies, procedures and parameters for legal action.
- 1.14 Develop procedural instructions to support all processes and computer applications including internal controls over computer input and output.

II. TERMS OF REFERENCE

Expert on Tax Information Systems

A. Qualifications

The consultant should possess a Masters or equivalent university degree in engineering, management or economics. A minimum of 8 years of work experience at the project leader or manager level in the area of planning, developing and implementing tax information systems with broad experience in land taxation. The candidate must demonstrate sound technical knowledge of systems development methodologies and tools, database design, local and wide area networks.

B. Term

Two years (24 months)

C. Responsibilities

The expert together with the team of 3 systems analysts--two counterpart from the Land Tax Department and one national consultant--will have full responsibility for meeting the goals and activities established for the information systems area in the Land Tax Department.

D. Principal activities

The expert will:

- a. Prepare a two year prioritized schedule of operations and a detailed budget to accomplish the goals of this program.
- b. Manage the execution of this information systems project after the review and approval by the High Level Steering Committee established for this technical assistance program.
- c. Develop a detailed procurement bid document for the technical architecture of the information system including the specifications for the LAN, PC's, software and other relevant elements of the system.
- d. Coordinate activities with the Government Data Processing Center to implement the CICS application in land valuation and collections.
- e. Advise and assist the chief of the information systems unit in the organization, management and leadership of the new unit.

E. Other activities

- a. Lead the systems development life cycle and implementation for land taxation applications.
- b. Participate in the installation and set up of all computer equipment, networks and telecommunication links.
- c. Assist with the activities of the procurement process for computers and network equipment. Participate in bid evaluations, selection of vendors and developing contracts.
- d. Ensure adequate software quality control through program testing prior to production implementation.
- e. Assist in the development and coordination of training programs for the technical staff of the agency and end-users of the information system.
- f. Coordinate the preparation of end-user manuals for system operations and technical documentation for all application programs and source code.
- g) Perform any other tasks related to the information systems area as determined necessary for realizing the goals of this operation.

F. Technical guidelines

Some technical guidelines are indicated below to provide the consultant with a framework for the development and implementation of the information system;

- a. All systems development activities must use industry standard tools and methodologies that maximize programming productivity and minimize development time.
- b. Direct purchase and customization of prewritten commercially packaged software programs for tax applications is to be the preferred method for application development. In-house software development must be minimized.
- c. Selection of software programs and development tools, screen and application generators and languages must be 4GL in nature for flexibility in modifying and developing or rewriting code as necessary.
- d. Applications must be developed/modified using a modular programming methodology. Software modules must be well documented internally for easy maintenance.

Local Systems Analyst/Programmer

A. Qualifications

The systems analyst must have at least a Bachelors degree together with at least 3 years of experience in systems analysis and application programming on personal computer systems and CICS applications on mainframes. Experience in the design, development, test and implementation phases of database applications is desirable.

B. Term

One consultant for two years.

C. Responsibilities

The systems analyst will perform all tasks delegated by the information systems project leader for the design and implementation of land tax information systems.

D. Activities

- a. Participate in the systems analysis studies for the design and implementation of the land valuation and collection systems.
- b. Code and test all software programs for menus, screens, reports, data entry necessary for the implementation of the tax information systems.
- c. Assist with the installation and management of the local area network within the agency.
- d. Provide general technical support to the end-users and professional staff of the agency with the operation of the new systems.
- e. Assist in the preparation of end-user and systems documentation for the operational system.
- f. Assist in the training for end-user and professional staff of the agency in the use of the new systems.
- g. Perform any other activities as determined by the project leader to meet the goals in the information systems area.

III. DETAILED BUDGET

SUBPROGRAM III. LAND TAXATION (in US\$)			
	IDB	Local counterpart	Total
1. Specialized agency			
1.1 Salaries and benefits <u>1/</u>	278,400		278,400
A. International			
Tax analyst/programmer (24 months at 10,000)	240,000		
B. Tax analyst/local programmer	38,400		
1.3 Training	50,000		50,000
1.4 Equipment	95,600	-	95,600
1.5 Overhead (14% of 1.1 and 1.2)	60,000		
2. Local contribution			
2.1 Two land tax analyst programmers (24 months x 1600 x 2)		76,800	76,800
6. General support - Local team		30,000	30,000
Total	484,000	106,800	590,800
<u>1/</u> Includes salaries, post allowance and other benefits such as travel transportation and household.			

SUBPROGRAM IV
INSTITUTIONAL STRENGTHENING THE PUBLIC EXPENDITURE
MANAGEMENT SYSTEM OF BARBADOS

I. SCOPE OF WORK

- 1.1 In order to achieve the specific objectives detailed in section II of this document, the following activities are required:
 - A. For objective 1
 - 1.2 Provide the methodological support required to translate the existing recurrent expenditures as well as those arising from the public investment program into a three-year rolling financial plan, in connection with the Project Cycle Management program.
 - 1.3 Elaborate manuals detailing information requirements and procedures for designing a three-year rolling financial plan.
 - 1.4 Provide training for senior and junior staff of the Ministry of Finance on medium-term financial planning.
 - B. For objective 2
 - 1.5 Review of the existing methodology and legal framework used to formulate the budget.
 - 1.6 Proposal for a plan of action to redefine and complete the existing programmatic structure, particularly to define appropriately the categories of program and Subprogram, and to include the levels of activities and projects.
 - 1.7 Review of the existing object code classification systems to permit their use by the entire Non-Financial Public Sector, and the design of an economic account compatible with National Income Accounting.
 - 1.8 Design of a methodology for quantification of performance indicators for projects and activities where physical output can be measured.
 - 1.9 Definition of guidelines to elaborate budgetary policy, in order to accurately reflect macroeconomic programming.
 - 1.10 Design of a methodology for budgetary evaluation, at both the financial and performance levels.
 - 1.11 Elaboration of detailed manuals describing: (a) the theoretical framework of the implemented budget formulation system, and (b) the procedures for budget formulation, consolidation, evaluation, financial analysis, and data processing.

- 1.12 Assistance in the implementation of the proposed methodological and systems reforms, taking into consideration the feedback obtained from the Ministry of Finance during the process.
- 1.13 Training of the Budget Analysts at the Ministry of Finance, as well as the budget officers at the line Ministries, in the techniques of program budgeting.
- 1.14 Implementation of all required computer systems, through: (b) the provision of hardware, and (b) the design and programming of software.
- 1.15 Propose the required modifications in the financial management legislation to accommodate the required budget cycle reforms.

C. For Objective 3

- 1.16 Review the existing methodology and legal framework for budget formulation by statutory corporations.
- 1.17 Provide the statutory corporations with the required methodology to present budgets in a format that allows the consolidation with the remainder of the Non-Financial Public Sector, including performance indicators wherever possible and the use of the revised classification codes.
- 1.18 Provide detailed manuals for presenting the budget in the required format.

D. For Objective 4

- 1.19 Install a data processing system that provides a direct linkage with the Data Processing Department.
- 1.20 Design and implement a computerized system to follow-up vouchers and payable orders, in relation to the inflow of revenues, the warrants, and the annual appropriations. This system should provide greater automation in the process of issuing payable orders and generation of monthly reports.
- 1.21 Design and implement a methodology and legal framework to annex financial statements from the statutory corporations to the monthly and annual Accountant General's reports.
- 1.22 Provide detailed manuals on the use of the computerized system to be implemented.

E. For Objective 5

- 1.23 Development of a methodology to enable the Auditor General to perform value-for-money auditing, paying particular attention to the establishment of standards for performance evaluation.

- 1.24 Definition of specific guidelines for private firms auditing statutory corporations, consistent with those performed by the Auditor General.
- 1.25 Proposals for the establishment of legislature authorizing the Auditor General to audit all the statutory corporations, either through his own staff or through registered private firms hired by the corporations themselves.
- 1.26 Provision of data processing systems (hardware and software), to support the duties of the Auditor General's office, and detailed user's manuals.
- 1.27 Elaboration of detailed manuals for Value for Money audit, as well as for any methodological improvements on the stewardship audit system.

F. For Objective 6

- 1.28 Assessment of the information needs of the Budget Section of the Ministry of Finance, the Accountant General's Office, and the Auditor General's Office, in the context of the proposed budget cycle, accounting and auditing reform.
- 1.29 Design of an Integrated Data Processing System, integrating the formulation stage of budgeting (at spending agencies and Ministry of Finance), modification, approval, execution, evaluation, accounting, and auditing, covering financial as well as performance indicators. This system should be oriented towards minimizing redundant data entry.
- 1.30 Integration of the proposed computerized system of information flow to the mainframe computer at the Data Processing Center and the existing local-area networks in the Ministry of Finance.
- 1.31 Design of a Managerial Information System, which would provide decision-makers at the Ministry of Finance, Accountant General's Office and Auditor General's Office, with real-time information on all stages of the budget cycle.
- 1.32 Provision of technical documentation and user's manuals for the Integrated Data Processing System, as well as for the Management Information System.
- 1.33 Training of the senior and junior staff involved in financial management, in the use of the proposed data processing systems.
- 1.34 Provision of all hardware and software required for the Integrated Data Processing system and Managerial Information System.

G. For Objective 7

- 1.35 Design a program covering all the training requirements required by the above objectives, to be given by specialized instructors and the consultants hired for the project.

- 1.36 Organize training sessions on financial management for the accounting officers of the Non-Financial Public Sector.
- 1.37 Compatibilization of the training programs in public expenditure with those already provided for investment project management through the Caribbean Development Bank Project ATN/SF-2487-RE.

II. TERMS OF REFERENCE

Project Coordinator/Expert on Financial Management

A. Qualifications

1. Master's degree in Economics or Public Administration.
2. Minimum of 15 years experience in public finance.
3. Previous experience coordinating public finance projects is desirable.
4. Fluency in English.

B. Term

18 months.

C. Responsibilities

The project coordinator/expert on financial management will have as primary responsibility, the coordination, orientation, supervision and technical evaluation of all the components of this technical assistance program in the areas of financial planning, budget improvement, accounting, auditing, systems implementation, and training. All activities will be closely coordinated with the national coordinator for the subprogram. The main duties include:

- a. Prepare a detailed work plan, defining the scope of the activities to be undertaken, and all corresponding timetables.
- b. Define terms of reference of project consultants, as necessary.
- c. Review and evaluate the activities undertaken by the team of consultants, ensuring that all proposed methodologies, systems and recommendations are in accordance with the requirements of the Ministry of Finance.
- d. Provide advice to the government authorities regarding the efficient support of the units of the Ministry of Finance, line ministries and other public institutions, to achieve the objectives of the project.
- e. Assist the ministry in all areas required to produce a multi-year financial strategy.

- f. Review the present budgeting systems and make recommendations for improvement in order to make the budget a functional mean of implementing public policy and development plans.
- g. Assist in the provision of the necessary support to statutory corporations and other public institutions to produce budgets that are compatible with the program's adopted budgeting systems.
- h. Prepare the quarterly progress reports.
- i. Perform any other activities as determined by the national authorities to meet the goal of implementing the program's objectives.

For the determination of the specific work plans for each component of the technical assistance, the Project Coordinator will have the support of the Advisors responsible for Financial Planning, Budget, Accounting and Management Information Systems, Auditing, and the Systems Engineer, as well as the Training Coordinator. Particular attention must be given to the legal/statutory framework, internal and external constraints, conceptual framework and methodologies, and training activities.

International Consultants
Advisor on Financial Planning

A. Qualifications

The Advisor on Financial Planning must have at least a Master's Degree in Economics, Business Administration or Public Administration from an accredited university, with a strong academic background in Finance and a minimum of ten years of experience in public sector finance. Fluency in both written and oral English is required.

B. Term

8 months.

C. Primary responsibilities

- a. Develop a conceptual framework and methodology to implement a three-year financial strategy, reflecting existing sources of revenue and expenditure, investment projects, and recurrent expenditures and revenues arising from the development plan.
- b. Provide advice to the Ministry of Finance, primarily through the Permanent Secretariat for Finance, on the theoretical foundations and practical implications of a medium-term financial plan.
- c. Elaborate manuals of elaboration and interpretation of the three-year financial strategy.
- d. Coordinate with the Project Cycle Management component, all aspects related to incorporating expenditures arising from investment projects into the plan.
- e. Prepare two one-week part-time seminars on financial planning, one for the Ministry of Finance staff and one for the line ministries, with the project's training coordinator.

**International Consultants
Advisor in Budgetary Management**

A. Qualifications

The Advisor in Budgetary Management must have at least a Master's Degree in Economics, Business Administration, or Public Administration from an accredited university, and a minimum of ten years of experience in public sector financial management. Successful experience in budgetary reforms is also required. The Advisor must be fluent in both written and oral English.

B. Term

18 months.

C. Primary responsibilities

The Advisor in Budgetary Management is responsible for designing, implementing, and evaluating the transition to a complete program budgeting system in the Ministry of Finance and the line ministries, as well as providing general guidelines to the remaining entities of the NFPS on a compatible budget format. The principal activities leading to this are:

- a. Review of the existing methodology and legal framework used to formulate the budget.
- b. Proposal for a plan of action to redefine and complete the existing programmatic structure, particularly to define appropriately the categories of program and subprogram, and to include the levels of activities and projects.
- c. Review of the existing object code classification systems to permit their use by the entire Non-Financial Public Sector, and the design of an economic account compatible with National Income Accounting.
- d. Design of a methodology for quantification of performance indicators for projects and activities where physical output can be measured.
- e. Definition of guidelines to elaborate budgetary policy, in order to accurately reflect macroeconomic programming.
- f. Design of a methodology for budgetary evaluation, at both the financial and performance levels.
- g. Elaboration of detailed manuals describing: 1) the theoretical framework of the implemented budget formulation system, and 2) the procedures for budget formulation, consolidation, evaluation, and financial analysis. Also, manuals for the operation of data processing systems, in collaboration with the Systems Engineer.

- h. Implementation of the proposed methodological and systems reforms, taking into consideration the feedback obtained from the Ministry of Finance during the process.
- i. Design a training program for the Budget Analysts at the Ministry of Finance, as well as the budget officers at the line Ministries, in the techniques of program budgeting, with the project's Training Coordinator. The Advisor will provide services as instructor.
- j. Guidance and advice to the Systems Engineer in the implementation of all required computer systems, in the provision of hardware, and the design and programming of software.
- k. Propose the required modifications in the financial management legislation to accommodate the required budget cycle reforms, with the project's Legal Advisor.
- l. Design of a methodology to enable statutory corporations to present the budget in a format compatible with that of the Government institutions, in order to enable consolidation of the NFPS.
- m. Any other activities that are conducive to the objectives of the Technical Assistance.

**International Consultants
Advisor for Accounting and Management Information Systems**

A. Qualifications

The Advisor for Accounting and Management Information Systems must have at least a Master's Degree in Business Administration or Public Administration from an accredited university, and a minimum of ten years of experience in public sector finance. A strong background in public accounting and Management Information Systems is required; experience in systems analysis is highly desirable. Fluency in both written and oral English is also required.

B. Term

12 months.

C. Primary responsibilities

- a. Coordinate, with the Systems Engineer, the installation of a data processing system that provides a direct linkage between the Accountant General's Office and the Data Processing Department.
- b. Collaborate with the Systems Engineer to implement a computerized system to follow-up vouchers and payable orders, in relation to the inflow of revenues, the warrants, and the annual appropriations. This system should provide greater automation in the process of issuing payable orders and generation of monthly reports.
- c. Design and implement a methodology and legal framework to annex financial statements from the statutory corporations to the monthly and annual Accountant General's reports.
- d. With the Systems Engineer, provide detailed manuals on the use of the computerized system to be implemented.
- e. Review the financial statements currently being generated, and recommend the creation of others that may be necessary.
- f. With the Systems Engineer, design a Managerial Information System, which would provide decision-makers at the Ministry of Finance, Accountant General's Office and Auditor General's Office, with real-time information on all stages of the budget cycle.
- g. Provision of technical documentation and user's manuals for the Management Information System.
- h. Any other activities that are conducive to the improvement of the operational capacity of the Accountant General's Office, as well as the fulfillment of the information requirements at all decision-making levels of the public expenditure cycle.

International Consultants
Advisor in Auditing Procedures

A. Qualifications

The Advisor in Auditing Procedures must have an academic background combining Auditing with Economics or Public Administration, and a Master's Degree in one of the above fields from an accredited university. A minimum of ten years of experience in Auditing is required; previous senior-level experience at an Auditor's or Comptroller's Office is desirable. Academic background and experience must reflect both theoretical and practical work relating to value-for-money auditing. Fluency in both written and oral English is required.

B. Term

Six months for the first stage. If the GBA decides to proceed with money-for-value audit, the second stage will be started for a period of six more months.

C. Primary responsibilities

1. First stage

- a. Development of a methodology to enable the Auditor General to perform value-for-money auditing, paying particular attention to the establishment of standards for performance evaluation.
- b. Definition of specific guidelines for private firms auditing statutory corporations, consistent with those performed by the Auditor General.
- c. Proposals for the establishment of legislature authorizing the Auditor General to audit all the statutory corporations, either through his own staff or through registered private firms hired by the corporations themselves.
- d. Assessment of the functions being carried out in the Office of the Auditor General and the resources available in order to determine the requisites (financial, human, legal, training and information systems) for implementation of FVM. Upon promulgation of necessary regulations, procedures required: work plan including training and financing estimate will be made.

2. Second stage

- a. Elaboration of detailed manuals for Value for Money audit, as well as for any methodological improvements on the stewardship audit system.

- b. Guidance to the Systems Engineer on the provision of data processing systems (hardware and software), to support the duties of the Auditor General's office, and detailed user's manuals.
- c. Design, in collaboration with the Training Coordinator, a comprehensive training program involving seminars and fellowships for study abroad.

Expert on Public Sector Financial Information Systems

A. Qualifications

The consultant should possess a Masters or equivalent university degree in engineering, management or economics. A minimum of 8 years of work experience at the project leader or manager level in the area of planning, developing and implementing financial information systems in the public sector. The candidate must demonstrate sound technical knowledge of systems development methodologies and tools, database design, local and wide area networks.

B. Term

18 24 months.

C. Responsibilities

The expert together with the team of 2 systems analysts will have full responsibility for meeting the goals and activities established for the information systems area within the Public Expenditure Management technical assistance program.

D. Principal activities

The expert will;

- a. Prepare a two year prioritized schedule of operations and a detailed budget to accomplish the goals of this program.
- b. Manage the execution of this information systems project after the review and approval by the High Level Steering Committee established for this technical assistance program.
- c. Develop a detailed procurement bid document for the technical architecture of the information system including the specifications for the LAN, PC's, software and other relevant elements of the system.
- d. Coordinate activities with the Government Data Processing Center to implement telecommunication links for data transfer.

E. Other activities

- a. Lead the systems development life cycle and implementation for all financial information systems.
- b. Participate in the installation and set up of all computer equipment, networks and telecommunication links.

- c. Assist with the activities of the procurement process for computers and network equipment. Participate in bid evaluations, selection of vendors and developing contracts.
- d. Ensure adequate software quality control through program testing prior to production implementation.
- e. Assist in the development and coordination of training programs for the technical staff of the agency and end-users of the information system.
- f. Coordinate the preparation of end-user manuals for system operations and technical documentation for all application programs and source code.
- g. Perform any other tasks related to the information systems area as determined necessary for realizing the goals of this operation.

F. Technical guidelines

Some technical guidelines are indicated below to provide the consultant with a framework for the development and implementation of the financial information system;

- a. All systems development activities must use industry standard tools and methodologies that maximize programming productivity and minimize development time.
- b. Direct purchase and customization of pre-written commercially packaged software programs for financial management applications is to be the preferred method for application development. In-house software development must be minimized.
- c. Selection of software programs and development tools, screen and application generators and languages must be 4GL in nature for flexibility in modifying and developing or rewriting code as necessary.
- d. Applications must be developed/modified using a modular programming methodology. Software modules must be well documented internally for easy maintenance.

Local Systems Analysts/Programmers

A. Qualifications

The Systems Analyst must have a Bachelors degree together with at least 3 years of experience in systems analysis and application programming on personal computer systems in financial management applications. Experience in the design, development, test and implementation phases of database applications is desirable.

B. Term

Two consultants for two years

C. Responsibilities

The systems analyst will perform all tasks delegated by the information systems project leader for the design and implementation of financial information systems.

D. Activities

- a. Participate in the systems analysis studies for the design and implementation of financial information systems.
- b. Code and test all software programs for menus, screens, reports, data entry necessary for the implementation of the financial information systems.
- c. Assist with the installation and management of the local area network within the agency.
- d. Provide general technical support to the end-users and professional staff of the agency with the operation of the new systems.
- e. Assist in the preparation of end-user and systems documentation for the operational system.
- f. Assist in the training for end-user and professional staff of the agency in the use of the new systems.
- g. Perform any other activities as determined by the project leader to meet the goals of the information systems program.

III. DETAILED BUDGET

SUBPROGRAM IV. PUBLIC EXPENDITURE MANAGEMENT (in US\$)			
	IDB	Local counterpart	Total
1. Specialized agency			
1.1 Salaries and benefits ^{1/}	664,400	-	664,400
A. International			
A.1.1 Long Term	546,000		
Expert on Fin. Mgmt./Project Mgr. (18 months at US\$7,000)	126,000		
Expert on Acctg. Mgmt. MIS (12 months at US\$7,000)	84,000		
Intl. System Analyst (18 months at US\$7,000)	126,000		
Value for Money Aud. Expert (12 months at US\$7,000)	84,000		
Expert on Budget Management (18 months at US\$7,000)	126,000		
A.1.2 Short-Term	80,000		
Adv. Financial Planning (8 months at US\$7,000)	56,000		
B. National consultants			
1.2.1 Honoraria	62,400		
1.2.1.1 Local analyst programmers (2 x 12 months at US\$1,600)	38,400		
1.2.1.2 Acctg./MIS Specialist (1 x 12 at US\$2,000)	24,000		
1.2.2 Fellowships and Training	60,000	-	60,000
1.2.2.1 Two in Accounting (60 days)	20,000		
1.2.2.2 Two in Budgeting (60 days)	20,000		
1.2.2.3 Two in VFM Audit (60 days)	20,000		
1.3 Equipment	407,100	-	407,100
1.3.1 Computer	387,100		
1.3.2 Training	20,000		
1.5 Overhead (150% of 1.1)	996,600	-	996,600
6. General support		85,000	85,000
Total	2,128,100	85,000	2,213,100
^{1/} Includes salaries, post allowance and other benefits such as travel transportation and household.			

<u>Description</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1.1 Mid-Range Computer			
System Unit	1	\$85,000	\$85,000
with:- 24 MB Memory			
- 525 MB 1/4" Tape Unit			
- One Communications Line			
4.0 Gigabyte Disk	1	\$18,500	\$18,500
LAN Adapter Card	1	\$2,200	\$2,200
1200 LPM Printer	1	\$28,800	\$28,800
Communications Equipment	1	\$6,500	\$6,500
Operators Terminals	3	\$2,200	\$6,600
Operating System	1	\$15,000	\$15,000
RPG V2	1	\$4,500	\$4,500
PC Support	1	\$5,500	\$5,500
SQL, COBOL	1	\$11,300	\$11,300
Application Development Software	1	\$20,000	\$20,000
Installation, Cabling	1	\$27,000	\$27,000
UPS	1	\$12,000	\$12,000
Miscellaneous Items	1	\$8,500	\$8,500
Tax Information Systems Software	1	\$69,000	\$69,000
Total Item 1.1			\$320,400.
2.1 Personal Computers & LAN			
Developers Workstation Unit	7	\$4,000	\$28,000
- Printer, Software	7	\$2,500	\$17,500
MIS End User Workstation Unit	7	\$2,500	\$17,500
- Printer, Software	7	\$2,000	\$14,000
Data Entry Terminal	14	\$2,200	\$30,800
User Terminals	14	\$2,200	\$30,800
Cashiers Terminal	8	\$2,200	\$17,600
- Printer, Software	8	\$1,200	\$9,600
Communications Workstation Unit	2	\$2,000	\$4,000
- Printer, Software, Modem	2	\$1,500	\$3,000
LAN Print Server, Laser Printer	2	\$4,000	\$8,000
LAN File Servers	2	\$8,500	\$17,000
LAN Adapters	20	\$700	\$14,000
Other LAN OS, Equip. Cables, UPS, Furn.			\$39,000
Total Item 2.1			\$250,800
TOTAL Inland Rev. Department			<u>\$571,200</u>

1/ This is an indicative list that may be adjusted in accordance with Information Systems Expert as cited in the corresponding Terms of Reference.

<u>Description</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Cost</u>
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1.1 VAT Program Personal Computers & LAN

Specialized Software	1		\$38,000
Developers Workstation Unit	4	\$4,000	\$16,000
- Printer, Software	4	\$2,500	\$10,000
MIS End User Workstation Unit	4	\$2,500	\$10,000
- Printer, Software	4	\$2,000	\$8,000
Data Entry Workstation Unit	3	\$2,500	\$7,500
- Printer, Software	3	\$2,000	\$6,000
Cashiers Workstation Unit	6	\$2,500	\$15,000
- Printer, Software	6	\$2,000	\$12,000
Communications Workstation Unit	1	\$2,500	\$2,500
- Printer, Software, Modem	1	\$2,000	\$2,000
LAN Print Server, Laser Printer	2	\$4,000	\$8,000
LAN File Servers, Extra RAM	2	\$12,000	\$24,000
LAN Storage	1	\$18,000	\$18,000
High Speed Printers	2	\$8,000	\$16,000
LAN Adapters	22	\$460	\$10,120
UPS	1	\$12,000	\$12,000
Tape Backup Unit	1	\$5,500	\$5,500
Installation, Cabling			\$18,000
Other LAN OS, Equip. Cables, Furn.			\$42,900

Total Item 1.1 (VAT System)			\$281,520
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1.1 Ongoing Operations

Specialized Application Software	1	\$8,000	\$8,000
Developers Workstation Unit	1	\$4,000	\$4,000
- Printer, Software	1	\$2,500	\$2,500
MIS End User Workstation Unit	8	\$2,500	\$20,000
- Printer, Software	8	\$2,000	\$16,000
Communications Workstation Unit	1	\$2,500	\$2,500
- Printer, Software, Modem	1	\$2,000	\$2,000
LAN Print Server, Laser Printer	1	\$4,000	\$4,000
LAN File Servers	1	\$8,500	\$8,500
LAN Adapters	12	\$700	\$8,400
High Speed Printer			\$5,000
Installation, Cabling, Miscellaneous			\$12,000

Other LAN OS, Equip. Cables, UPS, Furn.

\$23,400

Total Item 1.2 (Ongoing Operations)

\$116,300

Total All Items

\$397,820

Land Tax Department
Computer Equipment & Software Costs

Description	Qty	Unit Cost	Total Cost
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1.1 Land Tax – Personal Computers & LAN

Specialized Application Software	1		\$5,000
Developers Workstation Unit	2	\$3,000	\$6,000
– Printer, Software	2	\$2,100	\$4,200
MIS End User Workstation Unit	2	\$2,000	\$4,000
– Printer, Software	2	\$1,800	\$3,600
Data Entry Workstation Unit	3	\$1,500	\$4,500
– Printer, Software	3	\$1,100	\$3,300
Cashiers Workstation Unit	6	\$1,500	\$9,000
– Printer, Software	6	\$1,100	\$6,600
Communications Workstation Unit	1	\$2,000	\$2,000
– Printer, Software, Modem	1	\$1,500	\$1,500
LAN Print Server, Laser Printer	2	\$2,600	\$5,200
LAN File Servers	1	\$6,500	\$6,500
LAN Adapters	17	\$460	\$7,820
Other LAN OS, Equip. Cables, UPS			\$26,350

Total Item 1.1

\$95,570

<u>Description</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1.1 Min.of Finance –Personal Computers & LAN			
Specialized Application Software	1		\$5,000
Developers Workstation Unit	2	\$3,000	\$6,000
– Printer, Software	2	\$2,100	\$4,200
MIS End User Workstation Unit	2	\$2,000	\$4,000
– Printer, Software	2	\$1,800	\$3,600
Budget Analysis Workstation Unit	4	\$1,500	\$6,000
– Printer, Software	4	\$1,800	\$7,200
Communications Workstation Unit	1	\$2,000	\$2,000
– Printer, Software, Modem	1	\$1,500	\$1,500
LAN Print Server, Laser Printer	2	\$2,600	\$5,200
LAN File Servers	1	\$6,500	\$6,500
LAN Adapters	12	\$460	\$5,520
Other LAN OS, Equip. Cables, UPS			<u>\$18,600</u>
Total Item 1.1			\$75,320

1.2 Accountant Gen. Office –Personal Computers & LAN

Specialized Application Software	1		\$5,000
Developers Workstation Unit	2	\$3,000	\$6,000
– Printer, Software	2	\$2,100	\$4,200
MIS End User Workstation Unit	2	\$2,000	\$4,000
– Printer, Software	2	\$1,800	\$3,600
Data Entry Workstation Unit	6	\$1,500	\$9,000
– Printer, Software	6	\$1,100	\$6,600
Cashier Workstation Unit	6	\$1,500	\$9,000
– Printer, Software	6	\$1,100	\$6,600
Communications Workstation Unit	2	\$2,000	\$4,000
– Printer, Software, Modem	2	\$1,500	\$3,000
LAN Print Server, Laser Printer	2	\$2,600	\$5,200
LAN File Servers	2	\$6,500	\$13,000
LAN Adapters	22	\$460	\$10,120
Other LAN OS, Equip. Cables, UPS			<u>\$34,100</u>
Total Item 1.2			\$123,420

1.3 Auditor Gen. Office –Personal Computers & LAN

Developers Workstation Unit	1	\$3,000	\$3,000
– Printer, Software	1	\$2,100	\$2,100

<u>Description</u>	<u>Qty</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1.1 Min.of Finance –Personal Computers & LAN			
Specialized Application Software	1		\$15,000
Developers Workstation Unit	2	\$4,000	\$8,000
– Printer, Software	2	\$2,500	\$5,000
MIS End User Workstation Unit	2	\$2,500	\$5,000
– Printer, Software	2	\$2,000	\$4,000
Budget Analysis Workstation Unit	4	\$2,500	\$10,000
– Printer, Software	4	\$2,000	\$8,000
Communications Workstation Unit	1	\$2,500	\$2,500
– Printer, Software, Modem	1	\$2,000	\$2,000
LAN Print Server, Laser Printer	2	\$4,000	\$8,000
LAN File Servers	1	\$8,500	\$8,500
LAN Adapters	12	\$700	\$8,400
Installation, Cabling, Maintenance			\$10,000
Other LAN OS, Equip. Cables, UPS, Furn.			\$23,400
Total Item 1.1			\$117,800

1.2 Accountant Gen. Office –Personal Computers & LAN			
Specialized Application Software	1		\$15,000
Developers Workstation Unit	2	\$4,000	\$8,000
– Printer, Software	2	\$2,500	\$5,000
MIS End User Workstation Unit	2	\$2,500	\$5,000
– Printer, Software	2	\$2,000	\$4,000
Data Entry Workstation Unit	6	\$2,500	\$15,000
– Printer, Software	6	\$2,000	\$12,000
Cashier Workstation Unit	6	\$2,500	\$15,000
– Printer, Software	6	\$2,000	\$12,000
Communications Workstation Unit	2	\$2,500	\$5,000
– Printer, Software, Modem	2	\$2,000	\$4,000
LAN Print Server, Laser Printer	2	\$4,000	\$8,000
LAN File Servers	2	\$8,500	\$17,000
LAN Adapters	22	\$700	\$15,400
High Speed Printer			\$5,000
Installation, Cabling, Maintenance			\$15,000
Other LAN OS, Equip. Cables, UPS			\$42,900
Total Item 1.2			\$203,300

1.3 Other (12) Agencies - Personal Computers

Budget Analysis Workstation Unit	12	\$3,000	\$36,000
- Printer, Software, Modem	12	\$2,500	<u>\$30,000</u>

Total Item 1.3			\$66,000
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TOTAL Public Exp. Management			<u><u>\$387,100</u></u>
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Enclosure 1 of 3

**TERMS OF REFERENCE OF THE SPECIALIZED AGENCY
TO CARRY OUT SUBPROGRAMS I, II AND III**

I. GENERAL RESPONSIBILITIES

- 1.1 The specialized agency will carry out the program activities efficiently and effectively according to the areas of action specified in this plan of operations achieving the highest level of coordination and authority delegation with the Ministry of Finance's executing agencies.
- 1.2 The specialized agency will provide the platform for change of the revenue collection agencies involved in the program as a whole suggesting the necessary modifications to improve the revenue collection functions and designing models and methods which will implement new methods, organization, computer systems and new technologies for revenue collection.
- 1.3 The specialized agency through the consultants hired will assist in the design of the integrated database from the three revenue collection departments making up the total revenue collection organization to provide centralized control that permits decentralized operations.
- 1.3 The specialized agency will make sure that the revenue collection system as a whole is indeed improved, and that procedures, norms and other changes in the revenue collection functions and the revenue collection information system's design, development, implementation, training and post implementation support satisfy the Ministry of Finance's requirements.
- 1.4 The specialized agency will control the execution of the program setting standards of performance, measuring performance against these standards and correcting deviations from standards and plans.
- 1.5 The specialized agency will make sure that the program is well managed, economically executed, and maintains high professional and technical standards while processing, insofar as possible, on schedule and within budget.
- 1.6 The specialized agency' personnel will provide periodic expert assistance and training in planning, project management techniques, requests for quotations for the procurement of goods and services, installation of equipment, local and wide area networks, data base management and design, telecommunications, revenue collection applications specifications, and quality control of delivered products.
- 1.7 The specialized agency will prepare detailed terms of reference for each one of the consultants assigned to work in the program's activities.
- 1.8 The specialized agency will interview highly qualified consultants to

perform the activities enunciated in this plan of operations, present a list with at least three candidates to the Ministry Of Finance and to the Bank for approval and will help in the selection of the best candidate to carry out the program's activities.

- 1.9 The specialized agency will prepare work-breakdown plans and schedule of activities including resources and estimated costs for each one of the program activities.
- 1.10 The specialized agency will be responsible for hiring and paying the personnel assigned to the program by the specialized agency, international and local, as well as making the necessary arrangements for the local and international training, and purchasing of equipment, materials, supplies and miscellaneous expenses for the satisfactory execution of the program in accordance with Bank's procedures and guidelines for any money allocated to the program by IDB or the Ministry of Finance.
- 1.11 The specialized agency will be responsible for the performance of the consultants hired to develop program activities. Also, will be responsible for the reports required in the program.
- 1.12 The specialized agency will assist the Ministry of Finance in all matters related to the execution of the program especially in matters requested with high priority by the national coordinator.

TAX ADMINISTRATION AND PUBLIC EXPENDITURE MANAGEMENT PROGRAM

**PROFESSIONAL PROFILE OF THE GENERAL NATIONAL COORDINATOR
TERMS OF REFERENCE**

A. Qualifications and experience

The coordinator will be expected to direct all facets of the tax administration and public expenditures management reform effort. Experience must include senior-level policy involvement and project management. The candidate must have experience in dealing with international funding agencies, and be familiar with the Barbados public administrative process. The candidate will preferably possess a Master's degree in Business Administration or the equivalent, with at least ten years senior-level management experience. The ideal candidate will have leadership skills at an executive level, oversight of complex projects, and experience working with multi-disciplinary groups. Expertise in state-of-the-arts management of tax programs would be desirable.

B. Activities

Working under the direct supervision of the director of Finance and Economic Affairs, the coordinator of Tax Administration and Public Expenditure Management program will oversee all elements of a broad effort to reform policies and practices the administration of current tax regimes and the implementation of a value-added-tax program. In addition, the coordinator will oversee improvement in accounting and auditing practices among the agencies dealing with public expenditures.

As executive administrator for a high-level project steering committee, the coordinator will provide liaison between tax and public expenditure department administrator, the Office of the Director of Finance and Economic Affairs, the World Bank, The Inter-American Development Bank and specialized agencies providing consultative assistance to the Government of Barbados.

The coordinator will negotiate contracts with specialized agencies, monitor and evaluate their progress with respect to providing technical assistance needed for tax administration and public expenditure reform. The coordinator will chair a committee composed of individuals charged with carrying out reforms in their respective departments, and will be responsible for all reporting functions required by the funding agencies.

PROPOSED RESOLUTION

BARBADOS. REIMBURSABLE TECHNICAL COOPERATION FOR A TAX ADMINISTRATION
AND PUBLIC EXPENDITURE MANAGEMENT PROGRAMME

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is hereby authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with Barbados and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document _____ with respect to the technical cooperation for the execution of a tax administration and public expenditure management programme.
2. That up to the sum of US\$8,100,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the Ordinary Capital resources of the Bank.
3. That the above mentioned sum is to be provided on a reimbursable basis in accordance with the relevant conditions specified in the Technical Cooperation Agreement.