

Stage II of the Modernization of the Internal Revenue System

ECUADOR

SECTOR: Institutional Strengthening

PROJECT TITLE: Reimbursable Technical Cooperation for Stage II of the Modernization of the Internal Revenue System (904/SF-EC)

TOTAL COST: \$4.3 million

FINANCING:

IDB	\$3.5 million
LOCAL	\$0.8 million

DATE OF APPROVAL: July 14, 1993

GENERAL DESCRIPTION: The objective of the program is to support the government of Ecuador in: (a) reorganizing the General Tax Administration by establishing a new structure that is able to improve relations between the tax authorities and taxpayers; and (b) implementing the inspection and tax assessment systems set up in Stage I in order to boost revenue levels and reduce rates of delinquency and tax evasion.

The program consists of five subprograms: (a) tax education and information activities designed to simplify procedures and other administrative obligations, improve relations between the tax authorities and taxpayers, provide better service and conduct a permanent tax information and education program to improve the image of the General Tax Administration; (b) organizational development and training, decentralization of the functions of the General Tax Administration; (c) administration of collections, under which the various inspection, tax

assessment and collection systems set up in Stage I will be implemented in order to boost revenue levels, reduce rates of delinquency, non-filing and tax evasion; (d) auditing, under which permanent and special auditing plans, based on the information systems set up during Stage I, will be planned, programmed, generated, executed and evaluated to improve current audit yields and revenue levels; and (e) information technology: creating a data processing unit to independently handle the operation and maintenance of the systems designed and set up during Stage I, as well as expanding and integrating other tax information systems such as collection, screening of tax returns, routine control of receipt of special taxpayers returns, advice on the procurement and installation of equipment and program support in the regional offices and the special taxpayer offices in Quito and Guayaquil.

CONSULTING: Funding will be provided to engage the following international consulting services: a technical consultant specialized in tax administration (30 months); an expert in auditing (30 months); a consultant in information technology (30 months); a consultant in organizational development (30 months); short-term consultants (up to 36 staff/months) in the areas of collection management, large-taxpayer systems, development of taxpayer service systems and tax legislation and regulation. Local consultants will also be hired in the areas of systems analysis, auditing, legal issues, financial analysis and taxation.

GOODS AND EQUIPMENT: Computer hardware and software will be procured to support the institutional development measures. The cost of the equipment is estimated at \$1.0 million.

CIVIL WORKS: Not applicable to this program.

EXECUTING AGENCY: Ministry of Finance and Public Credit

ADDRESS: Direccion General de Rentas de la
Subsecretaria de Rentas
Salinas 745 y Santiago
Quito, Ecuador
Telephone: (593-2) 540-400
Fax: (593-2) 501-031
Contact: Mr. Rene Sanchez Garcia
Director