

**I. PROJECT IDENTIFICATION**

<p>1. PROJECT TITLE  <b>Tax Administration</b></p>	<p>APPENDIX ATTACHED  <input type="checkbox"/> YES    <input checked="" type="checkbox"/> NO</p>
<p>3. RECIPIENT (specify)   <input checked="" type="checkbox"/> COUNTRY <u>BOLIVIA</u>  <input type="checkbox"/> REGIONAL _____ <input type="checkbox"/> INTERREGIONAL _____</p>	<p>2. PROJECT NO. (M.O. 1095.2) <b>511-11-720-082.2</b></p> <p>4. LIFE OF PROJECT          BEGINS FY <u>1967</u>          ENDS FY <u>1976</u></p> <p>5. SUBMISSION  <input type="checkbox"/> ORIGINAL _____  <input checked="" type="checkbox"/> REV. NO. <u>Apr 11, 1974</u>          DATE _____          CONTR./PASA NO. _____</p>

**II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS**

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMOD- ITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US _____ (U.S. OWNED)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY	
										(A) JOINT	(B) BUDGET	
1. PRIOR THRU ACTUAL FY	793	611		45		67	70	611				5,950
2. OPRN FY <u>74</u>	234	166	39	14	10	5	49	166	39			189
3. BUDGET FY <u>75</u>	237	175.5	39	13	9	0	48.5	175.5	39			2,482
4. BUDGET +1 FY <u>76</u>	189	130	28	6	3	0	53	130	28			2,821
5. BUDGET +2 FY												
6. BUDGET +3 FY												
7. ALL SUBQ. FY												
8. GRAND TOTAL	1,453	1,082.5		78		72	220.5	1,082.5				11,442

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

**III. ORIGINATING OFFICE CLEARANCE**

1. DRAFTER <b>David Jickling</b> <i>D. Jickling</i>	TITLE <b>Chief, PAD</b>	DATE <b>April 4, 1974</b>
2. CLEARANCE OFFICER PR <i>John R. Oleson</i>	TITLE <b>Mission Director</b>	DATE

**IV. PROJECT AUTHORIZATION**

1. CONDITIONS OF APPROVAL

*BEST AVAILABLE COPY*

2. CLEARANCES					
BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE

3. APPROVAL AAS OR OFFICE DIRECTORS	4. APPROVAL A/AID (See M.O. 1025.1 VI C)
SIGNATURE _____	SIGNATURE _____
DATE _____	DATE _____
TITLE _____	ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT NO. 511-11-720-082.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) DATE April, 74 4/4/74	PAGE 2 of 9 PAGES
---------------------------------	--	-----------------------------------	-------------------

The purpose of this revision is to extend the life of this project through FY 1976.

This Mission has provided assistance to the Government of Bolivia in a variety of traditional tax administration techniques. These include collection, audit and enforcement procedures. Important advances have been made in adopting more efficient operations in these areas. As a result of these undertakings alone, annual revenue collections have increased by an estimated \$b. 15.5 million pesos (US\$780,000) in 1973. In 1974, the corresponding projected increase is \$b. 20 million pesos (US\$ 1 million). Assuming that further administrative reform steps are taken by the Government in collaboration with the USAID and GAS activities in this field, it is anticipated that revenue collections, ~~through improved administration alone, apart from economic growth and inflation, will increase by \$50 million pesos (US\$1.5 million) per year by 1976.~~

In proposing that this project be extended for two years, the Mission believes that conditions now exist which will enable the tax agency, with our assistance, to establish computerized and collateral modern systems which will provide the base for continued improvement in its internal revenue collections. This expectation is based on (i) GOB's decision to procure a large computer to be available to the tax agency and other public entities and (ii) the interest of the tax agency in the effective use of data processing technology in support of its collection, audit and enforcement operations. We are in a position to provide this institution building assistance in response to the Government's request and in a manner which will enable the Government to follow through in its plans to take advantage of the potential results to be gained from modern, computerized tax administration systems.

This project will enable the Government to build the institutional base to increase the share of revenues which it receives from the domestic economy. In 1974 it is estimated that 75% of total revenues will be received from import and export taxes. The IMF and other international agencies have consistently recommended that the Government reduce its dependence on this highly variable and uncertain tax base. They recommend that the Government shift toward a domestically based tax system that more accurately reflects the state of internal economic activity. This implies greater emphasis on personal income, business profits, sales and agricultural taxes which will require a stronger internal revenue agency. The computerization and training to be carried out within the tax agency under this project will provide the basic ingredients for the Government to make this shift in its tax base toward greater reliance on the internal economy.

## I. Statement of Goal

### A. The Goal-Public Administration Sector

To increase the managerial and financial ability of the Government of Bolivia to carry out national development activities.

### B. Measurements of Goal Achievement

1. Increase in the number of technically trained people employed by the GOB from 15% to 20% of total staff by the end of FY 76.
2. Increase revenues available to the GOB from 10% to 12% of GDP by the end of FY 76.

3. Increase the proportion of public sector expenditures devoted to capital investment activities from 12% to 15% by end of FY 76.

C. Basic Assumption About Goal Achievement

That there will be reasonable continuity of Government policies and personnel related to project activities.

II. The Project Purpose

A. The Purpose

To assist in establishing computerized and collateral systems of tax administration which will equip the GOB with a tax agency responsive to its revenue needs and policies.

B. Conditions Expected at the End of the Project

1. A new, large scale computer installed and functioning effectively to assist the tax agency as well as other users in the public and private sectors. This new computer will enable the National Computer Center (CEBACO) to continue and expand its service to the tax agency.
2. The design of a comprehensive, integrated automatic data processing support system serving all aspects of tax administration. The system will provide processes for the preparation of tax bills, delinquency checks, the selection and control of tax returns for audit, and other tax enforcement applications.
3. The implementation of this modern data processing system by the tax agency. This implies the prompt and continuous flow of data into and out of the systems.
4. The effective utilization of the machine outputs to increase compliance with tax laws and to increase revenue collections. The data by itself will not assure utilization. This target implies the training of the tax agency staff in the methods of using the data provided by the machine systems in their day to day operations.
5. Increased internal revenue collections at the rate of US\$ 1.5 million per year due to administrative improvements.

C. Basic Assumptions about Achievement of Purpose

1. That the tax agency will continue its interest in modernization and computerization of tax administration systems.
2. That the Ministry of Finance will carry out its resolve for administrative reform as expressed in Ministerial Resolutions 450/73 and 513/73.
3. That the GOB continue to appoint qualified people to important positions in the tax agency.

PROJECT NO. 511-11-720-082.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) DATE April, 74 4/4/74	PAGE 4 of 9 PAGES
---------------------------------	--	-----------------------------------	-------------------

4. That work plans developed jointly with the tax agency and OAS are carried out as expected.
5. That the international agencies continue to encourage greater GOB efforts in the internal revenue area.

### III. Statement of Project Outputs

#### A. Outputs

Implementation of the tax agency-computer center work plan including:

##### Computer Systems

1. A computerized master file of taxpayers covering the whole country.
2. A computerized system for the preparation of tax bills.
3. The computerized accounting of tax receipts and distribution of earmarked taxes.
4. Computerized control over deficiency assessments and installment payments of taxes.

##### Collateral Systems

5. Modification and streamlining of the basic complementary manual tax collection and enforcement processes.
6. Application of a career administrative system in the tax agency with implementing personnel selection, evaluation and salary reforms.
7. Renovation and equipping of 20 district tax offices throughout the country.

##### Training of Personnel

8. 15 trained computer center managers and supervisory personnel.
9. 30 trained computer programmers and systems analysts.
10. 6 trained tax agency data processing personnel.
11. 10 tax agency senior staff trained in data utilization techniques.
12. 20 tax agency personnel trained in computer output utilization.

#### B. Basic Assumptions about Outputs

1. That the tax agency and computer center will continue to work closely together.
2. That both agencies will support the necessary training and systems changes.

3. That the tax agency will implement the proposed reforms in its personnel system.

#### IV. Statement of Inputs

##### A. AID Inputs

##### 1. Advisory Assistance.

- a. One advisor in automatic data processing equipment will work through August, 1975 to assist with the installation of the new computer in the National Computer Center (CENACO). He will coordinate the training programs to prepare personnel for the transition from the present computer to the larger one being purchased. He will also assist with the organizational changes required to effectively administer the new computer installation and with the conversion of the current data gathering and data processing systems to those systems required by the new equipment.

	<u>Man/months</u>	<u>\$ Cost</u>
FY 75	12	54,500
FY 76	2	9,300

- b. One advisor in automatic data processing tax applications will, through June, 1976, design an integrated data processing support system for all facets of tax administration. He will assist with the implementation of this system, including its application to tax collection, audit and enforcement. Special attention will be given to revenue accounting, control of delinquent taxpayers, control of accounts receivable, and the preparation of tax bills.

	<u>Man/months</u>	<u>\$ Cost</u>
FY 75	12	53,000
FY 76	12	54,700

- c. The team leader will:

Assist in the transition from manual to mechanized tax systems and will develop methods for fully utilizing computer data for better management of the total revenue effort. Emphasis will be placed on improving delinquency controls and means for better follow-up in the field by the tax inspectors.

	<u>Man/months</u>	<u>\$ Cost</u>
FY 75	12	56,000
FY 76	12	58,000

PROJECT NO. <b>511-11-720-082.2</b>	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) DATE <b>April, 74</b> <b>4/4/74</b>	PAGE <b>6</b> of <b>9</b> PAGES
--	--	---	---------------------------------

- d. Five man/months of TDY assistance will be required (3 man/months in FY 1975 and 2 man/months in FY 1976) in specialized areas of tax administration, such as alcohol and tobacco taxes to complement the skills of the long-term advisors.

	<u>Man/months</u>	<u>\$ Cost</u>
FY 75	3	12,000
FY 76	2	8,000

## 2. Participant Training

A total of 12 man/months of short-term participant training will be provided in the U.S. and third countries. Of these, about 9 man/months of training will be provided during FY 1975 and 3 man/months during FY 1976. Special priority will be given to the in-tax training courses of IRS and the CIAT training activities, in fields related to the computerization of tax systems.

	<u>Man/months</u>	<u>\$ Cost</u>
FY 75	9	13,000
FY 76	3	6,000

## 3. Other Costs

About \$48,500 in FY 1975 and \$53,000 in 1976 will be required to finance education and housing allowances, local travel and other local support costs of the U.S. advisors.

FY 1975	\$ 48,500
FY 1976	\$ 53,000

## B. GOB Inputs (\$000)

	<u>FY 75</u>	<u>FY 76</u>	<u>Total</u>
1. Computer purchase	1,150	1,164	2,314
2. Tax office construction	190	260	450
3. Land for tax offices	12	50	62
4. Equipment for tax offices	117	193	310
5. Taxpayer info. and education	50	50	100
6. Salaries of project counterpart staff			
- Renta	268	386	654
- CENACO	325	445	770
7. Salaries of in-country and foreign trainees			
- Renta	210	140	350
- CENACO	156	128	284
8. Office space and support for advisors	4	5	9
<b>Total</b>	<b>2,482</b>	<b>2,821</b>	<b>5,303</b>

C. Summary of GOB and USAID Inputs

	<u>USAID</u>	<u>GOB</u>	<u>TOTAL</u>
FY 75	\$237,000	\$2,482,000	\$2,719,000
FY 76	189,000	2,821,000	3,010,000

## Percent Contribution:

FY 75	8.78	91.20	100%
FY 76	6.28	93.72	100%

D. Other Donor Inputs

The UN has provided occasional visits by their regional advisor in automatic data processing. We anticipate that these visits will continue and, as in the past, will be useful to the National Computer Center in the development of their general operating policies.

E. Basic Assumption about Inputs

USAID and

GOB resources will be allocated to project as programmed.

V. Rationale

During the past year, the Government has taken a series of steps which make further work in tax administration particularly promising. These steps include:

1. The adoption of Ministerial Resolution 513/73. This resolution gives priority to the expanded use of automatic data processing to improve tax systems. It authorized the National Computer Center (CENACO) to expand its staff and to purchase additional data entry equipment to support the needs of the tax agency.
2. The adoption of Ministerial Resolution 453/73. This resolution commits the Government to carry out a wide-ranging tax reform as part of its devaluation and economic stabilization program.

Of the reforms included in this Resolution, the following have already been implemented:

- a. Establishment of merit recruitment of key tax agency personnel.
- b. Reorganization of the tax agency to improve enforcement efforts.
- c. Provision of \$100,000 for an expanded taxpayer information and education program.
- d. Establishment of a computerized taxpayer and vehicle register for the La Paz district.

PROJECT NO. 511-11-720-082.2	SUBMISSION <input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION	(Number) April, 74	DATE 4/4/74	PAGE 8 of 9 PAGES
---------------------------------	--	-----------------------	----------------	-------------------

3. The appointment with the personal interest of the President, of a vigorous, reform-oriented director of the tax agency. This director is a professional in tax administration who has worked previously in both the tax agency and in senior positions in the Ministry of Finance. He is committed to the reform of tax administration and to the greater use of automatic data processing support systems. He has specifically requested continuing AID assistance in these areas.

Other key merit appointments have included the head of the audit unit in the tax agency and three district chief tax administrators.

4. The development of a sound long-range work plan for carrying out reforms in tax administration. This has been prepared by the tax agency and serves as the basis for our joint Project Implementation Plan (PIP).
5. The decision of the Government to purchase a larger capacity computer for CEIACO which will enable it to serve better the tax agency as well as other users. Proposals for the new computer have been received and are in final stages of evaluation at this time. Installation is expected in late 1974.

The strategy of this project is centered around the successful installation of this new computer and its application to the key tax administration systems. The objective is to institutionalize effective methods for strengthening the equitable administration of Bolivia's tax laws and thereby to increase revenue collections.

The use of computers is an accepted tool for improving tax administration in the developing as well as the developed nations of the world. Bolivia is now, with the assistance of CEIACO, entering this new phase of tax modernization. In this transition from manual operations to automation, AID technical assistance can play an important role in providing know how to a country which has had no experience in mechanizing its tax operations.

Immediate next steps to be taken by the Government in support of this project include:

1. Selection of a computer and issuance of a letter of intent to begin purchase negotiations.
2. Development of a model computerized tax system applicable to business income taxes, which can be used in developing similar systems for other tax applications.
3. Implementation of the computerized pre-billing system for vehicle taxes in the La Paz district.
4. Selection of business income and self-employed individual income tax returns for audit will be made from computer print outs for the principal tax districts.

## VI. Course of Action

During FY 75 and FY 76 this project will have four major activities as

PROJECT NO. <b>511-11-720-082.2</b>	MISSION <input type="checkbox"/> ORIGINAL	(Number) <input checked="" type="checkbox"/> REVISION <b>April, 74</b>	DATE <b>4/4/74</b>	PAGE <b>9</b> of <b>9</b> PAGES
--	--	---	-----------------------	---------------------------------

developed in the joint GOB - USAID ~~WCS~~ <sup>WCS</sup> plan:

1. To assist the National Computer Center (CEIACO) procure and install a larger capacity computer. It is anticipated that the computer will be installed in mid-FY 75. Preparatory work for the transition is now underway and will continue through early FY 76. The training of systems analysts, programmers, operators and maintenance personnel will be conducted throughout the life of the project in cooperation with the vendor of the new computer equipment and other donors.
2. To design and implement a comprehensive, integrated automatic data processing support system encompassing all facets of tax administration. The design of this system is now underway. Implementation and training for key personnel will continue through FY 76 with emphasis on those systems which will increase taxpayer compliance and thereby increase tax collections.
3. To improve complementary manual tax procedures and follow-up enforcement activities. Manual processes will be modified to dovetail with computer applications. Procedures will be developed for the utilization of computer data in the effective administration of each type of tax. A group of field inspectors will be trained to conduct follow-up action on delinquent taxpayers.
4. To assist the tax agency renovate and improve the equipment of its tax offices especially in the interior of the republic where more effective operations are needed to improve lagging revenue collections.