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Governance Framework for Revenue Administration

Components: Revenue

Modules: RM IV – Fiscal Tools, Research and Analytical

PROJECT SUMMARY**LEAD DEPARTMENT:** FAD**REGION (S):** Across All**COUNTRY (S):** Multiple**PROGRAM ID:** (To be filled out by Secretariat)**PLANNED DATES:** 03/2023 – 04/2026**FUNDING PROGRAM TITLE:** GPFP Governance Framework for Revenue Administration**PROJECT MANAGERS:** Andrew Masters**RM IV / FISCAL TOOLS,
RESEARCH, AND ANALYTICAL** Andrew Masters**PROJECT LEAD MANAGER:** Andrew Masters**ESTIMATED BUDGET:** \$325,089**BUDGET FOR ENDORSEMENT:** \$228,501 (through FY25)

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I. PROJECT PURPOSE

This capacity development (CD) project will support the finalization and testing of a governance framework for revenue administration. This framework has been dubbed the Revenue Administration Governance and Integrity Tool (RAGIA). The aim of the tool is to support a standardized approach to governance and integrity assessments in revenue administration. It covers tax and customs administrations as well as issues arising in natural resource tax (NRT) and within special economic zones (SEZ). It is a framework for review of the administrations, not a policy assessment tool.

The current revenue administration framework on this topic is broad and provides little guidance on what measures should be used. Additionally, the current framework is tax-centric with little focus on customs administration. This leads to inconsistencies in the evaluations which are not standardized and tend to be overly focused on tax aspects at the expense of customs.

More importantly from a CD perspective, sound governance and the minimization of vulnerabilities within a revenue administration are foundational to being able to implement lasting reforms effectively and efficiently. Accordingly, it is anticipated that this framework will be extremely useful at identifying issues that may be hinderances to successful reform. Assessing governance vulnerabilities in revenue administration can then provide a more focused roadmap for a larger revenue administration reform project. It is envisaged that this RAGIA tool will become foundational to all work in the revenue administration arena.

The estimated budget for this two-year project is \$325,089, but endorsement is requested for \$228,501 through FY25. This analytical work should be completed within a two-year timeframe and besides the FAD staff that will be involved, it will also require the hiring of an STX to support the work. Endorsement for future plans will be requested at a later date as funding for the program is secured.

II. BACKGROUND

The IMF has re-emphasized its focus as an institution on governance in recent years. In 2018 the Board adopted the policy framework outlined in a staff paper entitled “Review of 1997 Guidance Note on Governance—A Proposed Framework for Enhanced Fund Engagement.” The 1997 Governance Policy was adopted to guide the IMF’s efforts in helping its member countries to address governance and corruption issues. The paper of 2018 responded to the Board’s call for further work to strengthen the IMF’s engagement on governance and corruption issues. The framework outlined in the paper is designed to promote more systematic, effective, candid, and evenhanded engagement with member countries regarding governance vulnerabilities, including corruption, that are judged to be macroeconomically critical.

FAD’s April 2019 Fiscal Monitor was in part devoted to the issue—Chapter 2 being entitled “Curbing Corruption”. The chapter presented evidence that the fiscal costs of corruption can be substantial for economies of all levels of development. Identifying and addressing vulnerabilities that lead to corruption can stem fiscal leakage. Annex 2.3 of this edition of the Fiscal Monitor included a table highlighting the key features of a good governance framework in revenue administration.

The RAGIA builds upon the approach developed by at Annex 2.3 of the Fiscal Monitor of April 2019 (Annex 2.3) mentioned above. Six governance and integrity measurement areas (GIMAs) that have been identified, viz., (1) legal frameworks; (2) external governance; (3) human resource

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management; (4) organization, management, and decision making; (5) modern systems and processes for tax administration; and (6) modern systems and processes for customs administration. GIMAs 1 to 4 apply to both tax and customs administrations. Within each GIMA there are 7 to 9 governance features that probe specific aspects considered to represent good governance or are considered aspects that minimize the potential for poor integrity.

To support the assessment of each governance feature, the RAGIA has a checklist of questions.

There is also a description of the governance feature that describes its relevance to the governance and integrity assessment. Evidence-based measurement is incorporated. This is to support an objective assessment as far as possible. Most governance features have a single measurement requirement. A few governance features have multiple evidence requirements. Some evidence measures are fully aligned with TADAT performance indicators, the rationale being that where appropriate, TADAT scoring (and previously conducted TADAT assessments) should be used rather than developing slightly different or alternative indicators. In these cases, and where the TADAT assessment is recent (e.g., less than three years prior), then the governance assessor may draw upon the TADAT evidence. It is likely that governance and integrity assessments will involve some situations where there is no clear conclusion from a standard of evidence. Though it is preferable to maximize objectivity, it is inevitable that the assessor will need to make judgements about the strength of evidence.

The RAGIA sets a standard for each item of evidence and the assessor selects from a scale of possible conclusions. The assessor indicates a level of agreement that a specified standard is met — “strongly agrees” (with the description of evidence), “agrees”, “is neutral”, “disagrees”, or “strongly disagrees”. This is similar to a Likert type scale.¹ An aggregation follows the scaled assessment of each item of evidence, allowing for an overall score to be determined, i.e., across all GIMAs.

Much work has already been carried out on the development of the RAGIA tool. This work was supported by the RMTF. Further work needs to be done on fine-tuning GIMAs 4 and 5 – modern systems and processes for both tax and customs administration. Additionally, a scoring sheet using Excel is being developed that automates the scoring process based on “Yes/No” responses. Next steps involve, finalizing GIMAs 4 and 5, completing the scoring sheet, testing with a number of administrations considered to represent good practice regarding governance and integrity – to ensure that any variations to the identified good practices are also able to be assessed, and then to pilot in countries receiving revenue administration CD to fine-tune and revise as appropriate, checking for both consistency and comparability of assessment.

¹ Also see [Sample Likert Scales // Division of Student Affairs // Marquette University](#).

III. PROJECT DESCRIPTION

A. Program Objectives

The objective of the program is to provide countries' revenue administrations with input into governance and integrity weaknesses or vulnerabilities that need to be addressed to improve the efficiency and effectiveness of reforms being implemented. This encompasses the following:

- The completion of the RAGIA tool to identify governance and integrity weaknesses or vulnerabilities that need to be addressed in revenue administration;
- Introduce revenue administrations to good international practice in governance and integrity;
- Introduce a tool that provides a basis for consistent and comparable assessments;
- Assist authorities to overcome weaknesses and remedy vulnerabilities to ensure reforms achieve the desired results; and
- Provide FAD with an opportunity to provide guidance and advice on governance and integrity.

B. Expected Results (outcomes)

Within the objective of completing the development of the RAGIA tool, the project will focus primarily on being able to use as far as possible objective measures in both tax and customs administration that provides an overall evaluation of governance and integrity in revenue administration. Once finalized, RAGIA will need to be tested both in mature administrations with sound governance and integrity frameworks as well as administrations regularly receiving FAD CD. Once tested, refinements can be made for ongoing deployment to ensure that reforms being implemented are more efficient and effective.

C. Delivery Modalities

The CD delivery necessary to complete the RAGIA tool will mainly be in-person participation in missions to regular CD recipients to pilot the tool and to refine it as necessary, consultations in-person or remotely with several revenue administration officials where robust governance and integrity frameworks are already in place (more advanced administrations), and lastly work from home input from the short-term expert working on developing RAGIA. Some in-house training will also be necessary to ensure staff understand how to use the tool. The following CD activities will be delivered as part of this project:

- **Tool development (TD):** RAGIA development will be completed mainly through work from home input of a single short-term expert (STX) in collaboration with the project manager at HQ.
- **Missions (M):** participation of STX/staff on missions led under other projects to pilot the tool and to refine as appropriate.
- **Consultations (C):** in-person or remote consultations with officials from administrations with mature governance and integrity frameworks to ensure RAGIA covers the breadth of measures required in each measurement area.
- **Seminars (S):** focused on ensuring staff at HQ are equipped to conduct RAGIA assessments and understand both the framework in use and how to operate the scoring mechanisms.

D. Coordination / Cooperation

Several other international organizations have expressed an interest in governance and integrity, and while none have frameworks to assess these aspects, they do have materials that address the topics. Notably, the Center for Inter-American Tax Administration (CIAT) and the World Customs Organization (WCO). Once the RAGIA framework is ready for piloting, these and other organizations will be contacted to establish any interest in collaboratively working on governance and integrity issues in countries of joint interest.

IV. RISK ASSESSMENT AND MITIGATION

The following table discusses the key project risks based on the assessed probability and impact on the achievement of the expected results.

Description	Risk Probability	Risk Impact	Mitigation Measures
Political Support			
Lack of political support for assessing governance and integrity inhibits required actions or resources being allocated that are needed for enhancements to fiscal risk management institutions and practices.	High	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.
Management and Technical Staff Support and Commitment			
Low commitment of management and staff in finance and other ministries to adopt and implement governance and integrity good practices.	Medium	Medium	Engage with senior management and technical staff pro-actively and explain the importance of strengthening governance and integrity within revenue administration.
Resource Adequacy			
Insufficient technical capacity and human resources necessary to implement governance and integrity reforms are limited.	Low	Low	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.

V. CD DELIVERY PLAN

Table 1. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY24	FY25	FY26	FY27	FY28	Grand Total
RM IV / Fiscal Tools, Research and Analytical						
In-person activities (FB)						
HQ-led CD mission (1 to 2 pax participation in another project's mission)	-	3	2	-	-	5
Consultation visits	-	2	-	-	-	2
STX participation in seminars	-	1	-	-	-	1
Remote activities (DS)						
STX CD (each count is 10 days)	1	3	2	-	-	6
Consultation visits	-	2	-	-	-	2

Table 2. First year workplan

Timing	CD Delivery	Modality	Proposed Topics of CD
RM IV / Fiscal Tools, Research and Analytical			
FY24 – Q4	STX	Virtual	Working on RAGIA assessment tool
FY25 – Q1	STX	Virtual	Working on RAGIA assessment tool
FY25 – Q2	Consultation/s	Virtual	Discussing RAGIA tool with mature administration/s
FY25 – Q2	Seminar	In-person	Train assessors to use the tool (3 days)
FY25 – Q3	Consultation/s	In-person	Discussing RAGIA tool with mature administration/s
FY25 – Q3	Mission/s	In-person	Piloting the RAGIA assessment tool
FY25 – Q3	STX	Virtual	Working on RAGIA assessment tool
FY25 – Q4	Mission/s	In-person	Piloting the RAGIA assessment tool
FY25 – Q4	STX	Virtual	Working on RAGIA assessment tool

VI. PROGRAM FINANCIALS

	FY24 Q4	FY25	FY26	TOTAL (USD)
Module RM IV	15,600	197,952	90,269	303,821
Subtotal	15,600	197,952	90,269	303,821
Trust fund management fee (7%)	1,092	13,857	6,319	21,267
TOTAL	16,692	211,809	96,587	325,089

The estimated budget for this two-year project is \$325,089, but endorsement is requested for \$228,501 through FY25. Endorsement for future plans will be requested at a later date as funding for the program is secured.

VII. TARGETED LOGICAL FRAMEWORK

Objective	
Development and finalization of the RAGIA Tool	
Outcome	Indicator
A Revenue Administration Governance and Integrity Assessment (RAGIA) tool is developed with objective measures covering both tax and customs administration that provides an overall evaluation of governance within a revenue administration.	A framework and guidance on usage including all the measures and scoring criteria.