

Development of Implementation and Monitoring Directives for Tax Reform (Tax Diamond) - World Bank



Objective and features

1. Objective

The tool aims to capture international good practices, help to objectively verify the country's compliance, and identify limitations that need to be addressed in future tax administration reform projects using evidence-based assessments, thereby contributing to substantial improvements in domestic revenue mobilization.

2. Institutional coverage

National and subnational governments.

3. Technical coverage

The modules included in the Tax Diamond tool focus on various aspects of tax administration, customs, and crosscutting themes such as institutional capacities and IT infrastructure. The current version of the Tax Diamond toolkit comprises the following modules:

1. Tax Administration Functional Evaluation
2. Customs Evaluation
3. Process Mapping – Business Process Review
4. Core ICT Governance Assessment
5. HR Assessment
6. Tax Administration Automation Assessment
7. Customs Automation Assessment
8. International Tax Unit Assessment
9. Tax Audit Assessment
10. ICT Information Security Assessment
11. Infrastructure Investment Needs
12. Tax Gap Analysis.

A module called Tracking Tax Administration Progress (TTAP) tracks the progress of the reforms suggested in the implementation action plan.

The Tax Litigation module has been finalized and the modules on Property Tax and Innovations on Tax Compliance are under development.

4. Application method

Custodian, self-assessment.

The World Bank will oversee the self-assessments.

Methodology



5. Methodology

Tax Diamond is modular, wherein the choice of modules (listed under Technical Coverage) depends on the country's needs and demands. Within each module, indicators are grouped into areas for analysis called dimensions. The modules can be tailored for each assessment by excluding indicators that are not relevant in a certain context. Evaluators look into these analyses to confirm the results found in the field and to design improvement strategies that are fit to the client. The tool incorporates an action plan module for every assessment and provides recommendations based on indicators that have low scores. Tax Diamond reports lay the foundation for implementing the action plans.

Every completed assessment in Tax Diamond is considered a new baseline. Every assessment may incorporate a goal improvement module. Evaluators and the tax administration can record the progress made on selected indicators and/or areas and measure them against the baseline. Users can use the Key Performance Indicator (KPI) resource within the Tax Diamond to create and track KPIs in an easy and intuitive interface. The Tax Diamond toolkit was designed to store all the backend information gathered during the assessment process such as the evidence gathered for all the indicators, evaluator's observations, and scores for all indicators. This data can be used to compare performance over a period.

6. Benchmarking system

Scoring system. There are specific scores for individual indicators as well as an overall score for dimensions.

7. Linkage to PEFA framework

Tax Diamond has linkages with two PEFA performance indicators - revenue administration (PI-19) and accounting for revenue (PI-20).

8. Complementarity with PEFA framework

Tax Diamond may be used to conduct drill-down assessment of specific modules and design reform plan where a PEFA assessment or other broad PFM diagnostic tools have identified weaknesses in tax administration.

Development and use

9. Development and coordination

Tax Diamond was created in 2017 to support the design of technical assistance programs for revenue administration reform. The Global Tax Team and a team of internal revenue and customs administration experts around the world (staff and consultants) led the discussion on the coverage and the institutional and technical approach. The Customs Assessment Trade Toolkit (CAAT) methodology, created in 2012 (now discontinued), was taken as a point of reference for Tax Diamond development.

The tool is funded by the Global Tax Program which is supported by a multi-donor trust fund. There have been consultations with development partners to discuss technical aspects and methodologies, to share assessment results, or for financing purposes.

The assessment findings and recommendations are discussed prior, during, and after the assessment with development partners (if there are any involved). When other institutions have been involved, specific activities or roles are assigned to avoid any potential duplication of efforts.

WB coordinates the activities to conduct the assessment. If development partners or other institutions are interested in applying the tool to a specific country, the request is channeled through WB.

10. Assessment management

Tax Diamond is deployed based on a country's demands and desired timeline. The evaluation includes the delivery of a report, an analysis workshop (not mandatory), an action plan, and usually a follow-up to the action plan. The steps involved in the assessment process are as follows:

- Request for assessment and customization. The internal revenue and/or customs administration or the Ministry of Finance, depending on the structure of the country, sends a request to WB to express interest or to directly request an assessment. The scope of the assessment is then finalized, including the relevant assessment modules required to meet the government's needs.
- Desk review. Assessments performed through Tax Diamond use all the information available from other assessments and reports from the World Bank or other institutions.
- Field mission. Evaluators collect all the evidence needed to support the indicator measurement.
- Validation workshop. Evaluators produce the final version of the indicator scores and the report. This is reviewed by the quality assurance team. The final report is validated with government representatives in a workshop held after the assessment mission.
- Formal closing of the evaluation. The final report is presented.

Reporting charts, action plan, evidence, indicator scores, observations, meeting notes, meeting documents and pictures, and draft and final reports are all recorded in the tool.

Custodian quality assurance (QA) procedures apply, including validation of data with government and peer review. Tax Diamond has five well-defined levels for quality assurance: evidence upload and observation details, QA team for final indicator scores, evidence reviews with client, workshop (optional) and final review, and WB peer review process.

11. Uses by the government and members of the PFM community

Tax Diamond is used to help countries build capacity to better design, implement, and monitor tax and customs administration reforms. The tool can be used to undertake a detailed baseline assessment in specific areas where targeted reforms are needed. The assessment will then provide a logical sequence of reforms supported by tailor-made action plans where progress can be easily tracked.

12. Sequencing with other tools

Tax Diamond complements the TADAT (B02). If there is a PEFA assessment available, the report is used by the team as input to prepare the assessment, as additional information, or as additional evidence for the assessment results and report.

13. PFM capacity building

Every assessment yields a series of specific recommendations that are tailored to the organization's strengths and weaknesses as shown in the assessment results. The recommendations typically address areas that require capacity building, such as transparency; development of operational strategies; integration of tax administration with other government bodies; and coordination between the tax administration, customs, and ministry of finance, to enhance alignment between tax collection and expenditure.

14. Tracking of changes and frequency of assessments

The Tax Diamond tool includes a module called Tracking Tax Administration Progress (TTAP) that allows tax administrations to track their improvements periodically using any assessment as a baseline. TTAP also allows tax administrations to identify areas of improvement and periodically reassess themselves to determine how their organization is improving on their scores.

Recommendations in the TTAP, selected by the evaluators in consensus with the government, capture the dimensions and/or indicators with the corresponding targets. The government can request a full follow-up where evaluators perform the actual measurement on the implementation of the recommendations, or a light follow-up where the government uses the tool to record the progress with evaluators as observers.

This tool is used by governments upon agreement with WB's Global Tax Team. The core Tax Diamond team assists the government in these periodic self-reassessments, and a predefined frequency does not exist.

15. Resource requirements

Costs depend on several factors and each assessment is customized according to the country. Factors affecting the assessment duration include the number or modules of evaluation requested, the type of evaluation to be carried out, the evidence presented, and inclusion of a workshop. Based on these factors, the number of experts for a single typical evaluation varies from two to four experts. For a typical field mission, the average time taken is two to four weeks to deliver the report and action plan.

Transparency



16. Access to methodology

The methodology, including all supporting documents and templates, is available to participating institutions and revenue administrations. The following resources are available to countries who wish to undertake a self-assessment using the Tax Diamond toolkit: virtual workshops (training), online training module, remote support (guidance), user guidelines, email support, and remote or on-site review support.

17. Access to assessment results

The reports can be stored within the toolkit thus providing an option to create a repository that can be accessed for future reference. The assessment reports are not made available to the public.