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Implemented by:



Tax System Reform – Uganda

Implementing new technologies to increase revenues to the state budget

The collection of taxes and other duties from citizens plays a vital role in the consolidation of government budgets. The state can use the money from the tax payers to invest in public services and infrastructure. Such government spending supports the achievement of the sustainable development goals and the reduction of poverty. Well-functioning and efficient tax and customs systems can strengthen the ownership of governments and thus have a positive impact on good financial governance. With a healthy budget, partner countries become more independent from financial contributions by donors in order to finance their national development agendas. Despite substantial reforms in the recent past, the tax collection level in Uganda is among the lowest in Eastern Africa. The Ugandan Revenue Authority (URA) has been modernising its tax collection procedures to tackle tax evasion and avoidance. On behalf of the German Federal Government, KfW Development Bank is supporting the URA in the implementation of new IT systems to improve data analysis and political decision-making processes.

Context

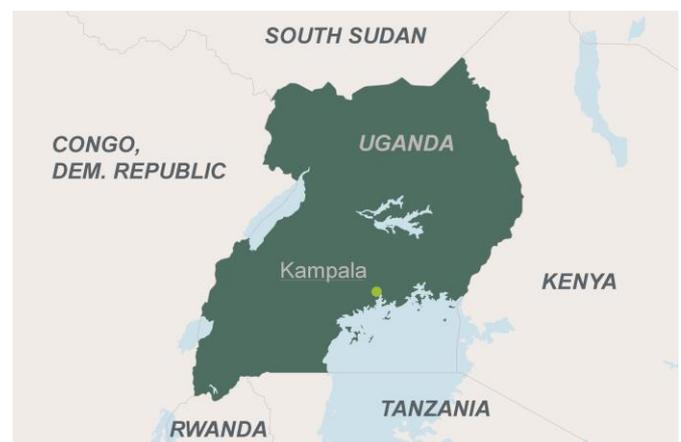
In recent years, the Ugandan Revenue Authority (URA) has gone through an impressive transformation process. Advancements such as the introduction of electronic tax declarations have led to an initial improvement of service quality. Its professionalism and reputation have been enhanced considerably. It is now important to improve the URA's business insights in order to allow for decisions based on better information and to strengthen the operational management.

Project approach

The project financed by KfW Development Bank aims at the implementation of an information technology application to improve public financial management in Uganda. Precisely, it encompasses the establishment of a data warehouse. In addition, newly introduced software allows for the analysis of the pooled data and the generation of reports as well as improved forecasting. Along with these measures, the respective business processes are optimised and the staff receives training in the use of the data warehouse.

Relevant data on taxes and customs is so far being fed into several different systems, so that comprehensive analyses are challenging. The data warehouse however

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Country/Region	Uganda
Lead executing agency	Uganda Revenue Authority (URA)



allows bringing several data sources together in order to make them comparable and to generate an overview on all tax and customs relevant performances. Central data sources are the internal systems of the URA such as eTax, the system for domestic taxes, and ASYCUDA World, the system for customs.

Further, external data will also be extracted from systems of other state entities, e.g. the Bank of Uganda, in order to be fed into the data warehouse and give a comprehensive overview for informed decision making.

The data warehouse will enable the URA to draw on the processed data in order to draft reports and in-depth analyses as well as to compile information dashboards for performance monitoring. This set of functionalities allows the URA to improve its operational management. Business and decision-making processes will be data-driven, evidence-based and more focused. Staff will be able to view holistic taxpayer profiles and to detect backlogs of payment.

Parallel to the implementation of the data warehouse, the URA technical staff is receiving comprehensive training to enable them to use the software. They are also provided with the necessary skills and knowledge to successfully maintain and advance the data warehouse in the future.

Impact

KfW co-finances important phases of the project from 2014 until 2017. This includes a comprehensive readiness assessment phase and a substantial part of the implementation. The URA will continue implementing the project with its own funds, resorting to the expertise of their trained staff.

Improved decision-making processes should lead to a well-targeted and risk-based conduct of tax audits, which relieves the URA from resource constraints and compliant taxpayers from inconvenient audits. It is expected that this will eventually be a value driver for voluntary compliance.

Among the expected benefits are the provision of necessary IT infrastructure for the URA to transform into a dynamic, innovative and learning organisation; the URA's ability to project its own performance and proactively deal with obstacles; the improvement of its risk management mechanisms and the delivery of complex

analytic queries. All in all, the project contributes to the institutional strengthening of the URA and enables its staff to prevent and detect tax avoidance and evasion. This leads to an improvement in financial governance as the URA will be able to give evidence-based recommendations to the Ministry of Finance, for example on needed policy adjustments or on suitable instruments to increase revenues. At the operational level, project management competences have been strengthened in the course of this complex IT project, which will be beneficial for projects in the future.

The ongoing project shows tangible effects. The URA staff familiarises with the data warehouse and baptised the product "eHub". Major systems containing data of domestic taxes and customs have been extracted to the new eHub. Further, the URA is conducting awareness raising campaigns to inform its administrative staff on the benefits of its functionalities. The project managers are looking into potentials of advanced analytics tools to take full advantage of the gains. The URA's management has shown great interest in the roll-out of the eHub and the use of the extracted data samples and reports and considers it to be closely related to the organisation's objective to increase state revenues.



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