

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	ECUADOR/CAN - Andean Group
▪ TC Name:	Support for the reform of SRI and SENA E
▪ TC Number:	EC-T1506
▪ Team Leader/Members:	GONZALEZ DE FRUTOS, UBALDO JESUS (IFD/FMM) Team Leader; LORA ROCHA, OSCAR (IFD/FMM) Alternate Team Leader; PROANO SOTOMAYOR, MARIA FERNANDA (CAN/CEC); RODRIGUEZ PINEDA, MARIO VINICIO (VPC/FMP); ASTUDILLO, KAREN (IFD/FMM); MUNOZ MIRANDA, ANDRES FELIPE (IFD/FMM); JIMENEZ DE ARECHAGA, MARIA DEL PILAR (LEG/SGO); ROMAN SANCHEZ, SUSANA (IFD/FMM)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Program to Improve Tax and Customs Administration - EC-L1253
▪ Date of TC Abstract:	07 Mar 2023
▪ Beneficiary:	Servicio de Rentas Internas del Ecuador y Servicio Nacional de Aduanas del Ecuador
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$200,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/FMM - Fiscal Management Division
▪ Unit of Disbursement Responsibility:	CAN/CEC - Country Office Ecuador
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Economic integration; Institutional capacity and rule of law

II. Objective and Justification

2.1 Design a high-level view for the hardware and software architectures of SRI and SENA E to enhance their effectiveness and efficiency.

2.2 The loan this TC supports (EC-L1253, 5598/OC-EC and 5599/KI-EC) has the general development objective of strengthening the management capacity of the Internal Revenue Service (SRI) and the National Customs Service of the Ecuador (SENA E) to increase tax revenues as a percentage of Gross Domestic Product and increase economic competitiveness with a better climate for foreign trade and investment. Its specific development objectives are: (i) increase the operational effectiveness of the SRI in the area of tax control; (ii) increase SENA E's operational efficiency in the area of customs control; and (iii) increase the quality of services to Foreign Trade Operators.

These objectives are meant to be achieved through three components (SRI and SENA E, respectively) and each, in turn, 3 subcomponents related to: 1. The migration of its data centers to the National Corporation of Telecommunications' Secure Data Center; 2. Technological renewal, with the acquisition of information processing equipment (hardware) for both institutions; and 3. The improvement of corporate

information technology (software), which requires the development of extensive and complex computer programs. IT systems are the core of modern organizations, especially these as large and complex as revenue bodies. When approaching structural reforms of any IT system, there is a risk of falling short of their potential if the IT team is not aware of the full picture of the market. This risk may be avoided by sketching out a high-level design of software, and consequently hardware, allowing software teams to build the details upon a well-defined prototype. In addition, since IT reforms of the depth and breath as the ones planned in the Program to Improve Tax and Customs Administration have not taken place in recent years, neither the IRS nor the SENA E have any experience in contracting out such consulting services/hardware. Another potential pitfall in the execution of this complex contract is that it may take longer than anticipated (5 years), adding to the delay already caused by the Pandemic. For reference, a previous operation for the SRI, the Internal Revenue Service Improvement Program (EC-L1120, 3325/OC-EC) took eight years to complete, from the signing of the contract in February 2015 to the operational close in February 2023. The support provided by the Bank through this TC will facilitate the decision-making process for the IT contracts, thus speeding up the delivery of results. By designing a high-level view for the hardware and software architectures of SRI and SENA E, this TC will avoid the two risks identified (lack of focus and delays in delivery), effectively enhancing their effectiveness and efficiency.

III. Description of Activities and Outputs

- 3.1 **Component I: Technological strengthening of the SRI .** (i) High-level view of the IT software architecture of SRI (ii) High-level view of the IT hardware architecture of SRI (iii) support for the SRI Management Team to carry out market studies, compose ToR, assist in the evaluation, and support the supervision of contracts; and (iv) exchange of experiences with other administrations that have undergone an extensive IT overhaul.
- 3.2 **Component II: Technological strengthening of the SENA E.** (i) High-level view of the IT software architecture of SENA E (ii) High-level view of the IT hardware architecture of SENA E (iii) support for the SENA E Management Team to carry out market studies, compose ToR, assist in the evaluation, and support the supervision of contracts; and (iv) exchange of experiences with other custom bodies that have undergone an extensive IT overhaul.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Technological strengthening of the SRI	US\$100,000.00	US\$0.00	US\$100,000.00
Technological strengthening of the SENA E	US\$100,000.00	US\$0.00	US\$100,000.00
Total	US\$200,000.00	US\$0.00	US\$200,000.00

V. Executing Agency and Execution Structure

- 5.1 The SRI and SENA E have requested that the IDB is the executing agency.
- 5.2 The Bank will be the executing agency, for reasons of institutional capacity, since the requesting entity does not have the necessary technical, operational or institutional capacity to duly and timely execute the activities foreseen in the respective project, (2.2.i of OP-619-4, Procedures for the Processing of Technical Cooperation Operations and Related Matters) and for reasons of impartiality, since the beneficiary

entities agree that contracting by the Bank would improve independence (2.2.iii of OP-619-4).

VI. Project Risks and Issues

- 6.1 Risks of the execution environment: Given that there are two executors and that historically there has been a high turnover of authorities and officials, the execution environment may have volatility, causing execution delays. To mitigate this risk, weekly monitoring will be established with the executing agencies and a monthly analysis of progress during the first year of execution. Project risks. Considering that the main operation has a high contract volume (84 million USD) and high technical complexity, it is possible that there may be delays in execution. Program design risks will be mitigated by regular monitoring of progress.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".