

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BOLIVIA/CAN - Andean Group
▪ TC Name:	Support for SIN in risk management and internationalization
▪ TC Number:	BO-T1417
▪ Team Leader/Members:	GONZALEZ DE FRUTOS, UBALDO JESUS (IFD/FMM) Team Leader; LORA ROCHA, OSCAR (IFD/FMM) Alternate Team Leader; YARYGINA UDOVENKO, ANASTASIYA (IFD/FMM); PRADO CARPINTERO, CINTHYA CECILIA (CAN/CBO); ORELLANA, MIGUEL ANGEL (VPC/FMP); ASTUDILLO, KAREN (IFD/FMM); ROMAN SANCHEZ, SUSANA (IFD/FMM)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	13 Mar 2023
▪ Beneficiary:	Servicio de Impuestos Nacionales
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$125,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Firms
▪ 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:	Institutional capacity and rule of law

II. Objective and Justification

2.1 Increase the effectiveness of SIN in combatting tax fraud. The TC is aligned with the CRF 2020-2023 indicator of Institutional Capacity and the Rule of Law – Agencies with strengthened tax and expenditure policy and management.

2.2 SIN's mission is to collect resources from national taxes and promote a tax culture that the Plurinational State requires to consolidate the Productive Community Social Economic Model. Its vision is to become an entity that facilitates compliance with tax obligations, within the framework of a progressive and supportive tax system, a benchmark in the Latin American context, certified for its organizational excellence, applying modern technological regulations and instruments to fulfill its institutional mission in the Plurinational State from Bolivia. The IDB has successfully worked with the SIN in order to attain its vision of being a tax administration leveraged on data and technology under a previous TC (Support to the Implementation of Electronic Billing and Improvement of Information-Based Management, BO-T1334) to assist it in the implementation of the System of Electronic Billing in Bolivia, in order to reduce the evasion levels and direct and indirect costs of voluntary compliance of taxpayers. Under that operation, we strengthened the normative and technical framework of Electronic Billing; supported the technical implementation of Electronic Billing; and introduced the implementation of risk-based management.

An electronic billing system generates a high volume of information on economic agents and operations. This influx of Big Data is only meaningfully managed under an advanced analytics approach. With the support of the IDB, the SIN will integrate the information of electronic billing into the risk-based approach to tax compliance that the institution is advancing according to its Institutional Strategic Action number 2: "Develop and apply a progressive and supportive tax management, with modern technology and adaptable to changes in the context, for a better service to the taxpayer".

Bolivia is not a member of the Global Forum on Transparency and Exchange of Information and has a very limited number of tax treaties with exchange of information clauses. It has six bilateral tax treaties (Argentina, Germany, Spain, France, United Kingdom and Sweden, and a multilateral treaty (Andean Community) that allows exchanges with Colombia, Ecuador and Peru. This means that the SIN is capable of exchanging information with 9 countries. However, if it became a member of the Global Forum and a signatory of the Multilateral Convention on Administrative Assistance in Tax Matters, it would be able to exchange information with 147 jurisdictions (Convention on Mutual Administrative Assistance in Tax Matters - OECD), reaching out to most of the tax administrations of the world. The current situation is undesirable because it prevents the SIN from pursuing fraud investigations beyond Bolivia's borders. In the era of globalization, with affluent taxpayers moving across borders, SIN is at a disadvantage compared to other tax administrations.

III. Description of Activities and Outputs

- 3.1 **Component I: Risk management tool.** This component will finance the development of a tool to perform risk analysis of individual taxpayers compared to groups of them in similar circumstances. The tool will allow the SIN to analyze if the individual is an outlier and rates the risk accordingly.
- 3.2 **Component II: Internationalization of SIN .** This component will finance consulting work to support Bolivia's approach to increase its legal and practical base for exchange of information and other forms of international mutual assistance in tax matters. The TC will finance consulting work to support the identification of legal and administrative gaps and the establishment of a plan to fulfill them.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Risk management tool	US\$100,000.00	US\$0.00	US\$100,000.00
Internationalization of SIN	US\$25,000.00	US\$0.00	US\$25,000.00
Total	US\$125,000.00	US\$0.00	US\$125,000.00

V. Executing Agency and Execution Structure

- 5.1 IDB
- 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, and for reasons of impartiality, since the beneficiary entities agree that contracting by the Bank would improve independence..

VI. Project Risks and Issues

- 6.1 Risk assessment based on Big Data is in itself complex, therefore requiring advanced skills to integrate the results of the consultancy into SIN's systems. The strategy to

mitigate the risk is to ensure that the consultant has the required skills and monitor the delivery of results.

VII. Environmental and Social Classification

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