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Bringing Change to Government Administration: Insights from the Development Projects of the National Board of Revenue

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Abstract

The challenges faced by the development projects of the National Board of Revenue (NBR) are useful examples for successfully implementing the Bangladesh Government's vision of a Digital Bangladesh. This paper is an attempt to identify the challenges faced by the NBR modernization and automation projects, especially from their mixed and often discouraging results. Whether lack of insider support and involvement was a factor is examined. It is stressed that a critical mass of change agents within the NBR, who will take an outsider perspective, can play an important role to bring effective change. Whether the notion of 'outsider-insider' will work in the socio-economic-political milieu of Bangladesh is also examined.

Governments use information and communication technology, introduce new innovations and undertake various projects to improve the quality of public life. Bangladesh is no different from other countries in her efforts to provide better services to the citizens. The current government in Bangladesh, when it came to power in 2009, gave the country a dream of a Digital Bangladesh by the year 2021. This vision, it is hoped, would be realized by harnessing the potential of information technology and by making wider and effective use of ICT tools in every sphere of the public domain. But use of technology and reform initiatives is not new to the Bangladesh Government. This paper looks at the automation and reform projects that have been implemented in the last three decades with mixed results at the National Board of Revenue (NBR), the revenue earning arm of the government.

It is worthwhile to look at the reform and modernization initiatives, most of which depended on wider use of ICT tools, at the National Board of Revenue (NBR) in an attempt to find out what worked and what didn't, and why, so that the lessons learned could be applied elsewhere in the government in order to avoid repeating the mistakes. In light of Vision 2021 of a Digital Bangladesh, the NBR cases serve as good learning examples.

Skeptics comment that a lot of money has been wasted on modernizing NBR, very little has been achieved, and the development efforts have failed to bring in any meaningful change. Why NBR and its field offices could not benefit much from the plethora of development initiatives is analyzed using secondary data available in different government and donor documents, articles, and in depth discussions with people who have worked closely with these projects. What is required to bring change to an organization will also be discussed, drawing on material on change management, to identify what was missing in the case of NBR. Although in its current structure and content this paper is a practitioner's review, it is felt that findings of this paper can lead to further detailed research.

Chronology of NBR Projects

The NBR has witnessed nearly a dozen development projects in the last twenty five years. Keeping revenue enhancement at the backdrop, the projects worked on a variety of objectives: automation of customs assessment work, modernization of data collection techniques by the research and statistics wing of NBR, simplification of revenue collection processes, establishment of a computer network within NBR and its field offices, and interconnectivity between NBR and the Finance Ministry and also with the field offices. Increased use of computers and peripherals in revenue administration, i.e. greater automation, was a paramount objective in many of these projects. Purchase of computers and equipment, hiring of international and local consultants, and conducting foreign and local training were the oft repeated activities across projects. These three activities used up most of the project budgets. Many of the projects had very similar objectives. As one project failed to achieve one or more of the objectives, these were passed on to the next project. All the projects were funded by members of the donor community. The only exception is the newest project, Modernization of VAT Environment (MOVE), which will be funded by the Bangladesh Government.

The World Bank through Excise, Tax and Customs (ETAC) Data Computerization Project, Customs Administration Modernization Project (CAM), and Modernization and Automation Project (MAP) always took an active interest in automation of

Table 1: NBR Projects – At a Glance

Project	Year	Funded by
Customs and Excise Administration Technical Assistance Project	1887–1996	UNDP
Integrated VAT Development and Implementation Project	1996–1998	DFID
ASYCUDA Project	1991-1994	UNDP
Excise, Tax and Customs (ETAC) Data Computerization Project	1989–1999	IDA/ WB
Strengthening VAT Administration	1999-2003	DFID
Customs Administration Modernization Project (CAM- Phase 1)	1999-2004	IDA/ WB
Reforms in Revenue Administration (RIRA)	2002–2008	DFID
Chittagong Port Trade Facilitation Project, Chittagong Custom House Component	2005-2009	ADB
Modernization and Automation Project (MAP)	2003-2009	IDA/ WB
Tax Administration Computerization Project (TACTS)	2009-	DFID
Modernization of VAT Environment (MOVE)	2011 -	Government of Bangladesh

Source: (a) Annual Reports of NBR (1992-2009), (b) NBR website (ww.nbr-bd.org) and (c) Annual Project Completion Evaluation Reports (1987-2010) of Implementation, Monitoring and Evaluation Division (IMED) of Ministry of Planning, Government of Bangladesh

customs work, helped to introduce Automated SYstem for CUstoms DAta (ASYCUDA) in Dhaka and Chittagong Custom House, and developed relevant software for customs valuation and risk management work. At the initial stage UNDP funded the ASYCUDA project. Institutional strengthening of NBR as an organization was also a priority. The British Government, through Department for International Development (DFID), on the other hand, focused on VAT and income tax offices and worked on how to improve their quality of work. Table-1 summarizes the projects of NBR in chorological order.

A Critical Look at NBR Projects

The earliest project of NBR was a technical assistance project called Customs and Excise Administration Technical Assistance Project, funded by the UNDP, to enhance internal revenue collection. This project had the following objectives: i) to provide technical assistance in implementation of newly introduced VAT (VAT was introduced in 1991), ii) to computerize customs and Excise/ VAT administration, and iii) to strengthen anti-smuggling activities of customs administration. One third of the project budget of Taka 148 million was spent on hiring international consultants. The project, however, failed to fully utilize the budget allocated for purchase of computers and anti-smuggling equipments; only 22% of the budgeted amount was spent. The IMED Evaluation Report of 1997-1998 (p. 480) commented that equipment purchased under this project should be properly maintained and used, a concern that was echoed in several other project reports and to date remains an issue with NBR. The challenge of keeping computers and equipment, purchased from projects, in good condition has been discussed in the next section.

The next NBR project attempted to digitize customs bill of entry and to introduce Automated SYstem for CUstoms DAta (ASYCUDA) in Dhaka and Chittagong Custom Houses. Under this project initial work on transition from a printed, manual bill of entry to an automated mode was made. ASYCUDA has been active in Dhaka Custom House since August 1994 and in Chittagong Custom House since

June 1995. This was a significant first step in automating customs assessment. However, due to lack of foresight and planning the benefits became uncertain as there was no budgetary allocation to pay the annual subscription fees for ASYCUDA. The ETAC project provided the money to pay the subscription fees. Soon transition to a newer version of ASYCUDA became a necessity and no fund was available. This was subsequently paid from the CAM project to migrate to a higher version of ASYCUDA.

The Excise, Tax and Customs (ETAC) Data Computerization Project was the longest serving project of the NBR. The major objective of this project was to computerize research and statistics, customs, vat and income tax wings of the NBR. Automation of activities of the research and statistics wing was a priority to create a reservoir of customs, vat and tax data, which in turn would help during the annual budget preparation exercise, and also in decision- and policy-making and report preparation. At the end of this project the following four reasons were identified in the NBR Annual Report 1997-1998 (pp 47) why some of the desired objectives of the project could not be achieved:

- As procurement process of the World Bank is very lengthy and complicated these caused delays and adversely affected procurement plan. Hence, much of the equipment could not be bought.

- NBR never appointed a full time Project Director for the project. As a result the project suffered from lack of continuous supervision and monitoring.
- The project document did not include any detailed activity list or plan, such as which office will do what, for computerization of different wings of NBR. This led to lack of coordination and cooperation among different wings and their field offices.
- Lack of cooperation from other government ministries at different stages of implementation of the project.

As these problems remained unaddressed by the NBR, many of these thorny issues were faced by future projects of the NBR. Lessons learnt from one project were seldom applied to the next project. NBR projects to date continue to be run on an ad-hoc basis. None of the projects of NBR had a full time Project Director. In fact IMED Evaluation Report 2010 (p. 15) mentions that Reforms in Revenue Administration Project (RIRA) had six different persons as part-time Project Directors during 2002-2008. Although the IMED Evaluation Report 2001 (p. 266) recommended appointing a full time Project Director, none of the future projects of NBR (such as CAM, MAP) had one.

In the NBR Annual Report 1997-1998 (p. 48) it was mentioned that the ETAC project proposed to include all purchased machinery and equipment in the TO&E (Table of Organogram & Equipment) of the offices that received these machines. The idea was that budgetary allocation could be made for items included in the TO&E for maintenance and repair work. In the absence of any institutional mechanism in the NBR to carry forward and implement recommendations of development projects, it was not possible to implement change. What happened with ETAC equipment was repeated with equipment purchased under the MAP project ten years later. These equipment were not included in the TO&E. Due to lack of maintenance these machines also quickly deteriorated. It so happens that while computers and peripherals are bought from a project, in absence of budget for maintenance they wear out quickly and are replaced with new machines bought from the next project. With several projects in the pipe line, there was less of a pressure to develop capacity in the NBR to institutionalize change.

Under the ETAC project a Local Area Network (LAN) and Wide Area Network, connecting 80 computers, was established in 1999, which connected NBR with the Finance Minister's office, Finance Secretary's office and major field offices of Customs, VAT and Tax department. This was a commendable initiative. Unfortunately the network is not operational now. In the absence of any plan to maintain the facilities, and with the end of the project, the network collapsed quickly. The ETAC project also aimed to connect NBR and revenue offices with different government or private organizations, which are related to export-import business. This was not implemented. Unfortunately this connectivity issue was not pursued in either of the two subsequent projects, i.e. CAM and MAP.

What Went Wrong?

NBR projects achieved much less than their full potential. The automation efforts had mixed results. Transition to ASYCUDA, discarding the manual bill of entry, was the greatest achievement. However, in the absence of automation of work processes, a functional Local Area Network, and changes in government directives on how to run an office in tandem with computerization efforts, effects of the modernization initiatives were short lived, at best.

The flaws in the projects can be categorized as (a) weaknesses at the project conception/ design stage, (b) vulnerabilities in project implementation and (c) lack of planning and absence of institutional set up to ensure post project sustainability. There is no single bullet to cure all project related problems. However, identification of the different issues at play will help to understand the challenges.

NBR reform and modernization initiatives have been strictly led by donor agencies and depended on international consultants. Two of the major expenditure heads have been hiring of international consultants and purchase of computer equipment and other machinery. Unfortunately, despite the hype with which the three-phase Revenue Administration Modernization Project was envisioned in the late 1990s, much of the steam and enthusiasm was lost as CAM and MAP projects (phase 1 and 2 of RAMP) failed to live up to expectations. The failure of CAM and MAP to bring about change led to loss of interest of the National Board of Revenue to pursue the final phase of RAMP, which would have been an investment credit for Bangladesh Government from IDA.

Another salient feature is that donors always approached the top management, such as the Finance Minister and Chairman of NBR, to discuss their projects and a top-down approach followed. It can be questioned whether revenue staff working in the field, who will be implementing the changes, were consulted while designing the projects. Similarly the role of the revenue officials posted at the NBR in preparing project concept papers has never been questioned. As a result, there might have been a feeling of apathy among revenue officials, which adversely affected development projects. The flip side of this argument could be why staff of a "perceived to be corrupt department" would cooperate and engage in reform initiatives which may jeopardize their illegal gains. At the end of the day the implementation of the development projects are done by staff at all levels in the revenue administration and is not restricted to the top hierarchy only. This is further discussed in the next section while discussing what is required to bring about major changes in an organization.

Furthermore, there are wide disparities in salary received by international and local consultants, and the government staff administering the project. Consultants, who reported to the Project Director, received a salary ten to fifty times that of the Project Director. In absence of monetary benefits project officials sometime indulged in foreign travel in the pretext of training and capacity building, which ultimately did not lead to proper implementation of the project.

Whether the Strategic Development Plan (SDP) of the NBR was generated by revenue officials is also contested. Rumors are that the SDP was developed by the World Bank and it went directly to the then Finance Minister for approval. After it was approved by the government the document was shared with the revenue officers. Open discussion on SDP was discouraged. As such the SDP was not owned by NBR officials.

Managing development projects require specific project management, financial management, and procurement skills. In most cases revenue officers were assigned to projects without any prior training on project management and project financial procedures. As a result they made mistakes first and then learnt from the mistakes. The lessons learnt from one project were never shared with officers who worked in subsequent projects. Hence, the mistakes made in the ETAC project in the mid 1990s were repeated in the MAP project which was executed after ten years. There was never a plan on how the activities of the project would be carried forward when the project ended. At the same time in most cases no initiative was taken to ask for budgetary allocation for maintenance and running of the equipment and machines purchased by the projects.

An interesting fact is that the project concept paper of a nine year, three-phase, Revenue Administration Modernization Project (RAMP) was approved by the Government of Bangladesh and the World Bank in 1999 but although the first two phases of RAMP, i.e. CAM and MAP, were implemented the final phase of RAMP was never implemented. The first two phases were technical assistance projects and the last leg was an investment credit. This may point towards a lack of proper planning and engagement of NBR staff at the project conception and design stage, which resulted in non-completion of the third stage of the project.

Bringing Change to Bangladesh Revenue Administration

The Government of Bangladesh would like to enhance professionalism and efficiency at the National Board of Revenue. The donor community also wants to assist the government to make changes at NBR. Change has been attempted, several times, by implementing reform, modernization and automation projects. These efforts however were led

by international consultants. In the guise of transfer of technical know-how, the development efforts were led by donors and external consultants. Change management literature does not support success of such initiatives. NBR projects perhaps bear testimony to that contention.

Bringing change to an organization is not an easy task. It requires careful planning and a time line which spans beyond just a few years, as is seen in typical development projects. Above all, change can only be successfully achieved and sustained over time when the insiders accept it. Instead of depending entirely on external technical assistance "outsiders on the inside"[1] may play a crucial role in bringing true change to an organization. The term "outsiders on the inside" can be viewed as change agents within an organization, but they embody something more than just change agents. They look at their organization using an outsider's perspective. In the NBR context such outsider-insiders will be individuals who work in the revenue administration and want to bring in efficiency and professionalism in their work place. They will also look at the functioning of the revenue administration from the perspective of a businessman, the primary stakeholder and close associate of NBR. As all three tax wings of NBR - customs, VAT and income tax - work closely with the business community, starting to think like one will give an invaluable perspective. It is also important to have such outsider-insiders at all levels of a hierarchy in the revenue administration. In the absence of outsider-insiders in sufficient numbers at the top, middle and low level of the administration, the required critical mass may not be there to drive meaningful change in revenue administration.

Interestingly, the latest project of NBR, Modernization of VAT Environment (MOVE), has been planned and designed by insiders - a move in the right direction. But whether the insiders are taking an outsiders view will be clear when the project begins. At this stage MOVE is at the EOI (Expression of Interest) stage.

There is a widely held perception that revenue officials benefit from the imperfections of the existing system and any attempt at reform will reduce their scope of such gains that should actually go to the government coffers. Hence, one may question the notion that true change can be brought about by "outsiders on the inside" in the Bangladesh context. Does the socio-economic-political setting of the Bangladesh Civil Service, revenue administration in particular, allow such outsider-insiders to exist or to grow in number? Is there a supportive environment for nurturing such outsider-insiders to grow into a critical mass who, in turn, can bring in true change? In a culture of spoils, where strong patron-client relationships rule the game, will the system allow outsider-insiders to exist and to change the status quo? At the very basic level one may wonder why an outsider-insider will even be considered in the first place within the system. Why will insiders want change? What is their incentive? Why will revenue officials want and support change? Finding answers to such questions will be instrumental in making an effective plan to bring changes in NBR and field offices.

Conclusion

In hindsight one may observe that involving insiders in the projects, aiming to bring about changes, is a necessary condition for achieving success but whether it is a sufficient condition can be debated. Thus, there is scope of further study and investigation in this area. The recent MOVE project may be considered a test case to ascertain NBR's aptitude in successfully managing development initiatives. Whether MOVE incorporates outsiders' perspectives of NBR remains to be seen. At the same time lessons learnt from the previous projects of NBR can be useful in implementing reform and automation initiatives in other offices of the Bangladesh Government. This may also contribute to creating a critical mass of change agents within the government to bring about reforms within the structure and systems, which would likely make the vision of a Digital Bangladesh successful.

Endnotes

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