

**STRATEGIC PLANNING FOR SUSTAINABLE DEVELOPMENT
OF TAX COMMITTEE OF THE MINISTRY OF FINANCE
OF THE REPUBLIC OF KAZAKHSTAN**

By

Zholdybekov Kuat

CAPSTONE PROJECT

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

MASTER OF PUBLIC POLICY IN ECONOMIC DEVELOPMENT

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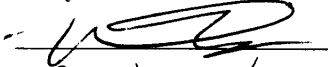
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ABSTRACT

STRATEGIC PLANNING FOR SUSTAINABLE DEVELOPMENT OF TAX COMMITTEE OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

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Strategic planning reflects the main priorities in policymaking and development of any public organization. From this perspective the strategic planning in Tax Committee should define strategic goals which solve major development tasks of organization and Kazakhstani taxation system. Building a modern and effective tax agency with clear mission and vision is vitally important for state taxation system and people's welfare. Therefore, the main goal of this project is to provide Strategic Plan for sustainable development of Tax Committee through the principles of good governance and efficient allocation of state resources.

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1. Introduction

“Strategy is the determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”

Alfred Chandler

Between 2000 and 2008, Kazakhstan’s economy experienced annual growth of about 10%. GDP per capita (PPP) exceeded US\$12,000 in 2010.¹ Real income for the period of 2000-2007 grew by 16% annually, ratio of poverty decreased from 31.8% to 12.7% of the population. In general Kazakhstan followed prudent macroeconomic policy and implemented a restrained strategy for the period of the oil boom in 2004-2007. Major part of such revenues was accumulated in the National Fund of the Republic of Kazakhstan whose funds in 2008 reached US\$28.0 billion or 20% of GDP.²

Unquestionably, tax revenue collection is vitally necessary for the whole country's development. Therefore, strategic management and strategic planning are very important for public sector. They are useful in terms of setting strategic goals, planning the processes and activities in organization, implementation and evaluation of main organizational goals. Using strategic management the organization can allocate its resources around strategic goals, determine effective way of plan implementation and set up new priorities for further development.

Tax Committee of the Ministry of Finance of the Republic of Kazakhstan (further – TC, Committee) administers and collects the revenues that fund national budget. TC provides the public service to a big number of taxpayers in a whole country

¹IMF - World Economic Outlook. April 2010. Retrieved from <http://www.imf.org/external/index.htm>

²Project appraisal document on a proposed loan in the amount of US\$17.0 million to the Republic of Kazakhstan for a Tax administration reform project. The World Bank. January 2010, p. 1.

to assist them pay taxes and understand that tax revenues are very important for state development.

The mission of TC is to provide high quality tax services, to efficiently collect tax revenues, and to administer taxpayers in a fair and cost-effective way.

Since establishment of TC in 2002, it has made significant progress in improving tax administration and delivering tax services, especially in areas of electronic tax administration. Nowadays many tax agencies in the world, like other types of public organizations, have become more customer-oriented. In this case TC is not an exception. Trying to build an organization that satisfies everybody's needs TC faces many challenges. Therefore, in order to examine the real obstacles that challenge efficient operation and threaten the performance of TC I identify research questions are as follows:

- How to improve the quality of tax services and simplify taxation process?
- How to perform effective tax revenue collection giving incentives for voluntary compliance?
- How to build highly skilled human capital?

In order to find the practical answers for these research questions the causes of main challenges and problems are examined in this paper. After identifying the main problems I give recommendations through Strategic Plan for sustainable development of TC.

Consequently, it is very important for public organization to carry out its activities and functions in a planned way, especially when it faces new challenges and problems of modern world. As a result, this project sets Strategic Plan to achieve following goals for sustainable development of TC:

Goal 1. Deliver innovative and quality service;

Goal 2. Effectively fulfill tax revenue collection and encourage voluntary compliance;

Goal 3. Recruit, develop and retain highly skilled employees.

Strategic Plan in this project provides five year blueprint for TC operations and activities. It enhances TC activities to reach high level of service, develop human capital in organization and increase transparency. Moreover, this Strategic Plan contains performance evaluation to control and monitor Plan implementation.

The purpose of this project is to provide the Strategic Plan for sustainable development of TC. Strategic planning is used to solve organizational problems that TC faces in tax administration. Before setting strategic goals the main problems and challenges were identified and analyzed.

The plan of this project is as follows. After introduction the second part reveals organizational analysis and gives explanation of challenges and problems that TC faces. The third part provides Strategic Plan for fiscal year 2011-2015 with three main goals to be implemented. Finally, the fourth part describes the implementation and performance evaluation of Strategic Plan.

Field research methods

The main research methods are:

- comparative analysis;
- document study;
- data analysis

Comparative analysis. To get an objective view of good governance and development it is important to compare worldwide tax agencies. This method is one of the best methods applicable for developing countries. Practices and experiences of different states with different level of development were analyzed, especially

experiences of Internal Revenue Service (USA), HM Revenue and Customs (UK), Ministry of Finance (Turkey), State Revenue Service (Latvia), Office of the Revenue Commissioners (Ireland), Integrated Revenue Administration (Czech Republic), and etc.

Study results shows that there is no ideal strategic plan in public agencies. Therefore, approaches of different tax agencies are surveyed to get a good benchmark. For instance, the Strategic Plan of Internal Revenue Service (USA) for year 2005-2009 contains in-depth analysis of current situation before setting strategic goals, but weak part of this plan is a lack of key indicators. There are only general goals and objectives.³

State Revenue Service of Latvia in its Strategic Plan for year 2005-2009 described what should undertake tax organization to achieve certain goal or task. But there is no analysis of current situation and key performance indicators.⁴ Such shortcomings are common to many strategic plans of public organizations.

However, Strategic Plan of the Revenue Commissioners office (Ireland) for year 2008-2010 is regarded as a good example of strategic planning, where I can see clear goals, complete data, outputs of objectives and performance indicators.⁵ In addition to this, Czech practice of strategic planning demonstrates systematic and complex approach in achieving strategic goals and tasks.⁶

Document study. This method helps to find the basics and legal aspects of subject. Document study is the method of gathering credible and official information. On this occasion, the Statute on the Tax Committee of the Ministry of Finance of the

³Strategic Plan of Internal Revenue Service for 2005-2009. Internal Revenue Service. Publication 3744 (Rev. 6-2004).

⁴State Revenue Service Tax Administration Strategy for year 2005-2009. Approved by order of State Revenue Service of 15 April 2005, Order NR 622.

⁵ Statement of Strategy 2008-2010. Office of the Revenue Commissioners. Dublin Castle, 2008.

⁶ Czech Republic Report on Vision and Strategy for an Integrated Revenue Administration. The World Bank. Report No. 47984-CZ. April 2009.

Republic of Kazakhstan, Project appraisal document on a proposed loan in the amount of US\$17.0 million to the Republic of Kazakhstan for a Tax administration reform project (WB), the Tax Code of the Republic of Kazakhstan, Technical Notes and Manuals (IMF), various reports, and others were analyzed.

Data analysis. Data analysis provides logical and analytical reasoning to examine each component of the data analyzed. In this occasion the data and information provided by International Monetary Fund, CIA World Factbook, World Bank, Intra-European Organization of Tax Administrations, Statistical data from Kazakhstan public bodies and others are used.

2. Organizational analysis

2.1. Background, values, vision and mission

Kazakhstan as a former member of USSR declared its independence in December 1991. Herewith, the first legislation on taxation in Kazakhstan was the 1991 decree “On Taxes from Enterprises, Associations and Organizations”. After that several regulatory legal acts were adopted in 1995 and 2002.⁷

The major legal act regulating and establishing taxation (taxation system) in country is “The Code of the Republic of Kazakhstan On Taxes and Other Obligatory Payments to the Budget” (the “Tax Code”), which was adopted on December 10, 2008.

According to the Statute on the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan, “Tax Committee is a department of the Ministry of Finance of the Republic of Kazakhstan which shall, in accordance with its competence, fulfill realization, control and supervisory functions of ensuring that taxes and other mandatory payments to the budget are received in full, that mandatory pension contributions and social payments to the State Social Insurance Fund are transferred in full and in a timely manner”⁸.

The formation of existing TC of Independent Kazakhstan has several steps:

1. March, 16th, 1990 – creation of the State tax inspection of the Ministry of Finance of the KSSR;
2. July, 9th, 1991 – creation of the Main state tax inspection of the KSSR;
3. October, 12th, 1998 – formation of the Ministry of state revenues of the Republic of Kazakhstan;

⁷Taxation in Kazakhstan. Wikipedia. Retrieved from http://en.wikipedia.org/wiki/Taxation_in_Kazakhstan

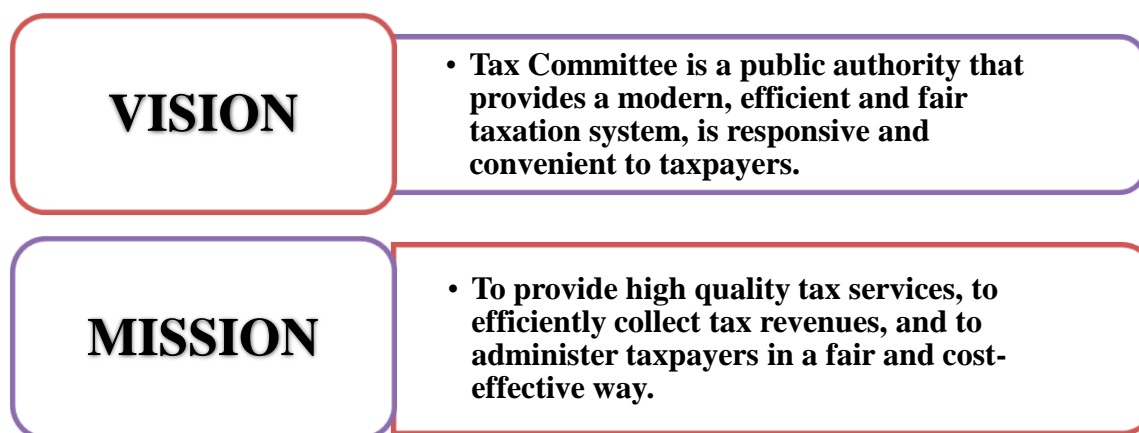
⁸Statute on the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan, approved by Resolution No. 1127 of October 29, 2004 of the Government of the Republic of Kazakhstan.

4. August, 28th, 2002 – formation of Tax Committee of the Ministry of Finance of the Republic Kazakhstan.⁹

TC is a big organization with total number of employees about 9300 including regional and sub-regional levels.¹⁰ It has 20 divisions in central administration, 16 regional departments and 4 special economic zone departments.

The vision and mission of TC are established according to organizational functions as a public authority, operations, tasks, main priorities and future perspectives. They should lead to creation and development of modern revenue agency which will operate in effective manner and solve tasks and problems on various levels. Because society's welfare and economic growth depend on how well TC operates. And the mission of TC should meet taxpayers' expectation to improve standards of living.

Therefore, TC's vision and mission are as follows:



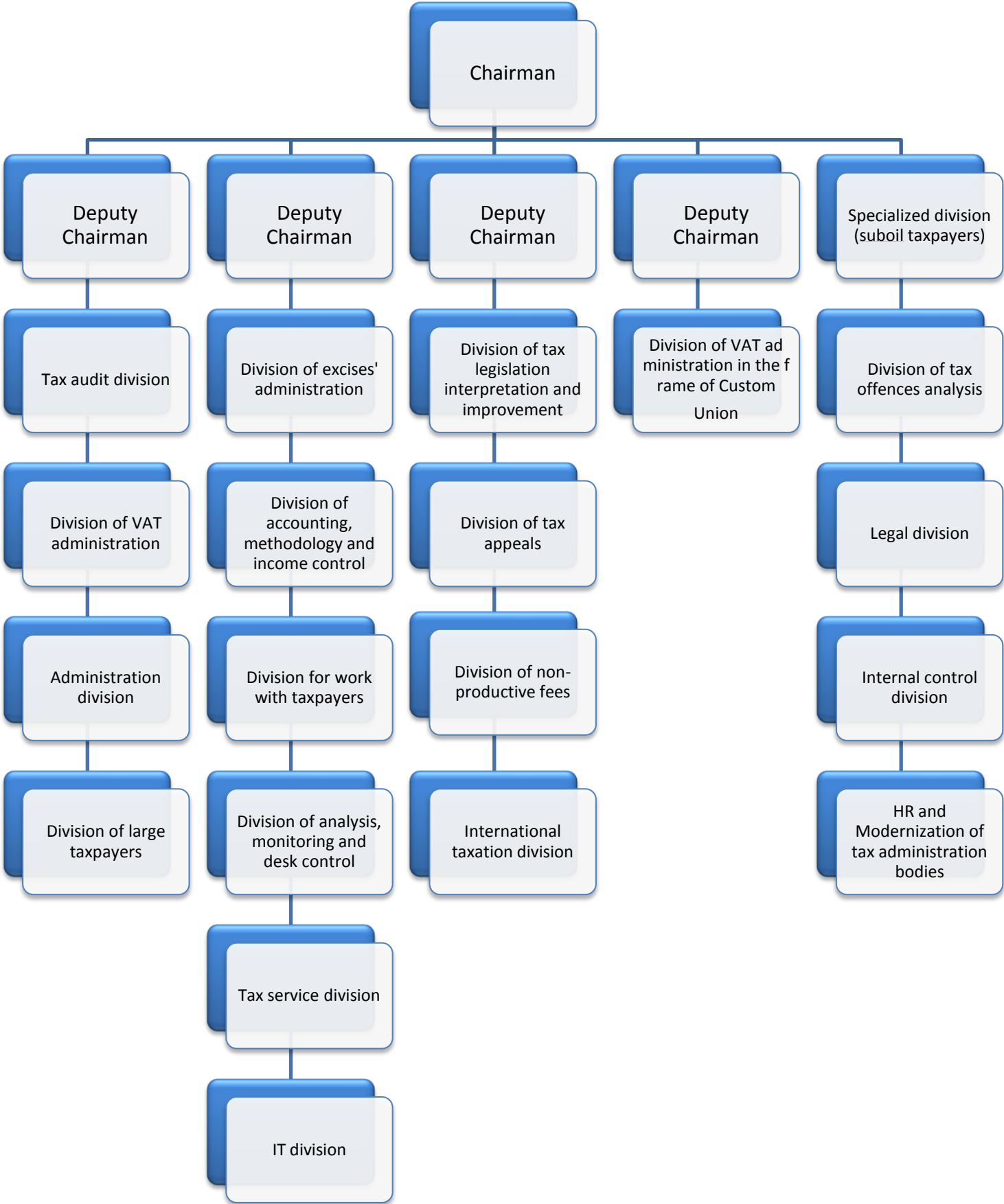
⁹Official website of Tax Committee of the Ministry of Finance of the RK. Retrieved from <http://www.salyk.kz/RU/NK/Pages/default2.aspx>

¹⁰Official website of Intra-European Organization of Tax Administrations. Retrieved from <http://www.iota-tax.org/iota-members/kazakhstan-257.html>

To define TC's guiding principles and set of commitments on how work has to be done, the core values of organization are put into a list. In its daily work all operations accomplished by TC are considered to follow to these values. They are as follows:

- **Treatment:** Treat taxpayers lawfully and respectfully.
- **Integrity:** Preserve confidential information related to taxpayers to gain public confidence.
- **Accountability:** Maintain responsibility to carry out the mission of the organization and achieve its goals.
- **Service:** Continually improve and modernize the quality of services delivered.
- **Effectiveness:** TC aims to work efficiently and creatively. Employees strive to innovate and improve taxation system to fulfill the mission of the organization.
- **Teamwork:** Building a successful team on the basis of collaboration, hard work, professionalism and mutual trust.
- **Qualification:** Recruit, develop and retain highly skilled employees and professionals.

Organizational structure of TC



2.2. Analysis of current situation, problems and challenges

The activities of tax authorities in tax administration are aimed to ensure full and timely collection of tax revenues, as well as the necessary controls and penalties against offenders of tax laws. That is, the tax administration is a tool that ultimately determines the success or failure of the tax policy, as well as the overall budgetary and economic policy.

The results of budget performance demonstrated that the state budget received 4388.8 billion tenge (forecast for the execution of 105.7%), which was 878.5 billion more than in 2009. State budget revenues amounted to 4299.1 billion tenge, including tax revenues amounted to 2 934.1 billion tenge.¹¹

In 2010 in the area of tax policy amendments were made to tax code to preserve a number of bids, and also to provide point incentive measures. Taxation procedures were simplified, fiscal regime in special economic zones was improved through release of organizations operating in special economic zones from the obligation to submit the calculation of advance payments of corporate income tax.

According to “Doing Business-2011” in terms of “Paying taxes” Kazakhstan is ranked 39th¹², having improved its position compared with the previous year by 14 points. If in 2009 compared with 2008, the number of tax reporting forms was reduced by 37%, by 2012 it is possible to reduce them, taking into account amendments to the legislation by another 30%. These measures allow Kazakhstan to have a competitive fiscal system attractive to investors.

¹¹Report of the Government of the Republic of Kazakhstan on the implementation of the national budget for 2010.

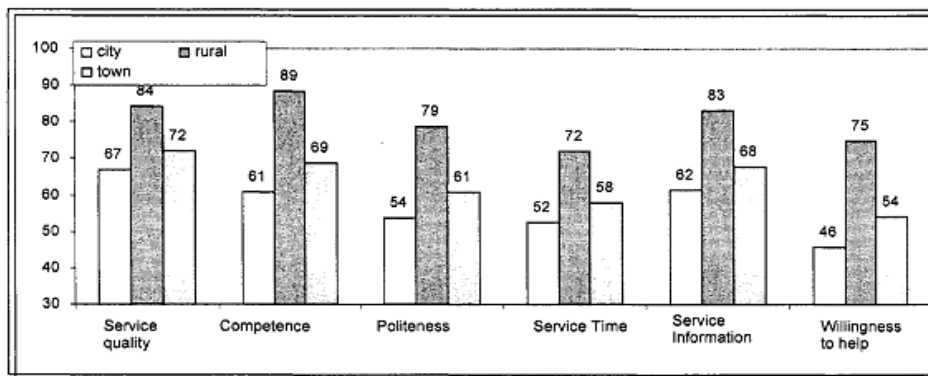
¹²Doing Business 2011, p. 172.

In the Strategic Plan of the Ministry of Finance of the Republic of Kazakhstan in 2010 it was planned to build 10 Data receiving and processing centers for tax authorities. However, due to the failure terms of the contract by supplier only 5 units of Center were built.¹³ In this regard, there is not enough number of Centers for normal functioning of tax authorities

In terms of client satisfaction, results of the taxpayer survey conducted by Sange Research Center in 2008 show that client satisfaction with the quality of tax services in Kazakhstan is relatively high at 72%. At the same time it is worth noting that satisfaction with tax administration is lower than satisfaction with public service quality in general (Chart 1).

Analysis of satisfaction by types of services reveals problems in the areas of: (a) excise permits; (b) registration and control stamps; and (c) appeals. Average satisfaction indicator for these services is 52%. Another problem as noted by respondents is long lines. Availability of information is mentioned by respondents among the main obstacles in taxpayer services. This includes lack of information desks and busy telephone lines.¹⁴

Chart 1: Satisfaction with Tax Service Components' Quality, ratio, %



Source: Tax Service Quality Monitoring (population survey), Survey Center Sange, 2008.

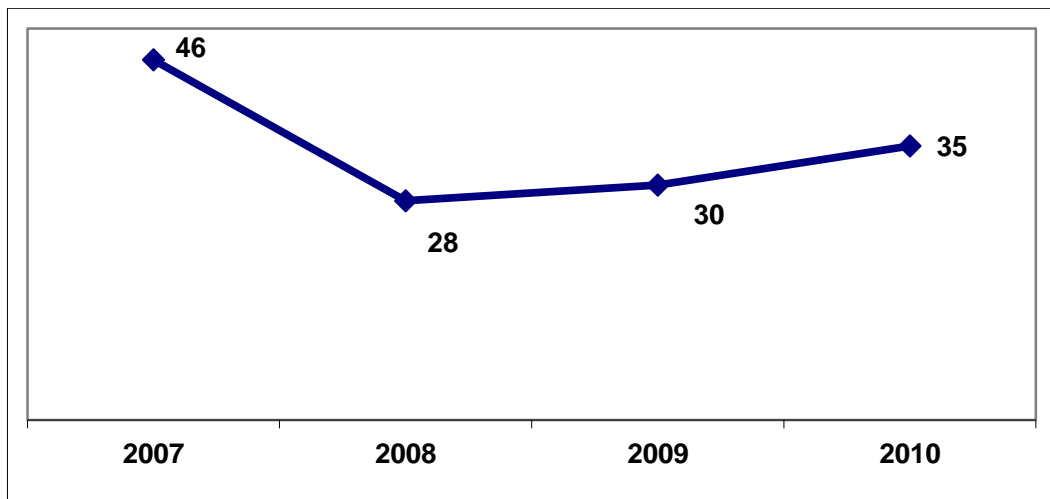
¹³Report on Implementation of Strategic Plan of the Ministry of Finance of the Republic of Kazakhstan. 2010, p 5.

¹⁴Tax administration reform project. The World Bank. January 2010, p. 26.

In 2010 the level of satisfaction with the quality of tax services provided to businesses was 88%.¹⁵ As compared with 2009 an average satisfaction level in Kazakhstan has improved by 3 percent. The growth of the quality of tax services encourages taxpayers to voluntarily meet their obligations to pay taxes.

However, the average waiting time in line increased to 35 minutes compared with 2009 (30 minutes). Mostly taxpayers are to be affected in Astana and Atyrau region (they have the lowest satisfaction with this indicator), where on average they stand in line for about 2 hours, as well as in Mangystau and Almaty regions - 55 min. and 45 min. respectively.

Chart 2: Average waiting time in line, minutes.



Source: Average waiting time in line, Survey Center Sange, 2010.

Therefore, TC needs to develop and modernize provided tax services especially electronic services.

Another challenge for any public organization is deficit in highly skilled human capital. In case of TC having professionals in taxation is extremely important. Deficit problem is caused by relatively low salary of employees (middle level employee salary

¹⁵Assessment and monitoring of tax services. Survey Center Sange. 2010, p 15.

in central administration approximately – US\$ 450-750, category C-6),¹⁶ weak education system in taxation, accounting and finance, and absence of special training center for new/young specialists.

There is a centralized recruitment system for all civil servants in Kazakhstan. There are some requirements for candidates to get the status of civil servant. According to the law “On Civil Service” entering civil service requires a certain level of qualification, education, and professional skills. Recruitment is carried out on the basis of competition. There are 3 steps of recruitment process is as follows: 1) Document review; 2) Testing; 3) Interview in relevant organization.

Weaknesses of current system:

Testing - Lack of professional tests on taxation;

Interview - Lack of independent recruitment commission;

- Influence and interference in the recruitment process.

Thereupon, TC needs to develop specific recruitment system in order to have a transparent and effective system.

In addition to that, out of a total number of employees in taxation system only 3000 are called “inspectors” and have the function of collecting taxes and auditing. This ratio of highly skilled employees working in the field of taxation / audit is very low compared to modern systems of tax administration in the world. This data suggests that there is a need for a more detailed analysis of workload and staffing.¹⁷

The existing training program is weakly funded and does not meet the actual needs of TC staff training. This lack of training sheds new light on the nature and

¹⁶Official website of the Agency for Civil Service Affairs of the Republic of Kazakhstan. Retrieved from http://www.kyzmet.kz/?lang=ru&id_1=6

¹⁷Assessment and monitoring of tax services. Survey Center Sange. 2010, p 85.

content of complaints from citizens, taxpayers and the employees themselves, performing the practical work that the inspectors do not understand the question, are not familiar with running a business and working with industry, are only slightly familiar with the tax laws, practices and procedures and audit accounting.

Tax administration is a highly complex field requiring specialization in accounting, law, economics, modern audit and investigation techniques, and analytical skills.

Most modern tax administrations have a dedicated tax training institute specifically for tax personnel at different functional and administrative levels.

A separate training institute will need to be established within the Committee to build a permanent HR development capacity necessary to carry out the reform and to maintain a high professional level at all staff and managerial levels of tax bodies.

Establishing tax training institute will improve Institutional development of TC with improved analytical and strategic development capability.

In case of paying taxes in Kazakhstan taxpayers try to avoid taxes, even if the tax rates in appropriate level (income tax for individuals – 10%; corporate income tax – 20%). Taxpayers consider that taxation system is sophisticated and punitive. This perception and lack of information about tax obligations makes the collection of tax revenues more complex.

At the same time 2.2% of taxpayers faced with the disclosure of tax secrecy (violation of privacy). This kind of phenomenon cannot have a positive impact on the image of tax authorities. In Almaty and Astana, the highest rates of disclosure of tax secrecy - 13% and 6.7% respectively.

The weak link in the existing image of the tax service is how easily innovations are accepted - 40% and absence of corruption - 38%.¹⁸

There is no sufficient incentive to pay taxes voluntary because of TC's bad image and low tax culture of citizens. In this case TC needs to undertake complex of measures to effectively fulfill tax revenue collection and encourage voluntary compliance.

Success in increasing voluntary compliance depends on many factors, including political, social and economic environment, culture of compliance with tax legislation, organizational structure of the tax administration, management approach, institutional knowledge and training, allocation of resources, information systems, tax literacy of taxpayers, and quality of taxpayer service provided by tax bodies. It also depends on creating of an environment that minimizes corruption, and limits direct contact of taxpayers with automation of main processes in TC.

Successful implementation of tax revenue collection requires voluntary compliance and need to stimulate taxpayers to pay taxes timely and efficiently. The focus on voluntary compliance will not only result in additional collections with lower costs, but will also allow tax bodies to focus attention on tax audits and forced collection measures in the case of high risk taxpayers, while making compliance simple and easy for the honest taxpayers.

Consequently, the main purpose of strategic planning is to effectively solve mentioned problems and meet new challenges of modern world.

¹⁸Assessment and monitoring of tax services. Survey Center Sange. 2010, p 51.

3. Strategic planning for sustainable development

3.1. Strategic planning in public sector

In order to find the best description of Strategic Planning numbers of sources are analyzed. As a result of this analysis, the optimal description of Strategic Planning is found as follows: “Strategic planning is a management technique intended to identify the strengths and weaknesses of the organization, the challenges and opportunities facing it, and its vision of the future and how it will seek to achieve its vision. Strategic planning focuses on the organization's long-term goals, assesses its capabilities to achieve those goals, examines environmental factors that may affect the organization, and identifies strategies designed to move the organization forward.”¹⁹

According to Presidential Decree “On the system of state planning in the Republic of Kazakhstan” (Approved by the President of the Republic of Kazakhstan of June 18, 2009, № 827), the strategic plan developed by the public agency/organization for five years, based on strategic and policy documents of the Republic of Kazakhstan, as well as socio-economic development.

Herewith, the strategic plan of public organization identifies strategic directions, goals, tasks and performance indicators of this organization.

The strategic planning process is closely linked to budgeting. That’s why in public organization, the real Strategic Plan is the budget. Too often, organizations develop Strategic Plans that lay out where the organization needs to go, but the budget does not follow. Strategic planning is about rethinking an organization’s strategies; done well, it can lead to quantum leaps in strategy and effectiveness.

¹⁹ Strategic planning. An Overview for Workshop Participants. Government of Alberta. www.finance.alberta.ca. Retrieved from http://www.finance.alberta.ca/publications/measuring/results_oriented/module1_overview.pdf

But traditional budgeting is incremental; it funds some version of what was done last year and the year before that. Because it is difficult to get new strategies into budgets, particularly in times of fiscal constraint, much of the Strategic Plan is never put into action.

When strategies are funded, too often no one checks to see whether they are producing the results intended. Hence the organization remains stuck with the strategies it has funded, until the next round of strategic planning.²⁰

These problems are solvable. Nowadays Kazakhstan has a system of result oriented budget when public organizations can link strategic planning with budgeting process, then build a performance management system to assess results and make corrections.

Therefore, strategic planning process goes hand in hand with budgeting when every strategic goal and action plan correctly planned according to resources organization has.

²⁰David Osborne. *Strategic Management in Public Organizations*. U.S.: The Public Strategies Group, 2009, p. 1.

3.2. Strategic Plan for fiscal year 2011-2015

This Strategic Plan is a set of strategic goals and tasks to provide Committee development. The blueprint brings forward 5 years of strategic planning and charts Committee course into an exciting future.

Selected strategic goals of TC should solve the main organizational tasks and provide sustainable development of TC.

Distinctive feature of this project is that goals, strategies, operational processes, key performance indicators and outcomes are set out in tabular form is as follows:

Goal 1		Deliver innovative and quality service						
N^o		Strategies, operational processes and resources required						
1	Reduce and simplify forms and regulations							
2	Enhance the provision of information to the public and tax practitioners through a range of measures							
3	Introduce new standards of public services							
4	Develop a web-based access to taxpayer accounts							
5	Treat taxpayers fairly and respectfully							
6	Develop of literacy of each member of a society on taxation issues and inform taxpayers of their rights and responsibilities							
7	Increase the number of electronic tax services							
8	Upgrade software in all sub-regional departments and divisions of TC, improve tax services through new technologies							
9	Foster tax culture and maintain integrity in all divisions and sub-regional departments of Committee to gain public confidence							
10	Development of Call centers and increase the number of tax service operation centers							
11	Organization of round tables, focus groups, seminars and conferences on taxation issues to better understand taxpayer needs and problems faced							
Key performance indicators								
Performance		measure	2010 achievement	strategic planning period				
				2011	2012	2013	2014	2015
a	Reducing the average waiting time in line	minute	35	33	30	27	25	20
b	The level of population satisfaction with the quality of tax services	%	89,1	90	91	92	93	94

c	The level of business satisfaction with the quality of tax services	%	88	89	90	91	92	93
d	Improving satisfaction with the quality of the software to provide electronic public services (based on a poll)	%	61,2	65	70	73	76	80
e	The level of awareness of tax issues (the poll)	%	75,1	77	80	82	85	88
Impact of strategic goal								
Implementation of this goal will reduce burden and motivate taxpayers to pay taxes in time and with low cost. It will increase people's awareness about taxation and will simple tax payment process.								
Outcome								
Effective, low-cost, and high quality tax service.								
Responsible division								
Tax Service Division; Division for Work with Taxpayers; IT Division; Administration Division; Division for HR and Modernization of Tax Administration Bodies; other Divisions.								
Control								
Chairman; Each Deputy Chairman is responsible for corresponding Divisions of Committee.								
Extra operations								
Each corresponding Division should devise an annual action plan to implement certain strategic goal; Submission of a quarterly report about action plan implementation.								

Goal 2	Effectively fulfill tax revenue collection and encourage voluntary compliance
№	Strategies, operational processes and resources required
1	Inform the population on properly fulfillment of tax obligations
2	Design audit procedures for identification of hidden taxpayers
3	Simplify tax laws
4	Deliver the best tax service including e-services
5	Capacity building of senior auditors in specialized audit for specific sectors, financial institutions complex foreign transactions, large taxpayers, and multinational corporations
6	Development of protocol for exchange of information with the Committee on Financial Monitoring, banks and other agencies in special audit case including money laundering
7	Simplification of procedure for providing tax reports by taxpayers
8	Cooperation with foreign tax services in terms of information exchange
9	Reveal tax reserves with the aid of information exchange, monitoring and cameral controlling
10	Establish a blueprint to encourage voluntary compliance

Key performance indicators								
Performance		measure	2010 achievement	strategic planning period				
				2011	2012	2013	2014	2015
a	Tax revenue collection	bln tenge	2934	3000	3150	3300	3450	3600
b	“Doing business” rank “Paying Taxes”	position	53	39	38	37	36	35
c	Increase the proportion of successful planned audits	%	97,9	98	98,2	98,5	98,8	99
d	The share of tax revenue arrears in total revenues of the consolidated budget	%	1,1	1	0,9	0,8	0,7	0,6
e	World Economic Forum. The Global Competitiveness rank “Extent and effect of taxation”	position	74	72	70	68	65	60
Impact of strategic goal								
Voluntary compliance of tax collection will increase state tax revenue, reduce tax administration costs and decrease number of tax audits.								
Outcome								
Development of voluntary compliance and turn taxpayer’s attitude to pay taxes timely will lead to the formation of the best taxation system in region.								
Responsible division								
Tax Audit Division; Division of Large Taxpayers; Division of VAT Administration; Division of Excises’ Administration; Division of Accounting Methodology and Incomes’ Control; Division for Work with Taxpayers; Division of VAT Administration in the frame of Custom Union; Division of Analysis, Monitoring and Desk Control; International Taxation Division; Division of Non-productive Fees; Specialized Division (sub oil taxpayers).								
Control								
Chairman; Each Deputy Chairman is responsible for corresponding Divisions of Committee.								
Extra operations								
Each corresponding Division should devise an annual action plan to implement certain strategic goal; Submission of a quarterly report about action plan implementation.								

Goal 3	Recruit, develop and retain highly skilled employees
№	Strategies, operational processes and resources required
1	Review of human resources policies, civil service legislative framework, and practices, including recruitment, payment, and career development, and development of workforce planning and strategy for Committee
2	Settle agreements with domestic and international training centers
3	A feasibility study to establish a Regional Tax Training Institute
4	Conduct regular tests for Committee employees to identify the level of professional skills and knowledge

5	Organize various study courses and provide special trainings to improve professional skills of employees
6	Provide staff accommodation
7	Organize exchange of experience on taxation with foreign fiscal agencies and financial institutions
8	Pay employees appropriate salaries
9	Introduce an independent group within the Committee to investigate corruption within the Committee
10	Establishing a reporting mechanism that allows Committee employees to report on the problems and identified sources of corruption. Moreover, this mechanism should provide the inviolability of Reporter

Key performance indicators

Performance		measure	2010 achievement	strategic planning period				
				2011	2012	2013	2014	2015
a	Establish a Regional Tax Training Institute in Astana	number	-	-	1	-	-	-
b	Test employees' level of knowledge to identify areas of weakness	number	no data	1	-	1	-	1
c	Study courses to improve professional skills of employees	number	no data	5	5	7	7	7
d	Higher wages to employees	%	25	30	-	5	10	10
e	Image of tax authorities "corruption free" (survey)	%	38	40	45	50	55	60

Impact of strategic goal

Creating favorable conditions for capacity building in organization for successful implementation of assigned tasks.

Outcome

Professional and efficient Human Capital with improved analytical and strategic development capability.

Responsible division

Division for HR and Modernization of Tax Administration Bodies; Administration Division; IT Division; International Taxation Division; Legal Division; other Divisions.

Control

Chairman; Each Deputy Chairman is responsible for corresponding Divisions of Committee.

Extra operations

Each corresponding Division should devise an annual action plan to implement certain strategic goal;
Submission of a quarterly report about action plan implementation.

This Strategic Plan with 3 major goals and many strategies should assist to overcome main challenges Committee faces in modern world and achieve selected objectives.

Annual action plan should contain strategies as a tool to implement certain strategic goal. As a result, an effect of implementation of these strategies can be defined according key performance indicators.

Therefore, successful implementation of this Strategic Plan will bring positive short and long-term results. For instance, it will affect people's attitude in paying taxes, encouraging them to pay taxes easily and in low-cost manner.

Finally, these main strategic goals for fiscal year 2011-2015 are interdependent, when successful implementation of one strategic goal positively affects to other ones, and vice versa.

4. Implementation and performance evaluation

An implemented strategy must be monitored to determine the extent to which its goals are achieved. The first substantial test of a strategy comes only after implementation. Managers of the Committee must also provide monitoring and controlling methods to ensure that their strategic and action plans are followed.

To periodically measure Strategic Plan progress a set of action plans and performance evaluation have been established. Some of the tools that the Committee will control and monitor Strategic Plan implementation are:

- Quarterly progress reports on achieving the action plans
- Quarterly reviews of performance measures;
- Committee performance measurement dashboard;
- Annual progress review of the Strategic Plan by top managers of the

Committee.

To maintain and improve confidence in tax administration and to ensure the efficient and effective use of the resources allocated to the Committee, it must account for its performance in an open, transparent and public manner. The Committee will provide evaluation of strategic goals implementation through multiple sources as:

- **Strategic evaluation** of organization's environment to identify modern trends and challenges;

- **Risk analyses** to determine the risks inherent to achieving strategic goals;

- **Customer satisfaction surveys** to get taxpayers feedback on taxation matters and problems faced during tax administration. It helps to meet actual customer needs and improve tax services delivered;

- **Employee satisfaction surveys** are useful to get an important feedback from Committee employees. This tool enables to collect valuable data for determining

employees' vision, setting development directions, establishing action plans, receiving ideas for decision-making and evaluating results.

Information on Strategic Plan implementation is set out in chart like an annual report as follows:

Strategic goal:						
No	Strategies and operations	responsible division	execution time	actual performance	causes of failure	notes
1						
2						
Key performance indicators						
Performance	data source	measure	2011		causes of failure	notes
			Plan	Achievement		
a						
b						
Intermediate impact of strategic goal						

According to report, it is possible to see what was done to achieve a certain strategic goal. Also there is an intermediate impact of strategic goal for relevant year with key performance indicators. If indicators or operations not achieved/implemented, causes of failure should be defined and analyzed.

This Strategic Plan is subject to change in accordance with new requirements and changes in policy.

5. Conclusion

Throughout this project, the importance, practical use and perspectives of strategic planning are demonstrated. According to study results, organization's Strategic Plan defines the main priorities and development tasks of Committee. Moreover, organizational problems and challenges were analyzed, before setting the strategic goals.

The main identified organizational challenges related to the quality of tax services, insufficient human capital in organization and tax avoidance in society.

From this perspective, the strategic planning in TC should define strategic goals, which solve major development tasks in taxation system. Building a modern and effective organization with clear mission and vision is vitally important for the state taxation system. Therefore, the purpose of this project is to provide the Strategic Plan for sustainable development of TC through the principles of good governance and efficient allocation of state resources.

The success of major strategic goals as proposed under the Strategic Plan depends on the commitment of wide variety of stakeholders, including leaders, staff, taxpayers, political/social entities, and on the technical level units.

High level of accountability and responsibility, based on good corporate governance and management structure, will provide sustainable and consistent organizational development.

Monitoring and controlling strategic and action plans are equally important for achieving strategic goals.

In order to control implementation process, it is better to use objective reward and penalty methods. Those Strategic Plan implementers who accomplish good results

should be rewarded. It will give positive incentive and motivation for further achievements. However, failures also should be penalized so implementers will know their responsibilities and consequences of their results.

As a result of Strategic Plan implementation we will have the main expected outcomes as follows:

- Effective, low-cost, and high quality tax service;
- Professional and efficient Human Capital with improved analytical and strategic development capability;
- Voluntary compliance of taxes in easy and low-cost manner.

In conclusion, sustainable development of TC and modernization of the tax system is a priority set by the Government of the Republic of Kazakhstan. Strong tax agency regarded as an essential element to enhance country's competitiveness and to create an attractive environment for business.

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