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**Tax Payer/Citizen Contact: a New Tax Management  
Perspective from Bahia State Government.**

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## 1. Introduction

A public administration oriented to the citizen and to the results has been the brand of The State Government of Bahia for the last 12 years. It was the success of this managerial style and administrative behavior that elected the same political group during the last four state elections, thus assuring the continuity, penetration and consolidation of the state administrative structure reform.

At present, the State of Bahia occupies a privileged status in innovating initiatives in public administration, with programs that were granted awards in the country and abroad. In 2003, the same administration will start another term of office, ensuring a 16-year political and administrative continuity. However, more important than the award is the population's approval of the reforms and that feeling that the direction adopted seems to be correct.

This paper tells part of the story of the managerial reform in the State of Bahia up to the present times, making a brief summary of the conceptual grounds of the State Reform and the Technological Revolution. It describes the context of the reform in Brazil, focusing on the actions implemented in the Secretariat of Finance, especially the ones oriented to the improvement of the Tax Management and Taxpayer/Citizen contact.

The aim of this paper is to highlight the contact with the citizens and to encourage their collaboration as far as the public administration and citizenship practice are concerned, since our belief is that the State reform is not limited to tax adjustment or administrative and technological modernization. Rather, it must foster the formation of participatory and solidary communities, co-responsible for the allocation of the public resources.

The focus of the paper is the Secretariat of Finance, a pioneer public agency in the modernization activities in the State of Bahia, responsible for two main functions: tax and financial management. It is worth mentioning that there is a very peculiar relationship between tax management and the Tax payer/citizen. Human beings have a natural aversion to paying taxes. A major challenge is to break this paradigm of lack of confidence and stimulate the tax payers' participation.

But the focal point was clear: the Secretariat carried out activities trying to improve the Taxpayer/Citizen contact, encouraged a clear administration, opened up communication channels, introduced new technologies, fostering the voluntary payment of tax obligations, the citizenship duty.

The context in which these actions were developed and the obtained results will be briefly described in the next chapters.

## **2. Modernization Context – The Issues Involved**

The modernization of the Secretariat of Finance of the State of Bahia takes place within the context of State Reform. Two major forces are boosting the development of this reform in the Western Hemisphere.

The first force is the need to redefine the role of the State and its public administration model. This need derives from the economical crises and of the major public deficit experienced by most of the governments in mid twentieth century.

The second force is the technological revolution, which centered on Information Technology, transforms the relationships within the society, making all the procedures that were rigidly developed by the bureaucratic public administration obsolete, demanding the conception of a new form of contact between the State, economy and society.

A short summary of these topics will be presented to describe the modernization actions carried out by the Secretariat of Finance of the State of Bahia, since the analysis of these forces is vital to understand the directions of the State Reform and the characteristics of the new public administration that is being searched.

### **2.1. State Reform**

The State Reform does not have an end in itself. Its main objective is to boost society development.

The Western Hemisphere is basically striving to consolidate the democratic process, reducing inequalities, fostering economical stability, the sustainable development and the social justice. The redefinition of the role of the State is one of the main points in handling these issues.

Which is the result that can be obtained once the State undergoes a reform? Which is the role suitable for the State to promote these objectives?

Each society has to establish specific answers to these questions. It is essential to make a precise diagnosis of the country's situation to get to know the size of the necessary reform.

The State reform should not be restricted to public administration modernization or be bound to the economical balance. In a country like Brazil, the state transformation has to tackle vital points, such as the profound social inequalities and misery.

It is essential for a country to find its fiscal balance, but the State should not be reformed only with this aim. It is also correct to say that the State should stop being the executor to become the regulator, but the State has to do more than simply regulate the market relationships.

It is up to the State to induce the development of the society, with a project for the country, states and municipalities. Since this project cannot be carried out only by the government, the State is also responsible for encouraging the dialog and establishing the right partnerships with the society to carry out this project.

The new information society, the new international paradigm, is not a fashion. It is also the government's responsibility to prevent an increase in the social disparity between people and nations as a consequence of the new technologies. The integration of the public administration within this new technological context is essential for the development of the society and vital for the State.

Therefore, the State reform cannot be analyzed without understanding the dimensions of the ongoing technological revolution. Information Technology is not a simple tool to be used by managers, nor the consequence of new managerial forces. Technology revolution is the main force that boosts the transformations of societies and modern States. A new society is being shaped, with new patterns of relationship, new social demands, with high information levels and the growing integration of markets, people and governments.

## **Why is the State Reform associated with the managerial transformation of the public administration?**

In most of the Western Hemisphere countries, the predominant public administration culture is based on the concept of Weberian bureaucracy. The organization is rigidly and hierarchically structured and totally bound to the law. Everything that can or cannot be done is established in laws, standards, administrative rules, regulations, norms, etc. One of the main activities of the administration is to control procedures. The government programs and actions are a result of this rigid structure, with no flexibility and limited capacity of adapting itself to new demands.

The government has to prioritize society's demands. The programs, projects, standard of quality of the services, organization of the staffs to implement them, the necessary partnership and all government activities should focus on the citizen.

The bureaucratic model develops government programs according to the laws and structures in force, including all their limitations. The gap between society's demands and the solutions proposed by the government determine the degree of society's dissatisfaction.

Bresser Pereira (Bresser and Spink, 1998) reports that the public administration bureaucratic model arose in the nineteenth century, as a great advance in comparison with the previous patronizing model, where the public administrators managed the State bearing in mind their own private interests, favoring nepotism and public administration corruption. Thus, bureaucracy would have arisen from the need to protect the common wealth from this personal interference, consonant with the democratic ideals that were gaining ground in the Western Hemisphere. Its principles are a professional public service and an impersonal, formal and rational administrative system.

Bresser Pereira states that the decay of the bureaucratic model originates from its incapacity of providing the public assets demanded by the society in an efficient way. This demand intensified itself during the twentieth century, as a result of the new responsibilities assumed

by the State. Another important topic approached by the author is that despite the strong administrative control and the high cost of the administration, bureaucracy has not succeeded in eradicating nepotism and corruption in managing the common wealth. Other forms of appropriation of the common good also came out. Some benefited from tax exemption, others from subsidies, special benefits for third parties and so on.

The managerial public administration resorts to private administration concepts, to introduce agility and flexibility to government actions, improve the quality of the public services provided and achieve efficiency, efficacy and effectiveness in the use of the public resources. The basic principle of a modern administration “oriented to the customer” becomes the model of administration oriented to the citizen in the public sector.

Bresser (1996) defines the main features of the managerial public administration as:

- ? **Political decentralization:** allocation of resources and attributions to local and regional political levels;
- ? **Administrative Decentralization:** empowerment to public administration managerial levels, speeding up the decision making process and simplifying the responsibility of actions and their results. This issue is extremely important, for the previous model did not take into consideration the responsibility of the several levels of power and existing controls, which hindered the effective management of the results.
- ? **Organizations with few hierarchical levels:** it is almost a consequence of the previous paragraph, since for the decentralization to be successful the center of the decision making process (decentralized) must be aligned, next to the center of power, where strategies are defined;
- ? **Principle of trust and not of total lack of confidence in the officials:** this is also a decentralization feature, since without this principle, decentralization increases considerably the number of control procedures, making the rationalization of the procedures impossible. Another important issue related to this topic is the official acknowledgment, the formation of an organization culture with a high ethical level.

- ? **Control by results, *a posteriori*:** this is related to the officials' responsibility for the effectiveness of their work, not only for obeying the established standards. The focus on the result is the great demand of the society as far as the administration is concerned and is one of the pillars of the managerial reform. In each stage of the administrative processes, the procedures have to be controlled by the results and not step by step, checking only if the strict standards established for the administrative procedures have been met.
- ? **Citizen orientation:** Not only is the focus on the results important, but the fact that these results are established having in mind the citizen's viewpoint. A citizen oriented approach is an adaptation of the managerial paradigm of the private companies with "focus on the client" and "market-oriented". Marketing, a complete business administration theory has been developed oriented to the market. It is interesting to observe that some decades have gone by before this paradigm also encompassed the public administration. Who is our client? Which is our business? These are essential marketing questions, which helped companies understand society's underlying needs and desires and to search creative solutions to supply these demands. In the public sector, the same questions were asked, in other words, the "business" definition (the role of the State), and the clients' needs and desires (society itself). Obviously, the answers and solutions to these questions given by the private sector are different. In the public sector, the issue is somewhat more complex, since the client is also the "shareholder", the society. The objective is to maximize social welfare in all society segments.

## **2.2. Information Technology Revolution**

The growing society criticism directed to the governments, demanding more efficiency and promptness in the governmental actions, is a force that boosts State reform. Technological innovation is a force that simplifies and triggers the reform.

In a world that is becoming even more sophisticated and with a very high information level, Information Technology is the tool that enables the organizations to redesign their processes, eliminating manual procedures, increasing the control and changing dramatically their organizational structures. Information technology has transformed the world into a village. The global village.

The emergence of an "information technology society " meant the deployment of the state organizational model that was based on bureaucratic-administrative principles whose control was centralized, vertical and closed. Technology brought government and citizen together and gave evidence to government actions.

It is practically unacceptable for the contemporaneous citizen to be on good terms with extremely bureaucratic procedures in the public services, when technology can provide several alternatives to simplify them, increasing their control. This situation annoys the citizen and the official, which feels unmotivated and impatient to perform the chores. Both parties experience the feeling of waste of the public resources.

It is obvious that the introduction of technological innovations does not take place as quickly as it was desired, especially in the public sector. The bigger the organization, the slower the change. Owing to obstacles in the bureaucratic administration, some modernization processes in the public sectors demand several years to be implemented. Sometimes, the solutions that are being developed have already become obsolete.

Moreover, the public administration has to face the peril of not being able to fully implement the technological revolution. The introduction of technological innovations, with its transformation potential, is stuck in the public sector by the limitations imposed by

legislation. A major risk is to invest massive resources only to automate bureaucratic procedures, without eliminating them. The desirable change should encompass the redesign of the processes and implementation of new systems, which must be done together with the changes in legislation and with organizational suitability, a deep and constant transformation. The technological change alters the labor paradigms, human relationships, quality perception... and it is one of the main factors to be analyzed in the State Reform.

In 2000, the Brazilian Government, through the Ministry of Science and Technology, published the “Green Book”, where all the strategic guidelines for the technological revolution of the country are described. The book is a reference for the information technology area and it establishes the strategic vectors that must be driven, by the public and private sectors, for the country to participate in the revolution, while inserted into the new informational society.

A major strategic vector is the book called “Government at Everyone’s Reach”. It describes the importance of the governmental sector, as an inducer of strategic actions for the information society. The Government is responsible for the regulatory framework, since it is the major buyer/contractor of Information Technology goods and services, and the most important of all, it is the major educator, since by mastering Information Technology it can speed up the use of this technology throughout the economic sectors.

The book describes the main points to be put into operation by the governments:

- ? **Technology**: The government has to adopt a careful technological choice, combining options adopted by the market with new technologies that can assure the contemporarity of the system and their suitability to the new demands;
- ? **Systems**: Consolidated technical standards, open software and system development loops: owing to the complexity of the government systems, the use of this methodology of development system is essential;
- ? **The Human Factor**: The book reports the frequent doubts that come up while implementing intensive use Information Technology and mentions the drastic

transformations that some governments faced, with the massive introduction of Information Technology. However, the authors affirm that, as a rule, in most of the countries is worth mentioning:

- ✍ The organizational culture of the public sector does not favor the accelerated introduction of communication and Information Technology; the organizational structures of the governmental sector are complex, similar functions are divided amongst several institutions, sections and government offices, and integrating initiatives, such as the introduction of communication and information technologies face a diffuse power and frequently “over- the- counter” structure.
- ✍ Government services are frequently less efficient than the services provided by the private sector;

The Human Factor also encompasses the motivational feature and the qualification of human resources for the development, implementation and operation of the new systems, which are extremely complex, owing to the nature of governmental information. The private sector expresses a demand of professionals able to manage new information technologies and to prepare and keep them is a critical issue for governments, especially in developing countries.

? **Legislation:** It is essential that the legal framework meets the needs of the new technologies being used by the government, enabling at the same time the simplification of the governmental procedures. The most important topics to be established are:

- ✍ Safety and authentication of documents, people, transactions;
- ✍ Protection for the dissemination of public information;
- ✍ Protection to assure data and citizen’s privacy;
- ✍ Technical standards;
- ✍ Feasibility of specific services using electronic media;

### **3. A briefing of the Administrative Reform in Brazil**

It took a long time for the administrative reform of the public sector in Brazil to take place, when compared to the beginning of the movement in other countries. One cause can be the predominant economic ideas amongst the elite and the singularities of the democratic institutions in the country. During the last decades, the consensus was that the concept of development presented an idea that would have been difficult for the political elite to accept, hindering the fiscal austerity pre-requirement for overcoming the country's economic crisis.

By the late 70s, the entrepreneurs were not pleased with the state intervention, but they were not able to become the leaders of a new development model. The ones who had adhered to the liberal ideas were the ones who claimed subsidies and patronizing tariffs. Amongst the left and right wing politicians, the consensus was that it was necessary to carry on the nation's development model. The concept of development had been characterized by a pact amongst the elite to have the state guarantee protection against external and internal competition for the least developed economical sectors and indirect profit to the modern sectors. This model required a constant increase of public spending to assure the continuity of the economical growth, especially on behalf of the huge burden of the state productive sector in the economy. The adequate implantation of a tax system and public financing did not follow the public spending expansion. The expenditures were financed by the inflation tax and foreign financing.

By the late 80s, with the exponential growth of the public debt, the increase of external and internal interests, and the explosion of the public debt, little by little the state began to lose the capacity of carrying on this development model. The worsening of the economic crisis opened room for the democratic elite to become aware of ideologies.

In the early 90s, the ideas of an administrative market-oriented reform that followed the patterns defined by the international financing agents became stronger. When Fernando Henrique Cardoso was elected president in 1994, thanks to the success of the Plan of Economic Stabilization launched during his management as minister in Itamar Franco's government (1992-1994), the consensus around the administrative reform gained ground.

In 1995, President Fernando Henrique created the Ministry of Administration and Reform of the State - MARE, thus reaffirming the importance that the Reform would have in his Government. In his speech while taking office, the new Minister Bresser Pereira, sketched the following guidelines:

*“There are three State Reforms: (1) the State fiscal reform...; (2) the reform of the State strategy of economic and social development ...; (3) and, finally, the reform of the bureaucracy of the State administrative structure.”*

The government started the reform program, following the guidelines described by the minister and major transformations were carried out in the Brazilian public sector.

In 1999, the Ministry of Administration and State Reform was dissolved and its attributions were incorporated to the Ministry of Budget and Planning, at present the Ministry of Planning, Budget and Management. The present Entrepreneurial Public Management program of this Ministry is in charge of implementing State reform, adopting the following definition:

*“The State Reform is not restricted to the administrative restructuring and to the fiscal balance reach. Its aim is to consolidate the democratic process and conciliate the economic stability and the sustainable development with social justice.*

*The implementation of the State Reform is essential to build a new country/ a country prepared to offer its citizens the conditions for their development and social welfare. This requires a more efficient and better qualified State of the public services provided, with high quality and less expense to the society. In this period of great changes, the state responsibility is even bigger. A state is being built; one that is more committed with the citizens and oriented to meet their needs, being systematically evaluated by them.”*

Despite the ideological change of course in favor of the orthodox policies of public sector adjustment in the mid 90s, the state governments presented a different situation. Most of the state governors were against the fiscal austerity and the privatization of the public companies.

Between 1990 and 1993, there was an expressive increase in the state governments spending. The State of Bahia had been following the direction of the fiscal adjustment and state modernization since was performing in consonance with the state adjustment and to the modernization since 1991. When the Country started its reform, Bahia had already been following this direction for four years.

#### 4. The Administrative Reform of Bahia State Government

Before the project of the State Reform of the Federal Government became official in 1995, the State of Bahia had already started its fiscal adjustment program and administrative modernization in 1991, with the beginning of the new ACM (1991-1994) government. The reform went on during the following administration with Paulo Souto's government (1994-1998), being consolidated by the governor César Borges (1998-2002). In ten years time the state was transformed, freeing the public debts of encumbrances, encouraging fiscal responsibility, introducing new technologies and developing managerial practices in the state government administration.

The Bahian fiscal adjustment integrated a more encompassing and renovating strategy for the updating of the state Government administration. The presentation of a modern project, whose aim was to free of encumbrances the State Finances, with time built the image of an efficient public management aligned with modern capitalism.

Between 1991 and 1994, ACM government implemented fundamental actions for the state reform and the success was such that it assured the political and administrative continuity in the following governments. During this administration, the main results that were reached having in mind the state reform were:

- ? **Financial clearing of encumbrances:** in 1991, the State was almost bankrupt and without credit from financial institutions. The new government cut costs (altering the officials' bonus rules), renegotiated contracts to reduce public works cost, recovered the Bank of the State of Bahia that was under federal intervention, renegotiated the debt under more favorable conditions and updated the tax system, increasing the tax collection. To reduce debts, it also restrained the political pressure for creating new municipalities, eliminating those that did not present the technical justifications to be emancipated.

? **Administrative Reform:** The government promoted a major administrative reorganization, reducing from 19 to 13 the number of state secretariats, extinguishing more than 1.500 positions with commission and 17 indirect administration agencies. The program for technological updating of the tax and financing administration of the State started being implemented. The initial focus of the program was the Secretariat of Finances (SEFAZ-BA), public agency responsible for the State financial administration. The Secretary of Finances, Rodolpho Tourinho, started the modernization program implementing new information systems. These new system made the tax collecting tools more efficient and helped establish the State fiscal balance. However, the technological modernization program was much more ambitious. The technological updating of the Secretariat of Finances demanded major investments in hardware, software and peopleware and some years of work for its implementation. At that moment, the movement took a new direction. The new technologies would enable the use of managerial methods in the state tax and financing administration, enabling the complete integration of information, a complete budget, financial control of public resources and the creation of tools to increase the tax collection and decrease tax evasion .

By late 1994, Paulo Souto was elected governor of the state, mostly as a consequence of the previous government success. His program of government for the period of 1995 to 1998 was a continuity of the program started in 1991, triggering the state reform once more, bearing in mind the good results reached previously.

Paulo Souto received the State without debts and with a leaner administrative structure. Bahia had acquired a privileged tax situation in comparison with most of the Brazilian states, mainly because of the reduced disbursement with payroll. Having restored the access to credit with the banks and financing agencies, the government searched resources to continue the reform initiated by ACM. Within the scope of modernization of the state, three major lines of action that stressed his administration, namely:

? **Administration modernization** : As it was mentioned, the modernization of the state administration began with the Secretariat of Finances (SEFAZ-BA), since the

main tools of financial control were managed by this Secretariat. The Secretary of Finance, Rodolpho Tourinho, remained in office even with the change of government in 1995, giving continuity to the modernization program. In 1998, Albérico Mascarenhas became the Secretary, giving continuity to the actions that were programmed and implementing the concept of relationship between the Tax Administration and the Tax payer/Citizen. In 1994, to make the modernization program feasible, the transfer of part of the resources approved for Bahia Azul Project – Environmental Sanitation Program was negotiated. Its objective was to increase the rate of sewerage cover in the city of Salvador from 26% to 80% of the households. The transfer requested was presented in a project, showing that the modernization of the treasury administration would enable the State increase the collection, a better control of the costs, paying easily the loan contracted for the project. IDB approved this initial project in 1995. The project presented by Bahia was the embryo of the future PNAFE-1997 (National Program for the Modernization of State Finance Administration), a national program financed by IDB, to update and integrate all the State Secretariats of Finance, under the coordination of the Ministry of Finances. The PNAFE program was responsible for major advances in the Brazilian public administration in the 90s. By financing the modernization of the tax administration, it encouraged other scopes of state administration in the same direction. PNAFE project enabled Bahia to implement its modernization project, which nowadays stands out in the Brazilian scenario. It be discussed in details in the next chapter.

- ? **Quality of Public Service, Citizenship:** SAC – Initials in Portuguese for Citizen Service Center- is a system of public integrated services created by the government of the State of Bahia in 1995 to improve the provision of public services. The SAC offices comprise several federal, state and municipal agencies and entities in the same facility, enabling the citizens to spare time and money, besides simplifying services with appropriate facilities for waiting and performing support services, such as Xerox copies, bank attendance, photographs and counters for making appointments. SAC has changed the image of the Bahian public service and was awarded a price by UN as a reference model in the provision of public services. Thus, it was able to export

SAC's technology to many countries, beginning with Portugal, the first one to send technical staffs to adapt SAC's innovations to the European conditions. Through SAC the population has easy access to about 100 types of services such to obtain an Identity Card, passport, work permit, police clearance certification and other documents, besides labor intervention, judicial and Department of Traffic (Detran) services, amongst others. The service has provided more than 20 million services in the state capita and in the hinterland, through its fixed and mobile units, since it was created in November of 1995.

- ? **Tax (Responsibility) Adjustment:** Funprev, state officials' pensions and retirement plan, was created in 1997. Its final design was the result of a two-year detailed study, carried out by a staff of technicians of the Secretariats of Administration, Finance, Planning, Science and Technology, with the support from BNDES and the Brazilian Association for Pension Plans (ABRAPE). Funprev was the third social security state fund created in the country with paid up resources. R\$ 400 million reais originating from the sale of the state energy utility in 1997 (COELBA) and the assets of the Institute of Pensions of the Bahia were allocated and the social security contribution parameters were redefined. These new parameters determine a progressive reduction of expenditures of the Treasury with personnel, which means a major availability of resources to invest in infrastructure and social sectors.

In 1999, César Borges took office as Bahia Governor for the 1999 to 2002 period, giving continuity to the previous administrations. His government proposal is presented below:

*...The process of building this new Bahia started in 1991, when the governor Antonio Carlos Magalhães established the bases and conditions for the new development cycle of the State, from a consistent project of administrative reorganization, financing clearance of encumbrances, recovery of the public credibility and investment capacity. The paths that Bahia has to follow in the future were then defined, with planning, programs and strategic projects capable of fostering the socioeconomic growth of the state. Summing up, the proposal hereby presented is to go on building this new State, where economic prosperity means the creation of a fair and healthy society, with better access to the public goods and services, a State that stands out in its search to find innovating solutions for its problems, which knows how to distribute the development of its*

*results with equity, having enabled the social advance and an effective leap in the quality of life of its citizens...*  
(PPA 2000-2003)

In this plan of government, four development strategies were defined. The strategy to “Deepen and Consolidate the State Modernization” highlights the importance that the state reform will go on having in this new administration. The actions that were planned in the PNAFE program in the Secretariat of Finance are still being implemented under the leadership of the Secretary Albérico Mascarenhas, and the concrete results have already come up as a consequence of the new investments performed. Other State Secretariats have begun modernization projects following the line adopted by SEFAZ-BA.

The reform is being expanded and Bahia is consolidating its position of vanguard in the Brazilian public administration.

By the end of 2002, the main advances conquered with the reform of the State of Bahia were described by the Administration Secretary Ana Benvinda Lage, in a lecture at the IBI Institute, namely:

Tax Adjustment :

- ? Administrative Reorganization : 19 agencies and 1.537 positions with commission were extinct ;
- ? Public finances clearance of encumbrances and the implementation of a strict control of the public spending ;
- ? Implementation of the State Privatization Program ;
- ? Implementation of Forums to control spending - Committee of Expenses.

Implementation of New Management Models:

- ? Social Organizations - 3 were implemented and 8 were qualified ;
- ? Regulatory Agency – 1 implemented ;
- ? 13 hospitals were outsourced ;
- ? Management by Government Program – 82 managers and 86 programs.

**Citizen Service:**

- ? 22 SAC’S (Citizen Service Center ) offices were implemented (8 in the state capital and 14 in the hinterland);

- ? Mobile SAC , Health SAC , SAJ – Judicial Attendance Service;
- ? State Program Against Bureaucratization.
- ? Electronic Purchase – State purchase by Internet “auctions” ;

Modernization of the Technological Infrastructure :

- ? Redesign of the Human Resources, Tax and Financial areas;
- ? Integration of the systems of information within the sectors: planning systems, Human Resources – Financial, Accounting and Budget Planning, Material and Patrimony, Management;
- ? Government Network ;
- ? Redefinition of the Information Technology and Communication (ITC) Model ;
- ? Information Technology for the State – Infoestado;
- ? Dissemination of Information and Services on the Web.
- ? Sefaz 100% on the Internet (Virtual Tax Inspectorship);

Officials’ Acknowledgment and Qualification :

- ? Creation and redefinition of new public and strategic careers in the State;
- ? Remuneration by productivity ;
- ? Server’s Portal.

## 5. SEFAZ-BA Modernization Process

As it was already mentioned in this paper, the modernization of the Secretariat of Finances of the State of Bahia started in 1991, when the Secretary Rodolpho Tourinho started planning new information and technology system and new communication technologies, having in mind the supervision improvement and tax collection. Despite the initial ideas, the necessary technological modernization was only financially feasible by the PNAFE (National Program to Support to the Tax Administration for the Brazilian States), a Federal Government Program in partnership with IDB. The project presented by the State of Bahia was approved in December 1996, and was called PROMOSEFAZ.

PROMOSEFAZ's initial budget was around US\$ 31,8 million, whereas the sum of US\$ 10 million was added to this sum, referring to the resources transferred previously to the Bahia Azul Program (All Saints' Bay Environmental Sanitation Program) also in partnership with IDB.

PROMOSEFAZ was responsible for the modernization of the state tax and financial administration. The program allocated resources for five investment categories: Capacity Building, Consultancy, Information Technology Equipment, Support Equipment and Communication and Infrastructure Equipment (works and installations).

The objectives of the project can thus be summarized: increase the efficiency of the tax administration, encouraging collection and fighting against tax evasion. In terms of financial administration, improve the control of the state finances, acquire more efficiency in the achievement of the spending and optimize the costs to provide the appropriate transparency in the budget, financial situation and common wealth.

To reach these goals it is necessary to implement a managerial administration, oriented towards results, doting the organization with the best results in technology and communication resources available, integrating the data base, automating the bureaucratic routines and developing applications to integrate planning, execution and the managerial control of all the activities. While the new technological environment was being

implemented, a major activity of managerial qualification was carried being out in the organization, preparing the officials for the new paradigm.

In 2002, during the administration of the Secretary Albérico Mascarenhas, the follow up report for the project presented PROMOSEFAZ's main lines of action that were implemented:

### **Organization and Management :**

- Reformulation of SEFAZ's organizational structure;
- Implementation of the Plan of Carrier for Fiscal Authorities;
- Implementation of the Plan of Carrier for other officials;
- Graduate courses : 622 public services finished the course up to 2001;
- SEFAZ's fleet was updated with the purchase of 500 vehicles;
- Purchase of 06 Mobile Tax Stations ;
- After SEFAZSAT's implementation, it was necessary to control the Mobile Supervision Units via satellite ;
- New Process Definition supported by the intensive use of ITC, totally integrated and with exchange of information with external agencies, such as the Federal Revenue, Board of Trade and Regional Accounting Council - CRC:
  - Redesign of the Tax Area Processes
  - Redesign of the Financial Area Processes
  - Redesign of the Processes of the Human Resources Area of the State
- Administrative Fiscal Processes for the Tax Payer, elimination of resources, speeding up the evaluation of the processes .
- Implementation of the Strategic Planning Cycle

### **Information Technology :**

- Structuring of SEFAZ-BA Information Technology Sector ;
- The internal communication system was implemented, interlinking 100% of the SEFAZ units;

- The new information systems were developed in a client-server environment, oriented to the management of several SEFAZ processes: new reference file system, new supervision system, Fiscal Notification, New Financial systems, etc.;
- Purchase of the following Information Technology equipment, amongst others:

Servants	93
Communication and Network Equipment	205
Autotrac	118
PCs	2.677
Notebooks	521
Printers	637
Scanners	87

**Legislation:**

- In Progress: Revision of the Bahian Tax Code - COTEB and ICMS – RICMS Regulation;
- The Tax Legislation System – SLT was implanted on the Internet, Intranet and CD ROM;
- The service of Fiscal Novelties on the Intranet and Internet;

**Tax payer service:**

- Creation of the Board of Directors of the Service – DIRAT;
- 100% implantation of the Internet project;
- Intranet Reformulation;
- Implementation of the Contact Central;
- The System of Routine Procedures and Inspections was implemented – PRI;
- Inspectorship Reforms .

With the implementation of all these activities, the Secretariat of Finances started thinking in terms of strategy, to evaluate to results of its actions and correct them whenever necessary. The results have become more important then the simple act of carrying out the bureaucratic routines.

The modernization actions involve traditional activities of tax and finance administration and a new activity acquired importance in the organization, the Tax Payer/Citizen. This can be observed in the three global targets established for the 2001/ 2003 period: Fiscal Balance Maintenance; Real Collection Increase and Improvement in Quality of the Tax Payer/Citizen Service.

## **6. The Tax -payer/Citizen Service**

The Secretariat of Finance of the State of Bahia (SEFAZ-BA) created the Board of Directors with a structure to carry out interaction activities amongst the institution, tax payers, citizens and officials, resorting to all the communication channels, including Internet, Intranet, call center and the traditional personal service channel.

This initiative is a result of the vision implemented by the Secretariat of an administration oriented to results, to the citizen. The Citizen Service, amongst all the activities that integrate the tax administration, is the one that best defines the quality of the public service for the citizen. The image of the tax administration is reflected by this activity perception. With the creation of the Board of Directors, all activities of the service are under the same control and the integration between the different activities that form the function became easier and more effective, contributing to the improvement in quality of the service provided and to the user's satisfaction.

This new structure, called Contact Center, uses the most recent technology of corporate communication. Contact Center pieces of equipment are used to integrate the self-service functions, internet, intranet, extranet, call center and personal service, in order to improve the quality of the service, standardize communication, increase the users' satisfaction level, rationalize the operational costs and implement the system of registration and follow up of the contacts performed. Satisfaction surveys are periodically carried out, giving important responses in terms of the performance and optimization of the communication efforts of the institute with the tax payers and citizens.

This Center represents an extremely timely initiative to face the fragmentation of the several services that were previously used. It also opens a vast range of opportunities for the Secretariat, especially as far as the proactive communication actions are concerned. These new actions are the result of research and analysis of the information recorded in the institution's data bank. The information collected with the contact is stored daily in the organization's database.

The Secretariat can operate marketing database, data mining and tele-marketing activities, foresee needs and promote localized campaigns of explanation, notifications and collections, besides storing strategic inputs for supervision , collection, tax planing actions, amongst others.

At present, the main contact channels that are managed by the Contact Center are :

- ? Websites: Internet and Intranet;
- ? Self-service ;
- ? Call Center;
- ? Personal Service .

Below are described the main actions developed in each one of the contact channels.

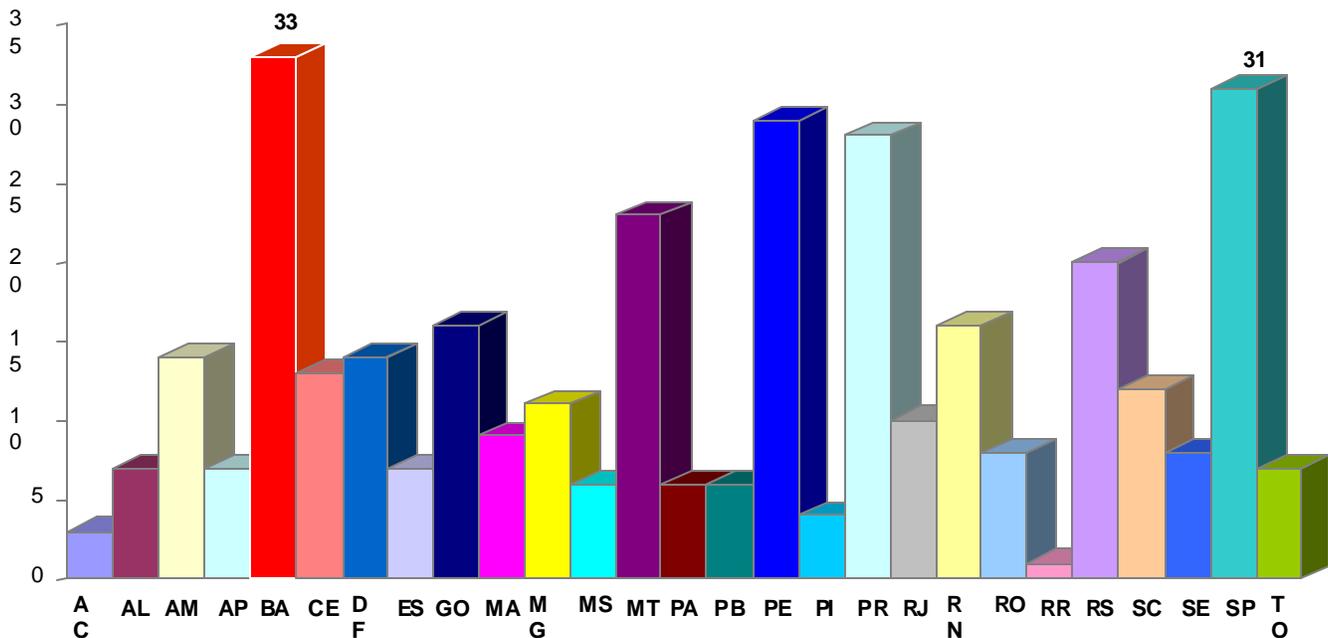
### **1) Internet and Intranet Websites**

SEFAZ relies on a well installed structure for the support and development of content for its Intranet and Internet websites, playing a fundamental role in the external and internal communication activities, representing one of the main communication channels of the organization with their clients.

### 1.1) Internet

SEFAZ-BA has strongly invested in the development of services by the Internet. The SEFAZ 100% INTERNET project aims at making available a virtual Secretariat of Finance on the NET , where 100% of the routine services can be carried out via Web.

In 2001, in the Report of the National Program for the Modernization of the Fiscal Administration of the Brazilian States (PNAFE), Bahia was considered a national reference in tax services offered on the Internet. Out of the 40 services listed by the program, SEFAZ-BA offered 33 against 31 from São Paulo, which held the second position, as indicated in the chart below. According to this report, SEFAZ-BA’s site would be in a more advanced stage of presence on the net, thanks to the communication interface with other entities: receipt and procedural steps of documents with legal value based on the legal value and by the basic services provided, such as tax return delivery via Internet (about 40 thousand/month), collection documents and certificates.



Source: Electronic and Administrative Government of the Brazilian States- Set/2001  
 Scnd PNAFE Benchmark. National Support Program – Programa Nacional de Apoio  
 à Administração Fiscal para os Estados Brasileiros

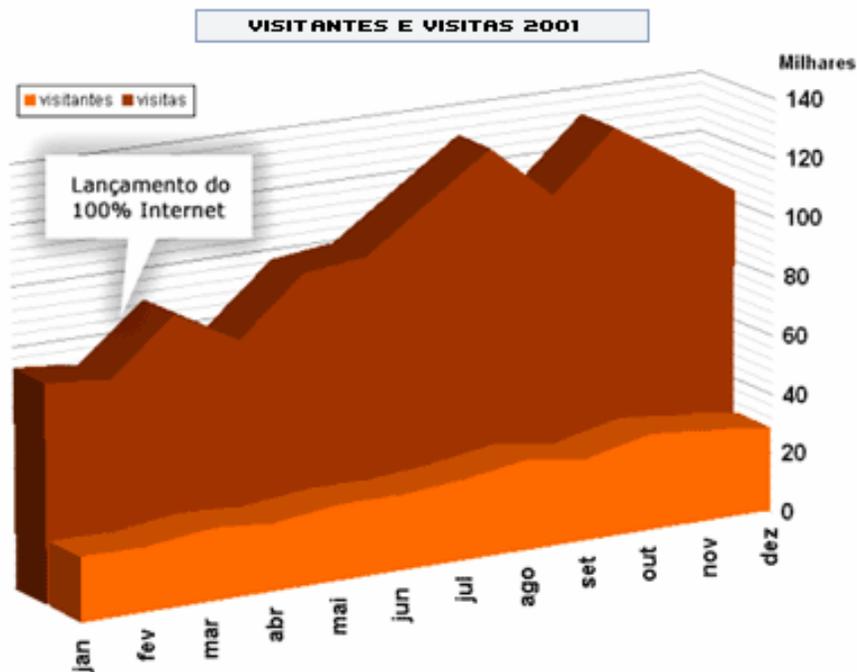
The site content is divided into 4 channels: ELECTRONIC INSPECTORSHIP; LEGISLATION AND CONTENTIOUS; PUBLIC FINANCES; TAX AND INSTITUTIONAL EDUCATION comprising the access to more than 20 thousand documents, 76 information topics, 33 services and 22 different types of consultation to the city databank. The content of this tax area is still predominant.

SEFAZ-BA's electronic service, enabled by the Internet and kiosks, represents more than 66% of the services held and an important reduction in costs, for the administration and tax payers.

Implemented in mid 1997, the site [www.sefaz.ba.gov.br](http://www.sefaz.ba.gov.br) presents an annual growth of visits around 50% , next to the annual growth rate of the bank sites (60%).

Guests and visits

Launching of the 100% Internet



## **The reasons why SEFAZ-BA has massively invested on the Internet – The Net Perspectives in Brazil**

Despite the economic difficulties of large part of the Brazilian population, the perspectives regarding the advance of the use of the Internet in Brazil are highly favorable. It is strategic for the government to avoid the digital exclusion of part of the population.. Several programs have been developed in partnership with the private initiative to simplify the access, the purchase of equipment and popularize the Internet use.

The Internet's commercial release in Brazil began in 1995. In 2001, according to IBGE (Brazilian Institute of Geography and Statistics) 12,6% of the Brazilian households had PCs and 8,6% of the households had PCs with access to the Internet. In October 2002, the IBOPE Survey Institute reported that 14,3 million Brazilians have access to the Internet, a rate 19% higher than in October 2001, when only 12 million people had access to the Internet at home.

Enthused with Internet's expansion in Brazil, INTEL's president expressed at a lecture for more than 1.500 entrepreneurs and experts in July 2002, his optimism regarding the recent progresses of the Brazilian telecommunications structure and Internet progress, highlighting the following features : "In Brazil , 61% of the GNP comes from the areas of service. Only in two other countries the service area has a higher participation: in the United States (76%) and in Germany (71%). The percentage of personal computer and Internet users in this country ranks second in Latin American; namely four times more than China and 10 times more than in India. For the last five years, the number of Internet users in Brazil jumped from one to 1 to 12 million; the number of cellular phone users jumped from 4 to 15 million lines ; the system of conventional phone moved from 15 to 45 million lines; the number of subscribers of cellular phone went from 8 to 32 million. It is also known that Brazil ranks fifth in Internet banking, seventh in software production and 18<sup>th</sup> in e-government. Keeping this pace, Brazil can jump from 12 million to 35 million of Internet users in five years. The total volume of the e-commerce, which in 2001 reached US\$ 5 billion can reach US\$ 20 billion in 2006."

The fact that the Brazilian population has accepted the technological innovations is also a factor of optimism in the use of the Internet. One of the most successful programs in Brazil, which was granted an international award, is the Income Tax Return. Launched in 1997, the system enables the user the tax returns in a safe environment on the Internet. In 2001, 22.288.112 were sent, whereas 12.137.482 belonged to individuals, which compared with 2000 represents a 16,79% growth. To this total it is possible to add the returns that were made directly on the forms on the Internet, namely :

- ? 299.363 on-line Income Tax Returns for individuals;
- ? 8.941.551 Income Tax Returns for exempt individuals.

### **1.2) Intranet:**

SEFAZ-BA officials are provided remote access to all the SEFAZ Intranet content from home or any other place with WEB connection. Thus, it is possible for the official, far from the Secretariat of Finance facilities, to follow up the daily news of the Secretariat, look up in the taxpayers' roll and obtain information on fiscal processes. The access is done through a link on the left side of the SEFAZ-BA site and the official uses a login and network password to certify the service. Other resources are still being developed and will become available to speed up the work outside the Inspectorship, including the supervision activities, to enable the official to offer a good service to the taxpayer/citizen.

### **2) Self-service**

The Sefaz self-service project was implemented in 1998, with the specification, purchase and installation of multimedia kiosks to provide on-line services to the Tax payer/citizen through a Windows interface using Touch Screen Technology, which enables the user to select and have the desired service by touching the equipment keys. At first, 52 pieces of equipment were acquired and then installed at places with simple access to the public, improving the quality and availability of SEFAZ's information and services.

### 3) Call Center

The expression call center is used to identify the place doted with the adequate facilities, communication tools, registration and storage system of personal contacts and personal trained to attend the high demand of telephone calls in a qualified way to solve the clients' problems and to create business opportunities for the companies. A typical call center includes telecollection activities, telemarketing, customer services, technical support and other businesses .

#### **Active Tele-marketing:**

SEFAZ-BA's active tele-marketing focus mainly on telecollection. Its main objective is to make the tax payers aware of the risks involved in the decision making process of not fulfilling the tax standard. Telecollection checks the tax payers who are at default, promotes the supervision of the tax obligations and assures the adequate balance between massive preventive and localized actions of supervision and integral fiscal audits. The tele-collection program aims at the following targets:

- To make tax payers feel the fiscal authorities' presence in the tax payer's universe;
- Recover the payment of the tax that is due, encourage the tax payers to pay their taxes on time and improve the tax payers' attitude regarding the tax authorities;
- Give comments to the supervision and other processes of tax administration with data and information resulting from their own work, so that they can contribute to the correction and improvement of the tax system itself as a whole.

Amongst the telecollection programs carried out by SEFAZ-BA, it is worth mentioning:

- Telecollection to the tax payers who have not handed in the Income Tax Return;
- Telecollection for the tax payers who have presented divergence in terms of ICMS collection;
- Telecollection for the tax payers whose credit installments are overdue;
- Telecollection for the tax payers with tax assessment notice;

- Telecollection for the taxpayers who received Fiscal Notification ;
- Telecollection for the tax payers whose debt is inscribed in the Active Debt .

### **Receptive Tele-marketing :**

The receptive telemarketing is a direct line administered by SEFAZ-BA to answer the citizen's doubts on taxes. The service is toll free and when the question is more complex, out of the pattern script, it transfers the call to specialized technicians. The main issues approached are:

- Explanations on Tax Educational Campaigns (*Sua nota é um show*) (Your invoice gives the right to watch a show), *Faz Universitário* (University Faz.);
- Explanations on Fiscal Legislation (ICMS, IPVA, ITD and Taxes ) – Fiscal Duty ;
- Explanations on doubts about the additional collection of the tax rate for enabling the Fund to Fight and Eradicate Poverty;
- Support to the Internet users on the SEFAZ-BA site;

### **4) Personal Service**

All the structure dedicated to serve the taxpayers-citizens at the Finance Inspectorships was remodeled. The facilities to attend tax payers were updated and standardized with the most modern techniques of client service, free access to the Internet are being offered, the service routines were standardized, and the Inspectorship service staffs were intensively trained to adapt to the new established pattern. Great emphasis has been placed on the dissemination of services available on the Internet and to orient the tax payer to self-service.

An initial satisfaction survey amongst the users of all the Inspectorships detected the early situation of each one of them, mapped the users' characteristics in each location and guided the necessary adjustments. The systemic use of satisfaction surveys of the taxpayers/citizens is the essential tool to help monitor the Inspectorship performance, as well as other contact tools and will help guide the strategic planning of the service actions.

### **Main users of the Contact Center (1999 data)**

Taxpayers registered in the State	Active	Inactive	Total
Normal	27,887	186,619	214,506
Small enterprise	62,416	3,779	66,195
small size	13,918	2,250	16,168
Street peddler	35,216	18,692	53,908
Special	10,392	3,760	14,152
Substitute	1,081	482	1,563
Micro Retailer	0	46,982	46,982
Micro Industrial	0	1,185	1,185
Former micro	0	5,235	5,235

Accountants registered in the State	Active
Active Accountants	4,950
Active Account Technicians	6,276

Officials SEFAZ-BA	Active
Tax agent	955
Fiscal Auditor	1,019
Nominee	50
Public Agent	796

### **Contact Center Results**

#### **Taxpayer and Citizen :**

- ? Service Standardization: quicker, easier and without bureaucracy ;
- ? Citizenship practice: Public Administration Transparency ;
- ? Citizenship Practice : Communication channel with the society ;
- ? Bureaucracy reduction to solve their interests with SEFAZ;
- ? Free access to updated information ;
- ? Increase in the Quality of Service;
- ? Virtual Inspection – conclusive contact via Internet;

**SEFAZ-BA:**

- ? Administration oriented to the Taxpayer and citizen; oriented to the community and its needs;
- ? Improvement in the image of the organization in terms of the taxpayers and community;
- ? Increase in the collection (efficiency of the public service = increase of spontaneous collection );
- ? Recovery of tax credits – Immediate and persistent collection of he taxpayers at default;
- ? Increase in communication = Intensification of the Supervision Presence ;
- ? Service standardization. Establishment of indicators of the level of service and quality goals;
- ? Reduction of the services provided by the Inspectorships, automation of services, elimination of mistakes;
- ? Database with the history of contacts with taxpayers and officials, enabling the implementation of the CRM Program (Customer Relationship Management)
- ? Strategic planning to the Taxpayer/citizen service.

## 7. Concluding Remarks

“Which is the end result that one expects to obtain once the State has undergone a reform? Which is the proper role for the State to encourage these objectives?”

The State reform is still taking place, and so is the technological revolution. New technologies of information and communication arise much quicker. New patterns of labor and Citizen/State contact are quickly disseminated. Society and governments are undergoing transformations.

In Brazil, the State administrative reform is essential, since we cannot afford to pay the price of inefficiency in the use of public resources. The results of the recent elections in 2002 demonstrate that people in Brazil want changes. They also demonstrated that the administrations that proved to be competent were reelected.

Many modernization projects of the public administrations at federal, state and municipal administration, which are oriented to the introduction of managerial practices and technological updating are taking place. Above all, they are oriented to provide a better citizen service, to manage the public resources in an efficient and effective way, to give transparency to the administration and to promote citizenship.

We believe that the initiatives for opening communication channels with the Taxpayer/Citizen, encourage their participation and promote the citizen's concept are essential for the country's development. We live in a democratic country, however the social inequality and misery is so high that it is impossible to establish the idea of equality between citizens in a natural way. Thus, it is the state's duty to educate, develop tools for the citizenship practice and disseminate the awareness of rights and civic duties.

The contemporary conception of the social capital and its influence on the economic development are also important features. A development strategy cannot concentrate only on orthodox actions as credit line, fiscal incentives or investments in the raw formation of capital. It must also try to keep and expand the social capital stock in its communication, strengthening the social self-organization, stimulating the practice of collaborative solutions

for the common problems and promoting the participation and the possibility of dialog with several community members. It is necessary to form, even though it may take a long period of time, communities oriented to the collaboration and participation. Communities formed by human beings that understand the important of joint work and civism, open to changes and prepared to create and innovate.

In the State of Bahia, the fiscal adjustment and the administration modernization are already consolidated. However, there are many great challenges to face in terms of social and economical development. However, the direction towards the Tax Administration seems to be clear: keep the focus on the Taxpayer/Citizen.

With this vision, we know that the actions implemented up to this moment at the Secretariat of Finance of the State of Bahia are only a small set forward in this direction. We are confident, however, that these small attendance services to the Taxpayer/Citizen will teach the population to fulfill their duties, claim their rights and participate, helping to build a more efficient and democratic public administration.

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