



**BUREAU OF  
REVENUE &  
TAXATION**

**GovTech as Driver for Fiscal Sustainability  
*In the context of Small Revenue Administration***

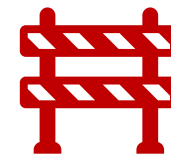
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# Palau's Reality



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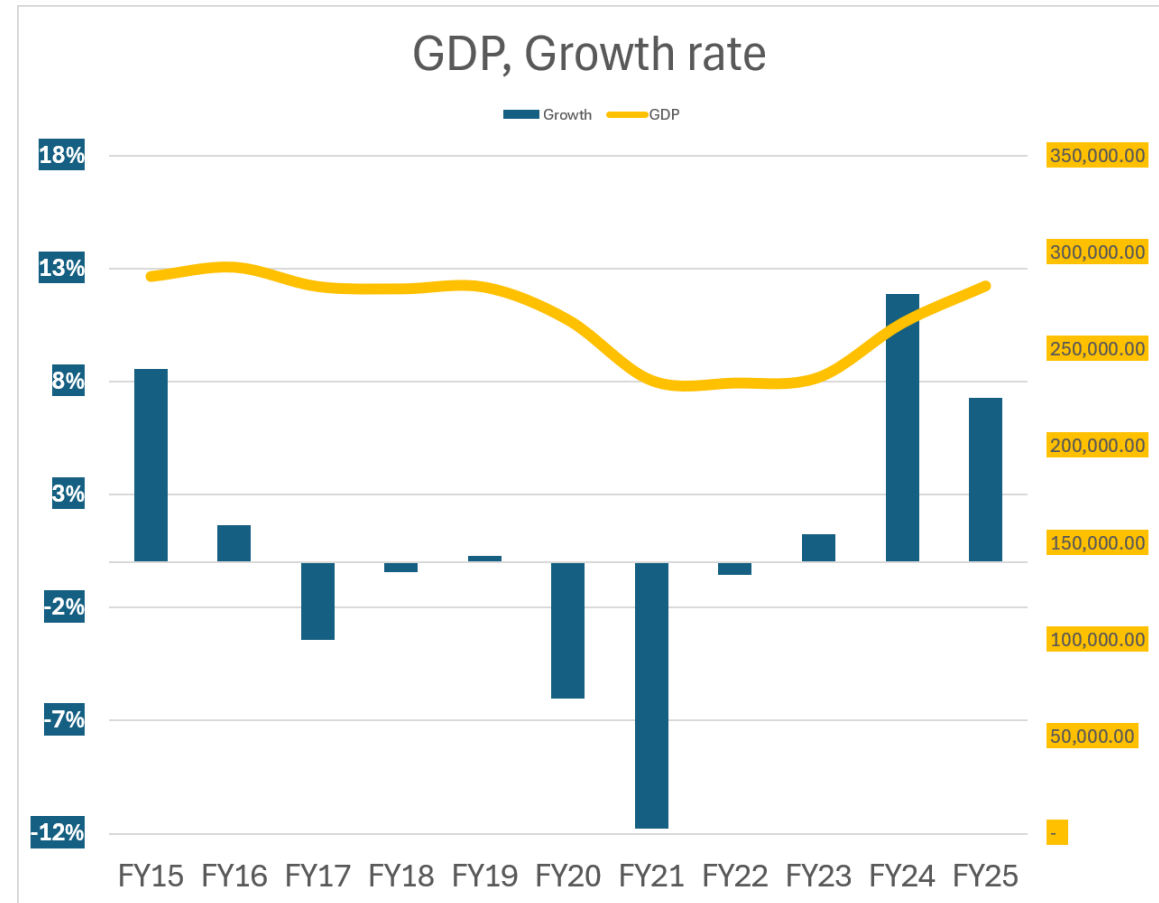
- **Pandemic Shock**
  - Collapse of tourism, Palau's economy
- **High Debt Distress**
  - Borrowing sustained government operations and social assistance payments
- **Depleted Fiscal Buffers**
  - Reserves redirected to operations and relief payments
- **Inflationary Pressure**
  - Supply disruptions drove up fuel and imported goods prices



# Recovery and Growth



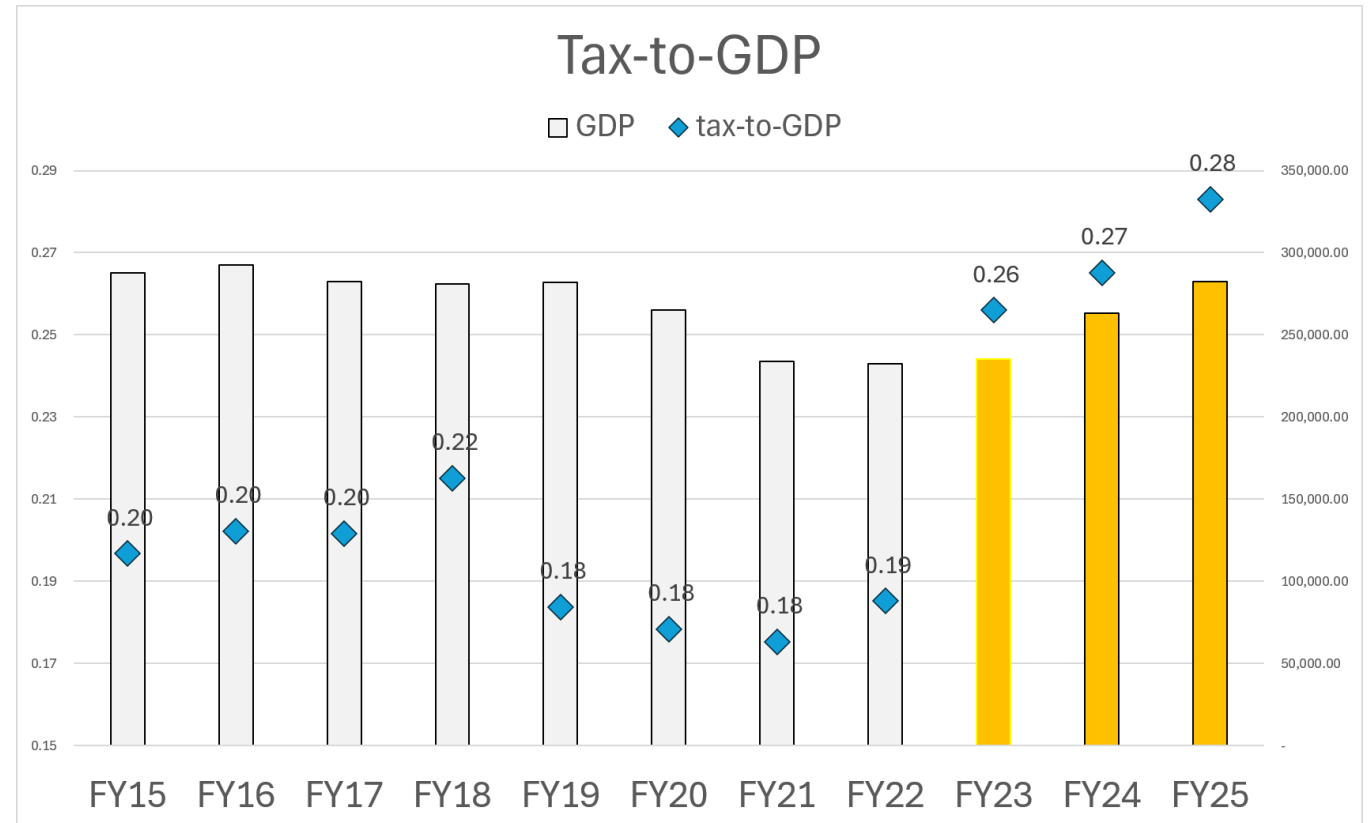
- Major Fiscal Policy Reforms
  - Comprehensive Tax Reform
  - Fiscal Responsibility and Debt Management Act
  - Revenue Diversification Measures
- PFM Strengthening



# Small Revenue Administration Perspective



- GovTech is not the reform, it **Enables Fiscal Sustainability**
- GovTech enables Fiscal Sustainability by helping us:
  - Administer Taxes more **Effectively and Efficiently**
  - Make it easier for taxpayers to Comply
  - Improve Reliability of Revenue
- Small States have the benefit to Move fast and benefit greatly



# Palau: Small Revenue Administration



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- **25 Staff**, half on manual processing
- 2,000 active business entities
- 12,000 wage-tax payers
- Capability Constraints and Limited Skills

What we are currently doing:

- Institutional Strengthening
- Digitalizing to make compliance easy
- Integrated system with taxpayer portals
- Embedding recently implemented tax reform



# Experience from previous system implementation



- Foundations were not in place: Governance, absent structures to ensure data integrity and support transformation
- Capability Constraints
- Unable to define requirements and embed best practice
- Legal Clarity and Rules were not established
- Result: Expensive, digitized problems



# Small Revenue Administration Experience



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- **What works:**
- Institutional Strengthening as required condition
- Practical Approach, not perfection
- Clear Processes
- Legal Alignment
- Data Quality
- People – systems support administration, but people make it work

