

Terminal Evaluation

Asia

1. Outline of the Project

Country:	Mongolia
Project title:	The Enhancement of Tax Administration Project
Issue/Sector:	Tax administration
Cooperation scheme:	Technical Cooperation
Division in charge:	JICA Mongolia Office
Total cost:(at the time of evaluation)	220 Million Yen
Period of Cooperation	January 2006 – July 2008(R/D August 2005)
Partner Country's Implementing Organization:	Mongolian Tax Authority
Supporting Organization in Japan:	National Tax Agency, National Tax College
Related Cooperation:	Study on the Assistance for Transition to Market Economy, Study on Enhancement of Tax Collection Capacity, Study on Establishment of Tax Education System

1-1 Background of the Project

In Mongolia, where there was no modern tax collection system under the socialist regime, chronic budget shortfalls had restricted developments of market economy. After the shifting to market economy, Japan has been extending its assistance to Mongolia since 1998 in order to establish an appropriate framework for the enhancement of tax administration. The area of cooperation includes the establishment of tax collection system and the taxpayer information database. These projects brought visible successes. For example, the tax revenue increased three times from 1999 to 2004.

For this reason, it can be regarded that the tax collection system has been enhanced to some extent in terms of institutional framework. There are, however, still many issues to be addressed. Mongolian Tax Authority (MTA) is relatively a new agency that has been operating about 15 years since its establishment in 1992. It is pointed out that there is not sufficient number of staffs yet who have full knowledge of institutional and legal framework of tax system, and who are able to utilize the system effectively.

Therefore, MTA needs to continue its human resource development in order to realize more effects of JICA's past assistance.

With this background, since 2003, JICA had extended assistance to MTA in the Study of Establishment of Tax Education System. In this study, cooperation was provided in formulating curriculum and textbooks based on human resource training plan of MTA. In this assistance, model training courses were also provided to MTA staffs.

After completion of the above assistance, the Government of Mongolia requested JICA to extend the continuous assistance in the form of technical cooperation. This project is consisting of the three major areas, i.e., (i) to assist establishment of human resource development framework and training system based on Short-term Action Plan formulated under the previous study, (ii) to assist enhancement of proper and fair tax administration, and (iii) to assist improvement of taxpayer services. In response to this request, JICA conducted the preparatory survey in March 2005. Based on this result, R/D was signed in August 2005. The project was launched in January 2006.

1-2 Project Overview

(1) Overall goals

Overall goal 1: Realization of proper and fair tax administration

Overall goal 2: Improvement of taxpayers' compliance and increase in number of tax filers

Project Purpose 1: To enhance the human resource development system and training system of Mongolian Tax Authority (MTA) by implementing the Short Term Action Plan, and to improve the job performance of the MTA staff.

Project Purpose 2: To improve MTA's operation in tax collection (including taxation and tax audit).

Project Purpose 3: To improve MTA's taxpayer services

Output 1: Improvement of the training system, curriculum, training course materials and instructor's teaching guidelines based on the Short Term Action Plan of MTA

Output 2: Increase of training opportunities including these in rural areas by the improvement of training facilities and Introduction of distance learning

Output 3: Enhancement of the MTA instructors' capacity for teaching.

Output 4: Improvement of training environment (facilities and equipment).

Output 5: Establishment of staff training system which is linked with overall human resource development plan of MTA.

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Period of Evaluation

1 June 2008 – 11 June 2008

Evaluation Results

Final Evaluation

3. Results of Evaluation

3-1 Achievements

(1) Project achievements

1) Achievements of the Outputs and Project Purpose

In overall assessment, the activities were conducted as planned, and outputs have been achieved satisfactorily. The progress in achieving outputs and project purposes is described below.

[Project Purpose 1]

To enhance the human resource development system and training system of Mongolian Tax Authority (MTA) by implementing the Short Term Action Plan, and to improve the job performance of the MTA staff.

Output 1: Improvement of the training system, curriculum, training course materials and Instructor's teaching guidelines based on the Short Term Action Plan of MTA.

Both training system and curriculum in accordance with the Short Term Action Plan were established as follows:

(a) Established an umbrella program "MTA's Human resource development plan 2006-2008 with "Annual Implementation Plan of MTA's training and research center" as its component. The latter is reviewed and updated annually.

(b) Established, introduced and implemented "Continuous training program", which is categorized into four groups in accordance with trainees' ability.

(c) Developed training materials and texts on its (MTA) own and conducted trainings using such texts.

Output 2: Increase of training opportunities including these in rural areas by the improvement of training facilities and introduction of distance learning.

Because distance learning was introduced and two training centers in Darkhan-Uul and Uvurkhangaï were established, more opportunities for the remote staffs to participate in trainings were created. Also, significant numbers of trainings each year in Ulaanbaatar and in the four rural training centers with many participants have been conducted during the Project period.

Output 3: Enhancement of the MTA instructors' capacity for teaching.

Following the Short Term Action Plan, two new additional instructors were staffed in the training center.

Capacity development plan for the instructors in MTA's training and research center was developed, in the cooperation with JICA's expert. Furthermore, two out of seven instructors participated in counterpart training program in Japan. Also, according to the interview in this final evaluation study, it is pointed out that instructors' consciousness and motivation have been improved, because they are required to improve the content of training courses and teaching method in order to correspond to newly introduced "Continuous training program", and to satisfy the needs of trainees. It might have positive impact on enhancement of the MTA instructors' capacity.

Output 5: Establishment of staff training system which is linked with overall human resource development plan of MTA. A system within Public Management and Administration division that would track record the achievements and performance of each staff at "Continuous Training Program" was established by the Directive by Director General No. 109. It makes possible to establish a framework to record the each MTA staff's achievement and performance data of training courses on the personnel information system. But the personnel evaluation and relocation based on those data are yet to be put to practical use.

Achievement of the Project Purpose 1: Through the interview in this final evaluation study, it is judged that MTA staffs' knowledge have been surely increased, because MTA have taken such measure as introduction of the "Continuous training program", expansion of the training opportunities in rural areas, and introduction of distance learning. Before implementation of the Short Term Action Plan of MTA, the opportunities for MTA staffs to increase their knowledge and capacity were very limited. Therefore, it is expected that these measures will contribute to the improvement of job performance of the MTA staff and Project Purpose 1 may be achieved.

[Project Purpose 2]

To improve MTA's operation in tax collection (including taxation and tax audit).

Output 1: Decrease of unregistered taxpayers through improvement of manuals, etc.

The number of registered taxpayers has continuously increased since the commencement of the Project in 2005. The number of registered taxpayers comprising economic entities and organizations has increased from 45,507 in 2005 to 58,586 in 2007. The number of registered personal income taxpayers has also increased from 720,848 in 2005 to 944,096 in 2007.

However, the real situation of unregistered taxpayers is not grasped. Therefore, the relation between the increased number of registered taxpayers and unregistered taxpayers is not clear.

During the Project's period, manuals mentioned in the PDM have not been made. Therefore, it is not clear how much the Project contributed to the increase of the number of the taxpayers.

Output 2: Capacity improvement of tax auditors in their auditing skills after the implementation of training courses for them. Also, achievement of fair, efficient and effective tax collection made possible through review and improvement of their works

Regarding tax collection, MTA has introduced several measures to promote tax payment within the due date, based on the JICA experts' advice. One example is that currently MTA obliges private sectors to submit certificate of tax payment when they participate in bid by government. Another example is that, in Darkhan-Uul Province Tax Office, tax collection by reminding taxpayers through telephone calls has been successfully implemented as a trial.

Also, although it takes time for MTA to introduce the measures that would need amendment of existing laws, MTA has taken measures to improve the current situation of non-payment taxes. For example, MTA has changed the method which grasps delinquent taxes in accordance with types of tax.

The following manuals have been developed in cooperation with JICA's experts: the case book for tax audit, tax audit manual for 5 specific industries and estimate taxation manual. In-country trainings were implemented by counterpart of MTA and JICA's expert three times during the Project period. The contents of these manuals aim at improving tax auditors' skills, especially for field audit which Mongolian tax auditors do not have enough experience.

Moreover, as described below, the improvement of Third party information system (hereinafter referred to as "TPI") by the Project has helped tax auditors utilize much more and accurate information on taxpayers at the preparation stage of tax audit.

Output 3: Improvement of job performance through collaboration with other related agencies (such as court and police), and through enhanced functions of information systems including the third party information system. In 2005 when the Project started, the number of organizations which provide their information to TPI of MTA was limited. During the Project period, collaborations with other related government agencies have expanded. TPI was connected to other important organizations, such as State Social Insurance General Office, Ministry of Finance and Administration Office of State Registry of Titles. It has enabled tax auditors to obtain information of taxpayers, such as payment of social insurance, ownership of immovable properties, participation of government procurement. In addition, the Project has improved the procedure to collect VAT invoice. That is, it has introduced e-file regarding VAT invoice. As a result, VAT invoices have been electronically loaded into TPI. This contributed to the decrease of workload of tax auditors and also to the increase of accuracy of information, compared to the times when tax auditors manually input data into TPI.

In addition, it should also be noted that the reference to the third party information by the tax auditors are required in the manuals as obligation. As a result, tax auditors utilize such information actively, which is a contributing factor to the enhancement of tax audit.

Achievement of the Project Purpose2: Although the Project's contribution to the achievement of Output 1 is somewhat vague, it is confirmed that the measures to enhance capacity and to improve job performance of tax auditors have been surely taken by MTA.

Furthermore, enhancement of TPI has contributed to the improvement of performance of tax auditors. It can be concluded that the Project has mostly achieved the Project Purpose.

[Project Purpose 3]

To improve MTA's taxpayer services.

Output 1: Increased convenience on the part of taxpayers by the improvement of service mind of the MTA staff, establishment of additional taxpayer service centers and introduction of information technology (IT). The establishment of taxpayer service centers has started in 2003, and the number of such centers has been increasing steadily. In 2005,

when this project started, there were 12 centers nationwide. At present in 2008, the number has increased to 26. Currently, a total of around 150 employees are providing services to taxpayers in these centers. Especially, it should be noted that at Songinokhairkhan District Tax Office, the model service center has been established in February 2007 by the Project's assistance. Currently there are 8 tax auditors deployed in that model service center. Every time MTA opened a new taxpayer service center, it provided training course of "service manner" to its employees for the purpose of improving the services to taxpayers. In addition, the trainings related to VAT electronic filing were also provided in response to the rising needs caused by the introduction of electronic filing. By visiting taxpayer service centers, the taxpayers can now enjoy the variety of services such as tax filing, tax payment, consultation, certificate issuance and registrations. As a result, the convenience on the part of taxpayers has been improved.

The introduction of information technology, in this case, mainly through internet, enhanced the services to taxpayers. Through the website of MTA, taxpayers are now able to access various kinds of tax related information and also electronic filing services. Using the personal computer terminals, corporations and individuals can file tax returns on VAT, corporate income tax and individual income tax. The input of VAT invoice has also been made possible. The number of access to the website of MTA has been increasing; 14,247 in 2005 has reached to 55, 027 in 2007.

Output 2: Improvement of contents of public relations activities for taxpayers.

The public relations activities for taxpayers are provided based on the public relations plan. The activities used to be limited in scope: they were provided only on the Taxpayers' Day. At present, the public relations activities are provided constantly through various media, i.e., newspapers, radio, television, mobile phones and brochures. The contents offered to the taxpayers include information on tax related laws and regulations, consultation corner and advice on tax filing, frequently asked questions (FAQs), introduction of works in tax offices, introduction of MTA's website, procedures of electronic filing. For elementary school children, special introductory pamphlets were compiled for distribution. Every year there is Taxpayers' Day. The budget for public relations for taxpayers has increased from Tg17 million in 2005 to Tg21 million in 2007.

Output 3: Consideration for introduction of accredited tax account system based on advices. To prepare for the introduction of accredited tax account system, meetings and discussions were held for three times among the related parties, such as MTA, Ministry of Finance, Mongolian Institute of Certified Public Accountant and Accredited Tax Accounting Association.

Achievement of the Project Purpose3:

Output 1 and Output 2 have been realized, and these realizations have directly led to the improvement of MTA's taxpayer services. Therefore, the Project purpose has been fulfilled. Regarding Output 3, the consideration of introduction of accredited tax account system was shared among the stakeholders.

2) Evaluation of process management

The overall management of the project was done very smooth. Through the interviews, the evaluation team confirmed that there were no problems in the decision-making process in MTA. Communications between JICA Experts and MTA's staff were taken very smoothly as well.

3-2. Summary of Evaluation Results

(1) Relevance

The Project has high relevance. At national policy level, the tax reform and improvement of tax administration have been given high priority. And the Project is responding to the needs of MTA to develop human resources. Therefore, the Project has high relevance.

(2) Effectiveness

The training courses at MTA are conducted based upon "Annual Implementation Plan of MTA's Training and Research Center" which has been developed along the Short Term Action Plan of MTA . Every year, the implementation plan is reviewed and renewed, so that appropriate training system and curriculum are established. According to the interviews to MTA staff, the newly introduced Continuous Training Program is useful and well accepted by them, due to its positive effects on the improvement of their capacity in their daily works. The knowledge of MTA staff on tax related matters is enhanced along with the increasing opportunities of trainings, such as introduction of distance learning, improvement of training facilities in rural areas and counterpart trainings in Japan. Since these learning experiences and enhancement of knowledge are relatively new to MTA staff, it is probable that these experiences and knowledge will directly lead to the improvement of capacity of MTA staff. Therefore, the Project purpose 1 will be very likely to be achieved.

The understanding of tax related laws and regulations are deepened through increased training opportunities for MTA employees. As for the methodology of tax audit, per advice of JICA Expert, more priorities are given to field audit, which is considered to be more effective way compared with the book audit. In addition, the development and introduction of TPI enhanced the quality of tax audit, since it is utilized in the prior research conducted by the inspectors at the

preparation stage. In 2007, the number of tax audit was purposefully decreased, but the number of inappropriate cases was increased on the contrary. This can be considered as one of the proofs indicating the improvement of quality in tax audit. The method to collect delinquent taxes has also been improved. MTA piloted the introduction of tax collection through phone calls in Darkhan-Uul Province Tax Office which was successfully carried out. Therefore the Project purpose 2 has been achieved.

The taxpayer service centers have been established and, currently, there are 26 centers nationwide. The model service center started its operation in February 2007, which was established through the Project's assistance. The service quality provided to taxpayers is improving through trainings and manuals. The surveys on customer satisfaction are also conducted. The taxpayer services through website have been enhanced and improved. Currently, MTA provides taxpayers with various kinds of tax related information and electronic filing services in VAT, corporate income tax and individual income tax. The input of VAT invoice has also become possible via the internet. The Project purpose 3 has been achieved.

(3) Efficiency

The efficiency of inputs and project management is high. The amount of inputs, quality and dispatching timing of JICA Short-term Experts were appropriate. The counterparts (CPs) on the side of MTA were deployed properly in the areas of trainings and human resource development, tax collection including taxation and tax audit, and taxpayer services. The equipment was also appropriately provided to MTA in terms of its type, amount, quality and timing of provision. The equipment is well utilized. The overall management of the Project was good and smooth. There were no cases observed which negatively affected the smooth operation of the Project. The accumulation of JICA's assistance to MTA since 1998 has contributed to the efficient management of the Project. It seems that the Project was implemented by MTA with high efficiency despite the wide scope and variety of co

(4) Impact

The Project is in the right track towards the realization of Overall Goals.

First, regarding the first half of the overall goal "the realization of proper and fair tax administration", it is the ultimate goal for all national tax authorities in all countries. It is confirmed that MTA is proceeding in the right direction to achieve this overall goal. During the Project period, the training system and the curriculum were improved, and based on the result of the interviews in this final evaluation study, it was confirmed that these are contributing to the improvement of capacity and professional ethics of staffs at MTA. And, such improvement is expected to foster trust between MTA and taxpayers.

Second, regarding the second half of the overall goal "improvement of taxpayers' compliance and increase in number of tax filers", MTA has implemented several measures to improve taxpayer service through development of manuals for tax auditors, improvement of service mind of the staffs at taxpayer service center and reform of MTA's website. These measures are expected to be incentives for taxpayers to file correct returns. In conclusion, it can be said that MTA has been taking necessary measures to provide more proper and fairer tax administration.

No external factors which may affect the realization of Overall Goals were observed. Unexpected negative impacts are not observed.

(5) Sustainability

There is high sustainability in policy. Sustainability in budget and technical capacity is moderate. Several issues have to be addressed for higher sustainability.

Policy: In terms of national policy agenda, the tax reform and improvement of tax administration will be given high priority in order to respond to the market economy.

Budget: It is likely that MTA's budget may fall short in order to fully satisfy the investment needs in equipment and in human resource development. In such cases, MTA has a plan to utilize the external fund sources such as foreign government and multinational institutions. Therefore, sustainability in budget is moderate.

Technical Capacity: Through the implementation of the Project, MTA staff has acquired the basic knowledge and skills. However, in order to satisfy the future needs to fully respond to the developed market economy in Mongolia, continuous efforts by the individual staff and constant provision of trainings are required. Therefore, sustainability in technical capacity is moderate.

Ownership: The current level of ownership of MTA can be considered as high because of their progress in human resource development, their will to input their own budget to the Project and strong leadership of the management. In order to maintain the current high ownership, continuous trainings are important to keep the efforts of improving capacity and mindset of MTA staff.

3-3. Promoting Factors

(1) Factors related to Planning

None.

(2) Factors related to Implementation Process

MTA has implemented the Project with high sense of ownership. The organization has been accumulating sufficient knowledge and expertise among its staffs which they absorbed through JICA's technical cooperation since 1998. This knowledge and expertise was fully utilized during the implementation of the Project. On the side of JICA Experts who were dispatched to Mongolia, they were very familiar with the situation of the country through past experiences of assistance to MTA. This factor contributed to the effective and appropriate advice extended by JICA Experts to Mongolian counterparts. Another contributing factor is that MTA could assign to the Project proper and capable counterparts, which was made possible because of MTA's own efforts of human resource development.

3-4. Hampering Factors

(1) Factors related to planning

None.

(2) Factors related to implementation process

No severe obstacles were observed during the Project duration that might have held back the progress of the Project, except for the following two minor points:

(a) Since the introduction of accredited tax accountant system was quite new to the Mongolian business context, much more time was needed for the Project and MTA to gain acknowledgement of the necessity and the benefits of the system and support from the concerned ministries and parties.

(b) Introduction of tax education as a whole needed more coordination among the concerned parties.

3-5. Conclusion

The evaluation team concludes that the Project has achieved most of the outputs and therefore the Project purposes

3-6. Recommendations

(1) Recommendations for the Mongolian counterpart,

1) "Taxpayer services" and "promotion of appropriate and fair tax administration" are the two pillars that anchor the self-assessment system.

2) In order for the system to work adequately, the taxpayers must first have great awareness of tax payment and also fulfill the tax liability prescribed by the law voluntarily and properly. Enhancement of taxpayer services including public relation activities, tax education, and tax consultations would be a significant key to guide the taxpayers to correctly file and pay their taxes by themselves. It is acknowledged that the current works for enhancing taxpayers' convenience by MTA (e.g. expansion of service center functions, establishment of a model service center, and enhancement of website functions) contribute to the enrichment of taxpayer services. The Team strongly expects that MTA continuously makes sufficient efforts to promote such measures and policies.

3) Another pillar that supports the self-assessment system is the promotion of appropriate and fair tax administration. It is important to realize appropriate and fair tax assessment by implementing accurate instructions and examinations regarding taxpayers considered not fulfilling tax liability properly so that the "good" taxpayers will not bear a sense of unfairness. In this respect, the Team welcomes the development of audit manual and the training sessions for auditors held by MTA. The Team expects that MTA further enhances the methods of taxpayer management, audit selection, field audit and others. It is also necessary that MTA steadily attempts to collect delinquent tax without fail by encouraging them to pay voluntarily. MTA should continue to take methods such as attaching a certificate of tax payment to a public bidding document and pilot operation of Tax Collections Call Center.

4) It should be well noted that it is the highly qualified staffs of MTA that enable the pertinent implementation of such two pillars. It is imperative that MTA enhances human resource development and training together with active efforts to the improvement of curriculum, course materials and implementation of correspondence courses, etc.

5) The above mentioned activities that were not fully achieved in the Project, such as the methods of taxpayer management, audit selection, field audit and collection of delinquent tax, and capacity development of instructors, shall be encouraged and pursued on MTA's self-help basis as well as be taken up in the agenda of the new training program in Japan, which is expected to be conducted two times in the next three years.

6) The Team observed that the management of MTA had kept the enthusiasm and showed potent initiative throughout the Project duration. The Team hopes that the staffs of MTA autonomously tackle to improve the tax administration through accumulation of various and creative ingenuity in addition to the strong leadership of the management.

(2) Recommendations for the JICA Project Team

In general, the Team recognizes that the JICA project team and the Mongolian counterpart worked very closely and that the Project mostly achieved initially-set Project purposes. It is well understood that the reasons of this success owe to not only to the assiduities of JICA project team but also to the fact that the Team thought highly of the ownership of the Mongolian counterpart. The Project experts provided MTA with ample and useful advice based on their knowledge and experiences. It is anticipated that the outputs of the Project are well advocated and shared among other donors and concerned parties until the termination of the Project period.

3-7. Lessons Learned

None.

3-8. Follow-up Situation

Country-focus training program, "Capacity building of MTA's tax inspectors" is scheduled to be implemented during 2008 and 2010 for the purpose of capacity improvement of tax auditors in their auditing skills and enhancement of tax audit system in MTA. This training program is expected to promote MTA's sustainable effort to realize proper and fair tax administration.