

1. Outline of the Project	
Country: Kingdom of Cambodia	Project Title: The Project for Capacity Development of GDT under the Framework of PFM Reform
Issue/Sector: Tax Administration	Cooperation Scheme: Technical Cooperation Project
Division in Charge: Industrial Development and Public Policy Department	Total Cost: JPY 204,000,000 (as of the timing of the Terminal Evaluation)
Project Period	(R/D) Sep. 2011-Sep. 2014 (3 years)
	(Extended) Oct. 2014-Jul. 2015
	Partner Country's Implementation Organization: General Department of Taxation (GDT) of Ministry of Economy and Finance (MEF)
	Supporting Organization in Japan: National Tax Agency (NTA)
Other Related Cooperation: - Capacity Building Project for the Tax Department of Cambodia (2004-2007) - Capacity Building Project for the Tax Department of Cambodia (Phase 2) (2007-2010)	
1-1 Background of the Project	
<p>In the recent years, Cambodia has been increasing its tax revenue as a result of its economic booming. The level of domestic tax revenue as % of GDP, however, remains relatively low compared to those of other ASEAN countries. The General Department of Taxation (the GDT) under the Ministry of Economy and Finance (MEF) has been promoted in 2008 from a tax department of the ministry with an empowered authority. Currently, the GDT, with nine (9) Khan Tax branches and twenty-four (24) Provincial Tax branches, encourages the taxpayers in estimated regime to shift to self-assessment regime. This brings about new challenges of implementing capacity development of the GDT officers who are not very experienced for conducting proper tax audit and providing taxpayer services.</p> <p>JICA has supported the GDT to improve its officers' capacity in the areas of tax audit, taxpayer services, book-keeping and accounting since 2004 through two phases of technical cooperation projects. As a result, the overall capacity of the GDT officers has been improved functionally on the ground. The lessons derived from the projects indicated that practical training and On-the-Job Training (OJT), institutional strengthening through day-to-day advises from experts were necessary for improvement of capacity and behavioral change for better services. The GDT was in need of enhancing tax audit for new industries, taxpayer services, and the mechanism for governance and human resources management.</p>	

To meet such challenges, the Royal Government of Cambodia (RGC) requested the Japanese Government to provide technical cooperation focusing on strengthening tax audit and taxpayer services. JICA has responded to the request and was launched a technical cooperation project, “The Project for Capacity Development of the GDT under the Framework of PFM Reform”, for three (3) year period since September, 2011 to September, 2014 and extended to July, 2015. JICA currently dispatches two (2) long-term experts (chief advisor/tax administration and project coordinator/information technology (IT)) along with some short-term experts in various areas (organizational management, critical thinking, taxpayer services, tax audit, etc.).

1-2 Summary of the Project

(1) Overall Goal

Tax Revenue based on self-assessment regime is increased.

(2) Project Purpose

Tax collection function of the GDT is further strengthened through enhancement of self-assessment regime.

(3) Outputs

1. The institutional capacity for tax audit is strengthened.
2. Taxpayer service is improved.

(4) Inputs

Japanese side:

Experts	19 persons (89.00MM)
Equipment/Materials	USD 31,519
Local Cost	USD 231,120
Trainees Received to Japan	47 persons
Trainees Received to Other Countries	57 persons

Cambodian side:

Assignment of Counterpart Personnel, Provision of Office Space, Part of Local Cost, Cost for Electricity, Water, and Internet

2. Terminal Evaluation Team

	(Role: Name, Position)
Members of the Terminal Evaluation Team	(1)Team Leader : Mr. Ryuichi TOMIZAWA, Deputy Director General and Group Director for Governance, Industrial Development and Public Policy Development, JICA (2)Tax Administration: Ms Saori MOGAWA, Assistant Professor, International Cooperation Group, Research Department, National Tax College (3)Cooperation Planning: Ms Tomoko KOMURA, Special Advisor, Public Governance and Financial Management Team, Governance Group, Industrial Development and Public

	Policy Department, JICA (4)Evaluation Analysis: Ms Ayako WATANABE, Researcher and Social Planner, International Department, Regional Planning International	
Period of Evaluation	23 Feb.-6 Mar. 2015	Type of Evaluation: Terminal Evaluation
3. Evaluation Results		
3-1 Project Performance		
3-1-1 Achievement of Outputs		
Output 1: The institutional Capacity for tax audit is strengthened.		
<p>Output 1 was found as “mostly achieved.” The capacity for tax audit is being upgraded through the development of Tax Audit Case-book and the information collection format, while was enhanced by the training. The knowledge/knowhow provided by the Project started being put gradually into tax audit practice. After finalizing and obtaining the approval from the GDT which would be quite soon, it is expected for the Project to go into the trial application process of the information collection format for tax audit.</p>		
Output 2: Taxpayer service is improved.		
<p>Output 2 was found as “mostly achieved.” The capacity for taxpayer service is being upgraded through the development of the FAQs, OJD, training, and application of the knowledge/knowhow obtained from the Project. Many cases were found as positive changes in tax officers’ behavior s toward taxpayers, which resulted in improvement of taxpayers’ impressions on tax officers. In addition to the above, taxpayer seminars were conducted more frequently than before. It is expected for the Project, with strong commitment of the Cambodian side, to swiftly finalize the FAQs and go into the application process within the Project term.</p>		
3-1-2 Achievement of Project Purpose		
<p>Project Purpose is “fairly achieved.” Knowledge/knowhow is being shared within the GDT as well as tax branches in Phnom Penh, at least, which would be expanded to tax branches in provinces within the Project period. Also, the GDT has been seeking to set up organizational mechanisms for knowledge/knowhow sharing. Even in comparison with [Reference] OVIs, the Project saw sound increase in percentage of self-assessment regime taxpayer as well as steady increase of actual number of registered taxpayers. The commitment of the Cambodian side would be the key for further achieving the Project Purpose.</p>		

3-1-3 Achievement of Overall Goal

Overall Goal, evaluated with the set OVIs, is found “achievable” in view of project progress at the time of the Terminal Evaluation, the own efforts made by the GDT, and the current status of Important Assumptions. Tax revenue against GDP is soundly increasing, while percentage of self-assessed tax revenue against total tax revenue is increasing as well. The Project activities are just a part of measures for further increasing tax revenue and there must be various other actions which should be taken by the GDT. Additional tax amount by re-assessment was increased due to the efforts made by the GDT. Important Assumptions for attaining the Overall Goal, no significant changes were found and sound and steady progress was found in the actions taken by the Royal Government of Cambodia (RGC). The commitment and further capacity building of the Cambodian side would be the key for achieving the goal.

3-2 Summary of the Evaluation Results

(1) Relevance: “High”

The Project is consistent with the policy of the Cambodian Government which aims for improvement and modernization of tax administration. This direction is mentioned in the major policy papers such as National Strategic Development Plan (NSDP), the Public Finance Management Reform Program (PFMRP), and the Revenue Mobilization Strategy (RMS). Also, the Project is consistent with the needs of the GDT which has been promoting the transition to self-assessment taxation system in Cambodia, while it is consistent with the Japanese ODA policy toward Cambodia which put emphasis on the cooperation for strengthening the capacity in tax collection.

Relevance of the Project was, therefore, judged as “high” with the above mentioned facts.

(2) Effectiveness: “Moderately High”

Project Purpose is “fairly achieved” as described in the preceding part of this sheet with the steady progress about the OVI 3 “knowledge/knowhow is shared and utilized” and organizational mechanism for sharing knowledge/knowhow is still being established. Regarding taxpayer service, the C/Ps was found upgrading in their awareness and knowledge and paid sufficient attention to the tax filing periods in the process of development and implementation of the Action Plan for Taxpayer Service Improvement, while they upgraded their capacity and became confident in its implementation on its own. The DLT of GDT currently has been holding taxpayer seminars on their own by making plan ahead based on taxpayers’ needs. Positive changes were found on “share of self-assessment regime taxpayers” ([Reference] OVI 2) as well. An increase in number, not in percentage, of taxpayers who filed tax return was also found in relation to “share of taxpayers who file tax return” ([Reference] OVI 1).

Important Assumption for attaining the Project Purpose was partly met with no change of C/Ps within the Project term except the four (4) of the core members who were transferred by political appointment after general election.

By reviewing those facts, effectiveness of the Project was judged as “moderately high.”

(3) Efficiency: “Medium”

The inputs were found delivered mostly in proper manner both from the Cambodian side and the Japanese side. The dispatch of Chief Advisor was delayed but eventually resulted in least negative influence on the progress of the Project by implementing the perception survey of taxpayers, training in the neighboring countries, and the like. Some of the activities were not to be conducted as planned due to the constraint in human resources of the Cambodian side as well as the personnel rotation of the four (4) core members including Project Manager during the Project period. Beside the above, there were some cases of revision or changes in activities due to insufficient coordination with NTS and also about other donor support.

Efficiency of the Project was, therefore, concluded as “medium.”

(4) Impact: “High”

Overall Goal of the Project is set as “Tax revenue based on self-assessment regime is increased.” Regarding the OVI 1, “% of tax revenue against GDP” saw an increasing trend from 4.5% in 2011 to 6.3% in 2014. Overall Goal was, therefore, found as “achievable.”

Beside the Overall Goal, positive impact was found as the recommendations to the GDT which were compiled through the analysis of the inquiries from enterprises. Those recommendations were included in Prakas issued in January, 2015, which is expected to contribute the institutionalization of the necessary responses and eventually to lead to fair taxation in Cambodia. No negative impact was found by the time of the Terminal Evaluation.

Impact of the Project was, thus, concluded as “high.”

(5) Sustainability: “Medium to High”

Sustainability in policy aspect was found as “high.” As mentioned in the part of “Relevance,” the Project is along the line of the policy of the Cambodian Government such as the NSDP and PFMRP which target until 2018 or 2025. The policy support from the Cambodian Government to the Project activities, therefore, would be continued after the completion of the Project.

Sustainability in technological aspect was found as “medium.” The capacity of the C/Ps is being steadily upgraded and particularly in taxpayer service, the C/Ps obtained knowledge and become more conscious as well as confident up to the level of proactive planning and implementation of activities by paying attention to the needs of taxpayers as well as the tax filing

periods. Training of trainers is rather limited partly due to the lack of training plan, but it is done by the OJT at a certain extent. Mechanism for knowledge/knowhow sharing was found still varying among departments/bureaus, so it should be further established. The Tax Audit Case-book, the information collection format for tax audit, and the FAQs on TOP should be approved without delay and put into the application process within the Project term in order to increase their applicability.

Institutional sustainability was found as “medium.” The GDT has been issuing Prakas, notifications, and letters for enforcing the necessary actions to promote self-assessment regime. The C/Ps were found becoming confident in performing their duties through the upgrading of their capacity by participating in the Project activities. It is expected for them to continue implementing related activities proactively even after the completion of the Project. This eventually will contribute to upgrade the institutional capacity of the GDT. Internal training for tax officers were still implemented on ad-hoc basis. In the field of taxpayer service, the Project worked jointly with the GDT in the development of the Action Plan and submitted the draft to DG. Therefore, it is strongly recommended to implement the Action Plan for sustainable tax administration.

Financial sustainability was judged as “medium.” Regarding taxpayer service, the Prakas was issued in December, 2014 on operational cost of the GDT and it became possible for tax branches to obtain budget upon request. Budget of the GDT is still limited and depends on the priority of the Cambodian Government, so cannot be forecasted correctly.

3-3 Factors Promoting the Production of Effects

(1) On Planning of the Project

N.A.

(2) On Implementation Process

The Project, since its inauguration, has been paying much attention to maintain the sustainability of the activities after the completion of the Project. The project, therefore, compiled the results of its activities, evaluated and analyzed the results, accumulated the recommendations, and submitted to the GDT. All those recommendations are to be bound into a book before the Project termination and to become a useful reference for all the tax officers in Cambodia to provide as many clues as possible when they perform their duties on their own.

3-4 Factors Inhibiting the Production of Effects

(1) On Planning of the Project

Some of the Project Activities were duplicated with the other donor's activities due to insufficient information shared by the GDT. This problem was found and solved in the implementation process of the Project with some revision of the contents of the Project.

The correlation between Outputs and Project Purpose was relatively weak and particularly the OVIs were not appropriate. For example, the [Reference] OVI 1, i.e. "% of taxpayers who file tax return is increased" cannot be attained only through "the strengthening of the institutional capacity of tax audit" (Output 1) and "the improvement of taxpayer services" (Output 2) but requires various other measures such as the support for taxpayers. In order to mitigate the gaps between the Project Purpose and Outputs, Explanatory Note was prepared.

Necessary workload for the Project was found rather heavy to be handled by one (1) technical advisor and one (1) coordinator.

(2) On Implementation Process

The C/Ps were found with heavy time constraints and not fully participated in the Project activities. In addition, four (4) core members including Project Manager was transferred to other organizations by the personnel rotation after general election.

The communication was found fairly smooth between the Cambodian side and the Japanese experts. In some cases, however, the Project could not reach sound consensus on some issues such as "what questions should be on the FAQs," and "what the information collection format should be like."

Coordination with other development partner (US Treasury) was not sufficiently done by the Cambodian side.

3-5 Conclusion

The Joint Evaluation Team, after going through all the process of evaluation survey, reached the conclusion that the Project is making steady progress and the Outputs are mostly attained. Delay in progress was found, but all the activities are to be completed within the Project term. The Project Purpose will be achieved by the end of the term.

3-6 Recommendations

【For Short-term (expected to be addressed within the Project term)】

(1) Institutionalization of organizational mechanism for sharing knowledge/knowhow

There have been some organizational mechanisms established such as sharing a back-to-office report and using the Tax Audit Format in order to utilize knowledge/knowhow at the management levels of the GDT and at the department/bureau levels. Yet, for further strengthening of such

mechanisms, official notice should be issued in order to put in place.

(2) Dissemination and utilization of Tax Audit Case-book, the information collection format and the FAQs

Tax Audit Case-book, the information collection format, and the FAQs are at the stage of finalization, which will be completed after the applications. With this finalization, those products should be disseminated and utilized within the GDT.

【For Medium to Long-term (expected to be addressed after the termination of the Project)】

(3) Institutionalization of the usage of the Tax Audit Case-book, the information collection format, and the FAQs

In relation to the above (1) and (2), the GDT is recommended to institutionalize their usage by making it compulsory on a day-day operation of the activities in order to enhance capacity sustainably. One example of institutionalization is the documentation of standardized business process at the operational levels.

(4) Provision of incentives for further promotion of self-assessment regime

It is recommended that the GDT provide more incentives to promote Self-Assessment Regime such as the introduction of the simplified accounting format for simplified Self-Assessment Regime. In order to promote policy change, the GDT needs to establish mechanism to provide assistance for taxpayers.

(5) Promotion of culture of planning activities ahead

Promoting a culture of planning activities ahead, including human resources and budget allocation and practicing those “plan-based” activities is a key for the sustainability of the project outputs and outcomes within the GDT although the GDT has made some efforts towards building this culture.

(6) Initiative of DTSTA on planning and requesting budget for tax branches

It is highly recommended that Department of Taxpayer Services and Tax Arrears will take initiative on planning and request the budget for tax branches to prepare the related activities, as the initiative already taken for the operational budget of fiscal year 2015.

(7) Utilization of the Project framework of development partners

In the formulation of the project, the GDT should utilize the Project framework of Development Partners to achieve its goals within the Revenue Mobilization Strategy.

(8) Assignment of responsible personnel for donor coordination

Donor coordination should be improved by assigning responsible personnel in the GDT to eliminate overlaps during the Project formulation and implementation stages.

(9) Further promotion of internal training within each department and branch

Internal training within each department and branch by participants of the project activities should be further promoted in order to share practical knowledge and skills learnt through seminars and trainings.

(10) Further promotion of transparency

For the purpose of transparency, the GDT is recommended to publish the tax revenue data by tax items and regimes.

3-7 Lessons Learned

(1) Assignments of counterparts with the responsibilities relevant to the project activities:

In the course of the Project, responsibilities of some counterparts were not necessarily related to the Project activities, and therefore, the motivation of these counterparts to engage themselves in the Project was rather limited. JICA needs to request the implementing organizations to assign personnel who are much relevant to the project activities so the project outcome will be maximized and the related activities will be sustainable.

(2) Realistic project design in case of limited resources:

Necessary workload for the Project was found rather heavy to be handled by one (1) technical advisor and one (1) coordinator. When the planned human resource allocation is limited, proper and realistic scope of the project activities must be well discussed and determined based on the needs of the implementing organizations.

(3) Incorporation of the project activities into the existing plans of the recipient country:

The Project contained some activities which have been newly introduced during the formulation of the Project. At the initial stage of the Project, those new activities were not necessarily incorporated in the existing plans of the Government where difficulties have arose in implementing the Project activities that should be recognized as the GDT activities.

In order to maximize the efficiency of implementing organizations and secure the sustainability of the project achievements, the project activities must be incorporated into the existing plans such as a strategic plan and a yearly activity plan. Also, building an implementing mechanism with personnel and budget matters should be considered to be included as one of the project activities.