

Country Name	Project for Enhancing tax collection operation and International tax issues of Mongolian Tax Administration Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase 2
Mongolia	

I. Project Outline

Background	<p>The Mongolian government had been working towards the introduction of a modern tax collection system, including the enactment of the General Law of Taxation in 1993, which serves as the basis for tax administration such as enforcement of tax-related laws and tax collection. However, the increase in delinquent balances and tax collection costs due to the generally low tax consciousness among taxpayers had been an issue. In addition, with the promotion of mining development, many foreign companies entered the country, and the existing regulations and institutional framework for international taxation were inadequate. Consequently, it was an urgent matter to address weak tax law interpretation and international taxation operations, as well as tackling excessive tax avoidance by these foreign companies, requiring the development of human resources with knowledge of institutional establishment and the interpretation of tax laws. In this context, JICA implemented the “Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration” (Phase 1) to support the improvement of basic knowledge and skills of tax administration personnel in the field of international taxation and to develop a practical foundation of tax administration. In the field of tax collection, Phase 1 also supported the establishment of the Tax Debt Call Center to deal with small delinquent taxpayers. However, in the field of international taxation, there was still a shortage of intermediate and advanced personnel capable of further institutional development for tax enforcement and practice of international taxation. In the field of tax collection, there was a need to review regulations and the practical framework. In order to fully operate the Tax Debt Call Center, which was opened in March 2016, and to improve its operational efficiency. In response, the “Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase 2” was implemented with aim of further improving tax administration related to international taxation and tax collection.</p>
Objectives of the Project	<p>Through the acquisition of knowledge and skills, in the field of international taxation, the development of a foundation for the practical implementation for international taxation, and the development of the operational implementation foundation in the field of tax collection, the project aims at reinforcing tax administration related to international taxation and tax collection throughout Mongolia, thereby contributing to further improvement of tax administration related to international taxation and tax collection.</p> <p><Phase 1></p> <ol style="list-style-type: none"> 1. Overall Goal: Fair and appropriate tax administration is enforced in Mongolia. 2. Project Purpose: The capacity of Mongolian Tax Administration (MTA)¹ on international taxation and tax collection are strengthened. <p><Phase 2></p> <ol style="list-style-type: none"> 1. Overall Goal: Mongolian tax administration in the field of international taxation and tax collection is further improved. 2. Project Purpose: Mongolian tax administration in the field of international taxation and tax collection is reinforced.
Activities of the Project	<ol style="list-style-type: none"> 1. Project Site: <ul style="list-style-type: none"> <Phase 1> Ulaanbaatar (General Department of Taxation), and 21 provinces, Ulaanbaatar city and districts (tax offices) <Phase 2> Entire Mongolia 2. Main Activities: <ul style="list-style-type: none"> <Phase 1> <ol style="list-style-type: none"> (1) Implementing basic training to acquire fundamental knowledge and skills related to international taxation. (2) Formulating a human resource development plan, revising the training curriculum and materials, and conducting training on international taxation towards the development of a practical foundation for international taxation. (3) Providing advice on the establishment and operation of the Tax Debt Call Center to improve MTA collection procedures. <Phase 2> <ol style="list-style-type: none"> (1) Formulating a human resource development plan, revising training curriculum and materials, and conducting training and follow-up training to acquire intermediate and advanced level knowledge and skills related to international taxation. (2) Support for improving the international taxation system and amending laws and regulations to further develop the practical foundation for international taxation. (3) Assessing the status of delinquency clearance and implementation of delinquency settlement, preparing manuals to facilitate smooth collection administration and strengthen collection procedures, and supporting efforts to improve the operation-implementation system through the Tax Debt Call Center. 3. Inputs (to carry out above activities)

¹ Tax Administration under the General Department of Taxation.

	<p>Japanese Side <Phase 1> (1) Experts: 6 persons (2) Trainees received (Training in Japan): 53 persons (3) Provision of equipment: Equipment (servers, routers, PCs, etc.) for operations at the Tax Debt Call Center (4) Local operation expenses</p> <p><Phase 2> (1) Experts: 7 persons (2) Trainees received (Training in Japan): 44 persons (3) Provision of equipment: Equipment (computer, telephone, earphones, etc.) necessary to operate the tax offices in Ulaanbaatar city (4) Local operation expenses</p>		<p>Mongolian Side <Phase 1> (1) Staff allocated: 7 persons (2) Facilities and equipment: Project office, seminar/workshop rooms, etc. (3) Local costs: Cost of maintenance of equipment provided, cost of training conducted at the training center</p> <p><Phase 2> (1) Staff allocated: 7 persons (2) Facilities and equipment: Project office, seminar/workshop rooms, etc. (3) Local costs: Daily allowances and participation expenses for local trainees</p>
Project Period	<p><Phase 1> (ex-ante) November 2013-October 2016 (36 months) (actual) November 2013-October 2016 (36 months) <Phase 2> (ex-ante) December 2016-November 2019 (36 months) (actual) January 2017-January 2020 (36 months²)</p>	Project Cost (Japanese side only)	<p><Phase 1> (ex-ante) 253 million yen (actual) 270 million yen <Phase 2> (ex-ante) 307 million yen, (actual) 327 million yen</p>
Implementing Agency	General Department of Taxation (GDT)		
Cooperation Agency in Japan	National Tax Agency of Japan		

II. Result of the Evaluation

<Special Perspectives Considered in the Ex-Post Evaluation>

In the ex-post evaluation, Phase 1 and Phase 2 are evaluated as a single project. Both phases demonstrate continuity in project timeline (Phase 2 commencing approximately 3 months after the completion of Phase 1) and continuity in the logic models (The Project Purposes of Phase 1 and Phase 2 are common. The Overall Goal of Phase 2 is contiguous with the Project Purpose and Overall Goal of Phase 1, and it is at a higher level). Therefore, in evaluating the degree of achievement of effectiveness and impact, the indicators of the Project Purpose and Overall Goal of Phase 2 shall be applied and verified.

1 Relevance/Coherence

[Relevance]

<Consistency with the Development Policy of Mongolia at the Time of Ex-Ante Evaluation>

The project was consistent with the Mongolian government's development policy at the time of ex-ante evaluation.

<Phase 1><Phase 2> The "Comprehensive National Development Policy of Mongolia" formulated in 2008 emphasized the importance of increasing revenue through the introduction of an appropriate taxation system, expansion of the tax base, and improvement of tax collection. In addition, in the "Government Action Plan 2012-2016," taxation was recognized as a vital function supporting the foundation of national finances. In this context, the Mongolian government promoted the "Medium-Term National Tax Development Plan 2012-2015" and the "Second Stage of Tax Reform" (started in 2012) with the aim of establishing efficient, effective, and transparent tax collection operations.

<Consistency with the Development Needs of Mongolia at the Time of Ex-Ante Evaluation>

The project was consistent with development needs of Mongolia at the time of ex-ante evaluation.

<Phase 1><Phase 2> As mentioned in the "Background" above, with the promotion of mining development, the entry of many foreign companies highlighted the needs of human resource development capable of institutional establishment and practicing in the field of international taxation, while in the field of tax collection, it was necessary to develop legal framework and review the operational system.

<Appropriateness of Project Design/Approach>

The project design/approach was appropriate.

<Phase 1><Phase 2> No problem attributed to the project design/approach was confirmed in both phases.

<Evaluation Result>

In light of the above, the relevance of the project is ③³.

[Coherence]

<Consistency with Japan's ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with Japan's ODA policy to Mongolia at the time of ex-post evaluation.

<Phase 1><Phase 2> In the Country Assistance Policies for Mongolia (2012) at the time of ex-ante evaluation for both phases, "Sustainable development of mineral resources and strengthening governance" was positioned as a priority area, and assistance was to be provided for the establishment and consolidation of governance systems, including human resource development, legal framework enhancement and improvement of their operational capacity, to link increased mineral resource-related revenue to long-term economic development.

<Collaboration/Coordination with JICA's other interventions>

<Phase 1><Phase 2> The collaboration/coordination between the project and JICA's other intervention was not clearly planned at the time of ex-ante evaluation. However, collaboration was realized during the project period with "Fiscal, Social and Economic Reform

² In the evaluation, both the starting and ending months are counted, making the project period 37 months, but the actual project period was from January 24, 2017 to January 23, 2020, exactly 3 years (36 months).

³ ④ : very high, ③ : high, ② : moderately low, ① : low

Development Policy Loan” (2017) which supported policy reform in Mongolia as part of an international support package. This led to synergy effects that linked policy-level reforms with field-level activities, resulting in continuous support for reforms through human resource development and legal framework enhancement.

<Cooperation with other institutions/ Coordination with international framework>

<Phase 1> The cooperation/coordination with the World Bank was planned at the time of ex-ante evaluation, including information sharing and discussions on the division of roles. As a result, in supporting the establishment and operation of the Tax Debt Call Center, the World Bank provided assistance for the introduction of a debt management system and the establishment of a database at the Center. The project, on the other hand, JICA provided assistance in operating the Center using the debt management system, along with equipment provision. At the time of ex-post evaluation, the Tax Debt Call Center efficiently carried out delinquency notification tasks by utilizing the information extracted from the debt management system, following the operational policies and manuals that were developed under the project.

<Phase 2> The cooperation/coordination such as information sharing with the International Monetary Fund (IMF) was planned at the time of ex-ante evaluation and implemented as planned, and the positive effect was confirmed at the time of ex-post evaluation. While the IMF conducted a study aimed at rectifying tax treaties, the project utilized the results of IMF’s study to provide advice on addressing challenges and improvements regarding tax treaties. Moreover, through close cooperation/coordination with the IMF, the project’s proposals for the amendment of the laws were supported by the IMF’s Extended Fund Facility, an international support package. This resulted in facilitating the progress of the legal reform.

<Evaluation Result>

In light of the above, the coherence of the project is ③.

[Evaluation Result of Relevance/Coherence]

In the light above, the relevance/coherence of the project is ③.

2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the Time of Project Completion>

<Phase 1><Phase 2> By the time of project completion, the Project Purpose was mostly achieved as planned. At the beginning of the project, there were hardly any advanced cases of close-border transaction audits. However, an increase in the number of those audits was observed in 2018 and 2019 (Indicator 1). Furthermore, information on cross-border transaction audits has been shared and utilized as case studies in staff training (Indicator 2). Regarding efforts of the legal reform, proposals for the amendment of laws related to international taxation (General Tax Law and Corporate Tax Law) were submitted and accepted by the Ministry of Finance (Indicator 3). At the Tax Debt Call Center, which was newly established in 2016, the processing volume of corporation payment and telephone demand notifications increased compared to the initial period of the establishment of the Center (Indicator 4). Concerning the operational manuals, due to the significant delay in the enactment of the amended laws, the developed manuals could not be put to trial in a pilot subdistrict; however, they were utilized in training sessions prior to the enactment of the amended laws, and the finalized version of the manuals was utilized in tax offices throughout Mongolia after its enforcement (Indicator 5). As for the operations related to the right of self-enforcement, the revenue generated from the operations of the right of self-enforcement could not be verified at the time of project completion because the amended laws introducing the right of self-enforcement came into effect in January 2020 (the month of completion of Phase 2) (Indicator 6).

<Continuation Status of Project Effects at the Time of Ex-Post Evaluation>

<Phase 1><Phase 2> By the time of the ex-post evaluation, the project effects have been continued. The number of advanced cases of cross-border transaction audits could not be verified because a formal system for conducting those audits was newly established following the amendment of the tax laws, and peer reviews were no longer conducted at the time of the ex-post evaluation (Indicator 1). However, case studies utilizing information of cross-border transaction audits continue to be shared through training and other means even after the project completion (Indicator 2). With regard to efforts related to the legal reform, various proposals have been submitted as needed, and guidance has been provided to the relevant departments (Indicator 3). At the Tax Debt Call Center, although the number of paid corporations decreased due to the impact of the Coronavirus Disease 2019 (COVID-19)⁴, the volume of demand notifications by telephone has increased since the operation of the “Telephone Reminder System for Delinquent Tax Collection” began in 2020 (Indicator 4). The “Manual on Delinquent Tax Collection” prepared under the project was revised in 2022 and has been used for training and in the daily work by officials (Indicator 5). As for the operations related to the right of self-enforcement, revenue was obtained through enforcement procedures, leading to the full or partial collection of delinquent taxes totaling 1,908.5 billion Tugriks⁵ from 32,287 taxpayers in 2022 (Indicator 6).

<Status of Achievement of the Overall Goal at the Time of Ex-Post Evaluation>

<Phase 1><Phase 2> At the time of ex-post evaluation, the Overall Goal has been achieved as planned. The detection rate of misfiling and non-filing on cross border transactions decreased in 2020 due to the COVID-19 pandemic, but there has been an increasing trend since 2021 (Indicator 1). The amended laws on international taxation were accepted by the Ministry of Finance and enacted in January 2020 (Indicator 2). In terms of collection through the Tax Debt Call Center, there has been an increasing trend even after the project completion (Indicator 3). Regarding collection through the exercise of the right of self-enforcement, due to the impact of COVID-19, the enforcement measures of tax collection were interrupted in 2020 and 2021. However, in 2022, measures such as seizing bank accounts, claims, and property were implemented (Indicator 4).

<Other Impacts at the Time of Ex-Post Evaluation>

<Phase 1><Phase 2> A positive impact has been confirmed. The Ministry of Finance of Mongolia and the Ministry of Finance of Japan held the “First Negotiation Meeting” in 2017, aiming to conclude an agreement for avoidance of double taxation. The project collaborated with the initiatives of the two countries to conclude an agreement for avoidance of double taxation by incorporating regulations on the implementation of mutual consultations related to the agreement into proposed tax law amendment. Furthermore, during

⁴ Transitioned to the emergency operations implementation system, collection of delinquent taxes, seizure of taxpayers’ bank accounts, and appropriation of account deposits to delinquent taxes were temporarily suspended, and bank accounts of taxpayers that were seized for the purpose of collecting delinquent taxes prior to the transition to the emergency operations implementation system were released.

⁵ Reference: 1,000 Tugriks =38.66 JPY, 1,000 Tugriks=0.2914 USD (Calculated based on International Monetary Fund data for December 2022)

the visit of the Mongolian President to Japan in November 2022, an agreement was reached on “exchange of views towards the conclusion of a bilateral tax treaty between the two countries”, and the two countries continue to exchange views toward holding the “Second Negotiation Meeting.” It can be said that the project contributed to the advancement of the two countries’ initiatives to conclude the tax treaty that will facilitate sound bilateral investment and economic exchange between the two countries.

<Evaluation Result>

In light of the above, the effectiveness/impact of the project is ③.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results	Source
(Project Purpose) Mongolian tax administration in the field of international taxation and tax collection is reinforced.	Indicator 1: The number of advanced cases ⁶ on audit of cross border transaction submitted by trainees during the peer review is increased compared with that of the beginning of the project.	Status of the Achievement (Status of the Continuation): Achieved as planned (Not verifiable) (Project Completion) At the beginning of the project, there were hardly any advanced cases of cross border transaction audits; however, in the first peer review conducted in 2018, 4 out of 8 cases met the criteria of advanced cross border transaction audits; in the second peer review conducted in November 2019, 7 out of 8 cases met the criteria, confirming an increase in the number of advanced cases of cross border transaction audits. (Ex-Post Evaluation) After the project completion, a formal system for conducting cross border transaction audits was put in place following the amendment of the tax laws, and the peer review was no longer conducted at the time of ex-post evaluation.	Project Completion Report (Phase 2), GDT
	Indicator 2: Knowledge is shared through case studies utilizing information of cross border transaction collected and accumulated during the project period.	Status of the Achievement (Status of the Continuation): Achieved as planned (Continued) (Project Completion) Information on cross border transaction audits was shared and utilized as case studies in training for officials. Training focusing on a comparative study of cases between Mongolia and Japan was also conducted. (Ex-Post Evaluation) Training was conducted on international taxation and double taxation avoidance agreements, as well as on the method of selecting comparable entities for cross border transaction audits. These training sessions facilitated the sharing of information among inspectors.	Project Completion Report (Phase 2), GDT
	Indicator 3: A proposal on amendment of laws related to the international taxation is submitted by GDT, and received by the Ministry of Finance.	Status of the Achievement (Status of the Continuation): Achieved as planned (Continued) (Project Completion) Proposals for the amendment of the Law on International Taxation (General Tax Law and Corporate Tax Law sections) were submitted and accepted by the Ministry of Finance. (Ex-Post Evaluation) The Department of Tax Administration and International Taxation is responsible for preparing proposals for amendments to tax laws and regulations, submitting such amendments to higher authorities, and providing guidance. Various proposals requiring amendments to rectify uncertainties at the law enforcement stage are submitted on an ongoing basis.	Project Completion Report (Phase 2), GDT

⁶ An advanced cross-border transaction is defined as a case that has reached the level of 3.5 points out of 5 overall rating in the peer review evaluation.

<p>Indicator 4: The number of cases dealt by the Tax Debt Call Center is increased compared with that of the commencement of the Center.</p>	<p>Status of the Achievement (Status of the Continuation): Achieved as planned (Continued) (Project Completion)</p> <p>At the Tax Debt Call Center newly established in 2016, the percentage of paid corporations increased from 59.2% in 2016 to 62.9% in 2017 and further to 66.4% in 2018. The percentage remained high despite a slight decrease in 2019. The number of demand notifications by telephone showed an increasing trend until 2018. Although it decreased in 2019, it was still higher than when the Center began operations. (Ex-Post Evaluation)</p> <p>In 2020 and 2021, the percentage of paid corporations was low following the transition to the emergency operations implementation system due to COVID-19, but increased slightly in 2022. As of May 2023, the percentage was already in line with the 2022 percentage. The number of demand notifications by telephone increased significantly in 2020 with the introduction of “Telephone Reminder System for Delinquent Tax Collection.” Prior to the system implementation, inspectors handled around 40 cases per person, compared to an increase to 80 cases per person after the system’s introduction. In 2022, the number of demand notifications by telephone reached 120,000 cases.</p> <table border="1" data-bbox="523 622 1305 969"> <thead> <tr> <th></th> <th>Number of corporations in jurisdiction (A)</th> <th>of which number of corporations that paid (B)</th> <th>Percentage of corporations that paid (%) (B)/(A)</th> <th>Number of demand notifications by telephone</th> </tr> </thead> <tbody> <tr> <td>2016*</td> <td>23,201</td> <td>13,745</td> <td>59.2%</td> <td>31,202</td> </tr> <tr> <td>2017</td> <td>50,389</td> <td>31,706</td> <td>62.9%</td> <td>39,930</td> </tr> <tr> <td>2018</td> <td>54,927</td> <td>36,461</td> <td>66.4%</td> <td>69,665</td> </tr> <tr> <td>2019</td> <td>67,817</td> <td>38,049</td> <td>56.1%</td> <td>49,912</td> </tr> <tr> <td>2020</td> <td>57,751</td> <td>11,014</td> <td>19.1%</td> <td>81,206</td> </tr> <tr> <td>2021</td> <td>57,860</td> <td>16,794</td> <td>29.0%</td> <td>88,618</td> </tr> <tr> <td>2022</td> <td>70,998</td> <td>22,349</td> <td>31.5%</td> <td>124,873</td> </tr> <tr> <td>2023**</td> <td>24,966</td> <td>7,508</td> <td>30.1%</td> <td>50,317</td> </tr> </tbody> </table> <p>* Data for 2016 is from March to December. ** Data for 2023 is up to May.</p>		Number of corporations in jurisdiction (A)	of which number of corporations that paid (B)	Percentage of corporations that paid (%) (B)/(A)	Number of demand notifications by telephone	2016*	23,201	13,745	59.2%	31,202	2017	50,389	31,706	62.9%	39,930	2018	54,927	36,461	66.4%	69,665	2019	67,817	38,049	56.1%	49,912	2020	57,751	11,014	19.1%	81,206	2021	57,860	16,794	29.0%	88,618	2022	70,998	22,349	31.5%	124,873	2023**	24,966	7,508	30.1%	50,317	<p>Project Completion Report (Phase 2), GDT</p>
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<p>Indicator 5: Manual submitted by the Project is utilized at another district tax office in Ulaanbaatar on a trial basis.</p>	<p>Status of the Achievement (Status of the Continuation): Mostly achieved as planned (Continued) (Project Completion)</p> <p>With regard to the trial run of the operational manual in a pilot subdistrict, which was envisioned at the time of ex-ante evaluation, there was a move to significantly amend the tax collection-related laws during the project implementation, and as an alternative, the “Manual on Delinquent tax collection” was prepared in line with the amended laws. Although the enactment of the amended laws was much later than expected due to the postponement of the deliberations in the National Assembly, and the Manual could not be trialed in the pilot subdistrict, the Manual was utilized in training prior to the enactment of the amended tax laws. Furthermore, after the enforcement of the amended tax laws, the finalized version of the Manual was used in all tax offices throughout Mongolia. (Ex-Post Evaluation)</p> <p>The “Manual on Delinquent tax collection” was revised in 2022 and has been used in training and in the daily work by officials.</p>	<p>Project Completion Report (Phase 2), GDT</p>																																													
<p>Indicator 6: Revenue is recognized as a result of execution of self-enforcing</p>	<p>Status of the Achievement (Status of the Continuation): Not achieved (Achieved after the project completion and continued) (Project Completion)</p> <p>Since the amended tax laws that introduced the right of self-enforcement were enacted in January 2020, the indicator could not be verified at the time of project completion. (Ex-Post Evaluation)</p> <p>Due to the impact of COVID-19, tax collection enforcement measures were interrupted in 2020 and 2021. However, in 2021, various enforcement measures were implemented for delinquent taxes, including claims for 3,392.7 billion Tugriks, freezing of bank accounts with deposits totaling 1,188.1 billion Tugriks, seizure of claims for delinquent taxes amounting to 600 million Tugriks, seizure of property for delinquent taxes totaling 90.8 billion Tugriks, and public auction procedures for delinquent taxes totaling 3.9 billion Tugriks. Additionally, through enforcement procedures, delinquent taxes totaling 1,908.5 billion Tugriks were collected in full or in part from 32,287 taxpayers.</p>	<p>Project Completion Report (Phase 2), GDT</p>																																													

(Overall Goal) Mongolian tax administration in the field of international taxation and tax collection is further improved.	Indicator 1: Detection rate of misfiling and non-filing on cross border transaction is increased compared with that of the project completion.	Status of the Achievement: Achieved as planned (Ex-Post Evaluation) Due to the COVID-19 pandemic, the detection rate of misfiling and non-filing decreased in 2020, but has been on an increasing trend since 2021.	GDT																								
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Indicator 2: For future amendment of relevant laws related to the indicator 2-2 ⁷ of Output 2, GDT submits revised proposal to the Ministry of Finance based on their instruction.	Status of the Achievement: Achieved as planned (Ex-Post Evaluation) The proposals submitted by GDT to amend the laws on international taxation (the General Tax Law and the Corporate Tax Law sections) were accepted by the Ministry of Finance. The amended bill was enacted in January 2020 following a public comment hearing.	GDT																									
Indicator 3: The Tax Debt Center is not decreased or is increased compared with that the project completion.	Status of the Achievement: Achieved as planned (Ex-Post Evaluation) As indicated in the table below, there has been an increasing trend in tax collection made by the Tax Debt Center since the project completion.	GDT																									
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Indicator 4: The number of cases dealt as the self-enforcing is increased	Status of the Achievement: Achieved as planned (Ex-Post Evaluation) The GDT conducts stage-specific training and case studies on the exercise of the right of self-enforcement four to five times annually, and also provides guidance and advice on post-training practices. Although enforcement measures for tax collection were interrupted in 2020 and 2021 under the emergency operations implementation system due to COVID-19, in addition to the performance status of the continuation of the above-mentioned Project Purpose (Indicator 6), the Khentii Provincial Tax Office and the Capital City Tax Department executed the self-enforcement from 2022 to the first quarter of 2023 in the following cases: seizures 4 family residential plots, 2 apartments, 1 underground well, and 7 residential rooms owned by 3 taxpayers, and conducted voluntary contract conversion procedures.	GDT																									

3 Efficiency

The project cost slightly exceeded the plan (the ratio against the plan: 107%) due to the combined factors, and the project period was as planned (the ratio against the plan: 100%). Outputs were produced as planned.

	Project Cost (Japanese side only, yen)	Project Period (months)
Plan (ex-ante)	560 million yen	72 months
Actual	597 million yen	72 months
Ratio (%)	107%	100%

In the light above, the efficiency of the project is ③.

4 Sustainability

<Policy Aspect>

In GDT's "Strategic Plan 2020-2024," the implementation of amended tax laws related to international taxation and tax collection is explicitly outlined. Moreover, the Strategic Plan incorporates the execution of amended tax laws on international taxation and tax collection as a long-term plan, indicating that the policy is established for the future. Therefore, the sustainability of the policy aspect is adequately ensured.

⁷ Indicator 2-2 (Output 2): Japanese project team finalizes a proposal on future taxation reform including establishment of source rules on domestic source income, expansion of systems related to international tax avoidance, and development of system for the elimination of international double taxation.

<Institutional/Organizational Aspect>

Following the amendment of the tax laws, the Division of International Taxation was newly established in the Department of Tax Administration and International Taxation, and its role and authority were clearly defined in the Ministerial Ordinance (Ministerial Ordinance No. 4. 2020). The Department of Tax Administration and International Taxation is responsible for drafting amendments to tax laws and notifications, submitting such amendments to higher competent authorities, and providing specialized guidance. Within this, the Division of International Taxation is in charge of communication, coordination, and collaboration with foreign tax authorities. In the field of tax collection, a team in charge of challenging cases was newly established in the Capital City Tax Department to exercise the right of self-enforcement. The team manages advanced cases and provides guidance to delinquent processing officials at district tax offices. As for the personnel structure, of the 72 core officials in international taxation trained under the project, 55 officials (76%), are still in their current positions (including those on maternity leave and those studying abroad). These officials use knowledge and skills acquired through the project. Additionally, 11 of them are serving as senior officers or higher positions. Since it is essential to develop tax personnel through continuous training and it is more important to retain trained personnel than to recruit new ones, the salaries of officials have also been augmented since FY2023. The Ministerial Ordinance specifies the required number of personnel and the associated budget, ensuring that personnel can be secured in the future. In this manner, GDT was reorganized to fulfill its responsibility for international tax administration, and its policy is to strengthen its organization. Furthermore, given that established structure to secure the necessary workforce for its activities, the sustainability in terms of institutional and organizational aspects is assured for the future.

<Technical Aspect>

The Division of Human Resources and Training, newly established as part of the reorganization following the amendment of the tax laws, is responsible for overall training operations. The training contents introduced under the project have been carried forward, and a wide variety of training programs (e.g., training related to the implementation of field-specific inspections of international taxation, training for the teams in charge of challenging cases, etc.) have been conducted. The Division of Human Resources and Training has implemented a structure where inspectors with practical abilities can serve as instructors for various training topics. Additionally, JICA was requested (in 2021) to support the introduction of an online training system, and the online training has been fully operational since June 2022. The training materials created under the project are stored in the system and are being used. Through these efforts, the system has been established to leverage capable inspectors with practical abilities as instructors regardless of their transfers. This ensures that the training implementation structure will be sustained into the future. Therefore, sustainability in terms of technical aspect is adequately secured.

<Financial Aspect>

GDT stably secures the necessary financial resources for the execution of tax administration related to international taxation and tax collection from national budget. The annual budget of the MTA has remained stable at around 57,000 million Tugriks from 2020 to 2023. Moreover, annual budget allocations and the budget forecast were approved in the Medium-Term Financial Framework. Furthermore, as part of international cooperation, IMF’s support was extended until May 2024, and the “Project for Tax Administration based on Big Data” supported by JICA is scheduled to start in December 2023. These efforts are expected to secure stable financial revenues. Consequently, with the stable national budget and efforts to secure stable financial revenues, financial resources are expected to be secured for the future.

<Environmental and Social Aspect>

No issue on environmental and social aspect has been observed, and it has not been necessary to take any countermeasures.

<Evaluation Result>

In light of the above, no problem has been observed in terms of the policy / institutional/organizational / technical / financial/ environmental and social aspects. Therefore, the sustainability of the project effects is ④.

5 Summary of the Evaluation

The project mostly achieved the Project Purpose of reinforcing tax administration related to international taxation and tax collection, and the project effects have been continued. The Overall Goal was achieved as planned, and further improvements in tax administration related to international taxation and collection were confirmed. In terms of the efficiency, while project costs slightly exceeded the plan, the project period was as planned. The sustainability has been maintained and secured for the future across policy, institutional and organizational, technical, and financial aspects.

Considering all of the above points, this project is evaluated to be highly satisfactory.

III. Non-score Items

Adaption and Contribution:

- The local staff at the JICA Mongolia office had extensive experience in this sector. Therefore, in the Detailed Design Survey, it allowed them to formulate the project based on a thorough understanding of the needs for legal reform in Mongolia. Additionally, by closely cooperating with the IMF and other donors, the project played an important role in the IMF’s policy assistance.
- The experts dispatched in the project gained high confidence from counterparts because they had been involved in Mongolian assistance for many years and were former officials of the National Tax Agency of Japan. As a result, they successfully built a positive relationship with the counterparts and actively responded flexibly to their needs to achieve the objectives of the project.

Additionality and Creative Values:

- The project team provided advice on the amendment of the laws and regulations by utilizing Japan’s knowledge and experience in the field of tax collection such as the right of self-enforcement, through cooperation with the National Tax Agency of Japan, including the implementation of training in Japan. As a result, proposals for amending the laws were submitted in line with practice, and many of them were reflected in the amended laws.

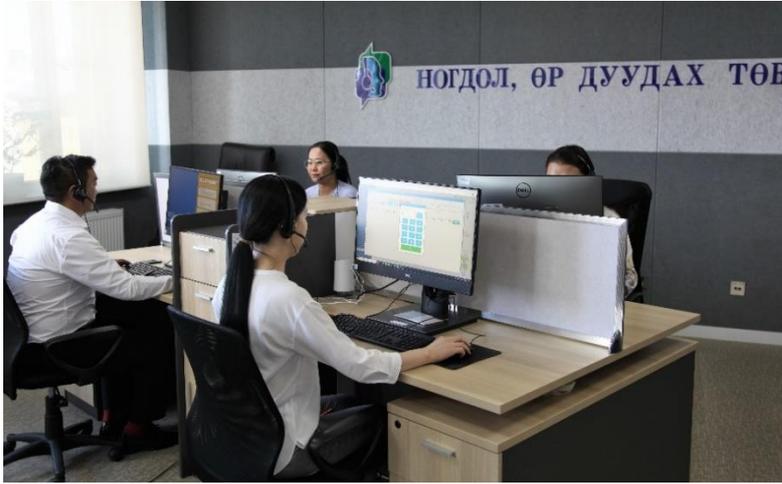
IV. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

Retention of civil servants is an issue in Mongolia, and likewise in the GDT, personnel transfers are frequent, and not a small number of employees leave their positions due to poor compensation and other reasons. Therefore, in order to further enhance the sustainability of the project, it is essential to continue placing the human resources developed through the project in appropriate positions, and to take measures and secure budgets to ensure the retention of human resources.

Lessons Learned for JICA

In order to enhance the sustainability of the project, human resource development of core staff for international taxation was conducted with reference to the Japanese system and in accordance with the actual situation in Mongolia, where human resources are scarce. In addition, the necessity of organizational restructuring, including the establishment of a new division specializing in international taxation, was discussed prior to the revision of the law, with reference to the content of the Japanese training program. After the project completion, the Division of International Taxation and the Division of Human Resources and Training were newly established, and the budget was secured in accordance with the enforcement of the law. At the time of ex-post evaluation, the Division of Human Resources and Training had established a system to assign investigators from the core officials of international taxation who can provide practical guidance as training instructors, and human resources are being used efficiently even after the project completion. Therefore, it can be said that this project contributed not only to the development of human resources but also to the establishment of the system to continuously utilize the trained human resources.



A view of the Tax Debt Call Center that supported the establishment and operation in the program.



Training materials and handbooks created by this project.