

Country Name	Project for Capacity Development of General Department of Taxation (GDT) under the Framework of PFM Reform
Kingdom of Cambodia	

I. Project Outline

Background	<p>In Cambodia, tax revenue increased along with economic growth since the early 2000s. However, compared to other ASEAN countries, tax administration based on the self-assessment regime was not functioning adequately. And the ratio of tax revenue to GDP was low mainly due to taxpayers' low awareness of tax payment. In addition, customs revenue was expected to decline as a result of Cambodia's accession to the World Trade Organization (WTO) and progress in global economic integration. Under these circumstances, it was necessary to strengthen tax administration to improve services for taxpayers and increase tax revenue by means of expanding taxpayers, strengthening of tax audit, raising taxpayers' awareness, handling taxpayers' complaints, and so on. Against the backdrop of that, in order to improve the capacity of tax audit, services for taxpayers, bookkeeping and accounting, and other capacities of the staff of the General Department of Taxation (GDT) of the Ministry of Economy and Finance (MEF), technical cooperation projects, the "Capacity Building Project for Tax Department" (phase 1 and phase 2) had been implemented from 2004 with the assistance of the government of Japan. As a result, the overall technical capacity of the staff of GDT was improved. However, it was pointed out as a lesson from these projects, in order to improve operational capacity and change behavior in business execution of the staff of GDT for realizing substantial tax revenue increase, it was required to strengthen institutional capacity through hands-on training, on-the-job training (OJT), and day-to-day advice at the field level.</p>												
Objectives of the Project	<p>Through strengthening of the institutional capacity of GDT for tax audit and services for taxpayers, the project aims at enhancement of the self-assessment regime in Cambodia, thereby contributing to increasing the tax revenue based on the self-assessment regime.</p> <ol style="list-style-type: none"> Overall Goal: The revenue based on self-assessment regime is increased. Project Purpose: Tax collection function of GDT is further strengthened through enhancement of self-assessment regime. 												
Activities of the Project	<ol style="list-style-type: none"> Project Site: Phnom Penh Main Activities: <ol style="list-style-type: none"> strengthening of the institutional capacity for tax audit, improvement of services for taxpayers. Inputs (to carry out above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Cambodian Side</td> </tr> <tr> <td>1) Experts: 19 persons</td> <td>1) Staff allocated: 58 persons</td> </tr> <tr> <td>2) Trainees Received: 52 persons</td> <td>2) Land and Facilities: project office</td> </tr> <tr> <td>3) Training in the Third Country: 57 persons (Malaysia, Indonesia, Thailand, Singapore)</td> <td>3) Local cost: cost for utility of offices (electricity, water and telephone)</td> </tr> <tr> <td>4) Equipment: signboards, whiteboards, tax-related books and textbooks, etc.</td> <td></td> </tr> </table> 			Japanese Side	Cambodian Side	1) Experts: 19 persons	1) Staff allocated: 58 persons	2) Trainees Received: 52 persons	2) Land and Facilities: project office	3) Training in the Third Country: 57 persons (Malaysia, Indonesia, Thailand, Singapore)	3) Local cost: cost for utility of offices (electricity, water and telephone)	4) Equipment: signboards, whiteboards, tax-related books and textbooks, etc.	
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Project Period	Ex-ante: September 2011 – August 2014 (36 months) Actual: September 2011 – July 2015 (47 months)	Project Cost (Japanese side only)	Ex-ante: 259 million yen, Actual: 221 million yen										
Implementing Agency	General Department of Taxation (GDT), Ministry of Economy and Finance (MEF)												
Cooperation Agency in Japan	National Tax Agency												

II. Result of the Evaluation

<Special Perspectives Considered in the Ex-Post Evaluation>

- Continuation status of project effects, achievement of the Overall Goal, and sustainability of the project were evaluated by the project effects including the effects made by the subsequent project of the "Project for Capacity Development of General Department of Taxation (GDT) under the Framework of PFM Reform, Phase 2" (2015-2019)¹ (hereinafter referred to the Phase 2 project).

1 Relevance/Coherence

[Relevance]

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

The project was consistent with the development policy of Cambodia at the time of ex-ante evaluation. The "National Strategic Development Plan 2006-2010" (NSDP 2006-2010) (extended to 2013) was a specific plan for the Cambodian national development strategy of the "Rectangular Strategy Phase II" (RS II) and the Cambodian Millennium Development Goals (CMDGs). In NSDP 2006-2010, emphasis was placed on the increase in tax revenue through reliable tax collection as an important means to realize a favorable macroeconomic and fiscal environment.

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

The project was consistent with the development needs of Cambodia at the time of ex-ante evaluation. The bureau of "National Tax Service" was upgraded to GDT in 2008, and its authority was expanded. On the other hand, with the expansion of the self-assessment regime through the establishment of seven branch offices in the country, new needs such as the improvement of the ability of tax auditors, who did not necessarily have sufficient knowledge of tax audit, bookkeeping, and accounting, had arisen. In addition, in order to fulfill the

¹ Based on the effects made by the project, the Phase 2 project was implemented to improve the capacity of GDT staff of strategy formulation for taxpayers' services, tax information provision to taxpayers, and operational improvement.

functions of the expanded authority, GDT was required to strengthen its institutional capacity of tax audit and taxpayer services particularly in new industries, as well as the internal affairs and personnel management that supported those functions.

<Appropriateness of Project Design/Approach>

The project design/approach was appropriate. No problem attributed to the project design/approach was confirmed.

<Evaluation Result>

In light of the above, the relevance of the project is ③².

[Coherence]

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

The project was consistent with the Japan's ODA policy to Cambodia at the time of ex-ante evaluation. In the "Country Assistance Program for Cambodia" (February 2002) of the government of Japan, realization of sustainable economic growth and a stable society was identified as one of the four priority areas of assistance. It said that the most important thing for the country's development was sustainable economic growth. To that end, it was necessary to promote the effective development of social and economic infrastructure while smoothly implementing various reforms and ensuring good governance.

<Collaboration/Coordination with JICA's other interventions>

Any collaboration/coordination between the project and JICA's other intervention was not clearly planned at the time of ex-ante evaluation or during the project period.

<Cooperation with other institutions/ Coordination with international framework>

Any cooperation/coordination with other institutions was not clearly planned at the time of ex-ante evaluation or during the project period.

<Evaluation Result>

In light of the above, the coherence of the project is ②.

[Evaluation Result of Relevance/Coherence]

In light of the 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>

At the time of project completion, the Project Purpose was partially achieved. The ratio of taxpayers filing tax returns among registered companies did not show an increasing trend during the period from 2011 to 2014 (Indicator 1). The ratio of self-assessed taxpayers increased during the same period (Indicator 2). Regarding sharing and utilization of knowledge/knowhow learned in the project (Indicator 3), while the tax audit casebook was completed and shared in GDT, the information collection format and Frequently Asked Questions (FAQs) have not been finalized by the time of project completion. Knowledge and knowhow provided by the project remained as knowledge, and there was not a system established in GDT to share and practice it. Practice of knowledge was left to the self-initiative of each staff member.

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

By the time of the ex-post evaluation, the project effects have been continued. The ratio of taxpayers filing tax returns is on the increasing trend after the completion of the project. The level of figures is lower compared to the project implementation period, but the upward trend is clear. Although the lower level of figures is supposed to be caused by a change of calculation method, the real reason could not be identified. The ratio of self-assessed taxpayers has become 100% due to the national taxation regime consolidation from dual regimes to single regime of the self-assessment in 2016. The contribution of the project to the regime consolidation could not be verified. Knowledge/knowhow learned in the project has been shared and utilized in GDT through seminars and workshops conducted by GDT for its staff and taxpayers. FAQs, which was one of the major knowledge sharing mechanisms that the project and the Phase 2 project tried to establish, has been completed and published on the GDT website.

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

At the time of ex-post evaluation, the Overall Goal has been achieved. The share of tax revenue in GDP increased during the project implementation period and after the completion of the project (Indicator 1). Although data is not available, according to GDT's response to the questionnaire survey, the ratio of tax in arrears newly incurred per year has decreased (Indicator 2).

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

No particular positive or negative impact is observed at the time of ex-post evaluation.

<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: Tax collection function of GDT is further strengthened through enhancement of self-assessment regime.	Indicator 1: The ratio of taxpayers who file tax return is increased.	Status of Achievement (Status of the Continuation): Not achieved (achieved and continued). (Project Completion) The ratio of taxpayers filing tax returns among registered companies was 57.3% in 2011, 55.7% in 2012, 51.8% in 2013, and 56.1% in 2014. The proportion did not show an increasing trend but had been stagnant and slightly decreased in 2012 and 2013. (Ex-Post Evaluation) Table 1: The ratio of taxpayers who filed tax return <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Year</th> <th>2016</th> <th>2018</th> <th>2020</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Year	2016	2018	2020	2022						Terminal Evaluation Report, GDT
Year	2016	2018	2020	2022									

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

		<table border="1"> <tr> <td>The number of registered companies</td> <td>61,446</td> <td>76,437</td> <td>93,114</td> <td>109,124</td> </tr> <tr> <td>The number of taxpayers who filed tax return</td> <td>17,967</td> <td>26,227</td> <td>36,425</td> <td>44,755</td> </tr> <tr> <td>The ratio of taxpayers who filed tax return</td> <td>29%</td> <td>34%</td> <td>39%</td> <td>41%</td> </tr> </table> <p><Source: GDT></p>	The number of registered companies	61,446	76,437	93,114	109,124	The number of taxpayers who filed tax return	17,967	26,227	36,425	44,755	The ratio of taxpayers who filed tax return	29%	34%	39%	41%										
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	Indicator 2: The ratio of self-assessment regime taxpayers is increased.	<p>Status of Achievement (Status of the Continuation): Achieved as planned (continued). (Project Completion)</p> <p>The ratio of self-assessed taxpayers was 28.6% in 2011, 30.6% in 2012, 33.5% in 2013, and 37.4% in 2014. The proportion showed an increasing trend. (Ex-Post Evaluation)</p> <p>Cambodian national taxation regime was consolidated from two regimes of the estimated regime and the self-assessment regime to one regime of the self-assessment regime in 2016. Therefore, the ratio of self-assessed taxpayers is 100% at the time of ex-post evaluation in 2024. However, the contribution of the project to the regime consolidation could not be verified.</p>	Terminal Evaluation Report, GDT																								
	Indicator 3: Knowledge/knowhow is shared and utilized.	<p>Status of Achievement (Status of the Continuation): Partially achieved (continued). (Project Completion)</p> <p>Tax audit casebook was published in 2015 and distributed in GDT to managers and auditors, and stored in the National School of Taxation (NST), department level organization in GDT, for staff training. The information collection format for tax audit was drafted but not finalized, and the information collection mechanism with using the format was not started during the project period. As for FAQ, although it was drafted and distributed in GDT, it was not finalized by the time of project completion. According to the Detail Planning Survey Report (2015) of the Phase 2 project, knowledge and knowhow provided by the project through training and seminars has remained as “knowledge,” and there has not been a system established in GDT to share and practice the knowledge. Its practice has been left to the self-initiative of each staff member. (Ex-Post Evaluation)</p> <p>FAQs, which was one of the major knowledge sharing mechanisms that the project and the Phase 2 project tried to establish, was completed by the Phase 2 project and published on the GDT website. Project reports of the Phase 2 project did not refer to the establishment of other knowledge sharing mechanisms in GDT. However, according to GDT’s response to the questionnaire survey done by the ex-post evaluation, knowledge/knowhow learned in the project has been shared and utilized in GDT through seminars and workshops conducted by GDT for its staff and taxpayers.</p>	Terminal Evaluation Report, Project Final Report, Detail Planning Survey Report of the Phase 2 project, Project Completion Report of the Phase 2 project, GDT																								
Overall Goal: The revenue based on self-assessment regime is increased.	Indicator 1: By the year 2018, the ratio of tax revenue against GDP is increased.	<p>Status of Achievement: Achieved as planned. (Ex-Post Evaluation)</p> <p>Table 2: Share of tax revenue in GDP</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2011</th> <th>2013</th> <th>2015</th> <th>2018</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>GDP (billion Riel)</td> <td>51,712</td> <td>61,414</td> <td>73,423</td> <td>98,786</td> <td>120,989</td> </tr> <tr> <td>Tax revenue (billion Riel)</td> <td>2,360</td> <td>3,605</td> <td>5,210</td> <td>8,792</td> <td>14,001</td> </tr> <tr> <td>Percentage of tax revenue against GDP</td> <td>4.6%</td> <td>5.9%</td> <td>7.1%</td> <td>8.9%</td> <td>11.6%</td> </tr> </tbody> </table> <p><Source: year 2011 to 2014: Terminal Evaluation Report> <Source: year 2015 to 2022: GDT, website of MEF></p>	Year	2011	2013	2015	2018	2022	GDP (billion Riel)	51,712	61,414	73,423	98,786	120,989	Tax revenue (billion Riel)	2,360	3,605	5,210	8,792	14,001	Percentage of tax revenue against GDP	4.6%	5.9%	7.1%	8.9%	11.6%	Terminal Evaluation Report, GDT, website of MEF
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	Indicator 2: By year 2018, the percentage of tax in arrears newly incurred per year is decreased.	<p>Status of Achievement: Achieved as planned. (Ex-Post Evaluation)</p> <p>Although data is not available, according to GDT’s response to the questionnaire survey, the rate of tax in arrears newly incurred per year has decreased.</p>	GDT																								

While the project cost was within the plan (the ratio against the plan: 85%), the project period exceeded the plan (the ratio against the plan: 131%). Project cost underrun was due to the combined factors. Project period overrun was caused by the additional request made by the Cambodian side for drafting the roadmap for modernization and automatization of tax administration, transfer of GDT project members took place after the general election in November 2013, and limited commitment of GDT project members to the project due to time constraints under the double works of line work and project work. Besides, because some duplications of the project activities with other development partners' activities were found, the project activities were delayed due to review and change of the project plan.

Table 3: Plan and Actual of Project Cost and Period

	Project Cost (Japanese side only, yen)	Project Period (months)
Plan (ex-ante)	259 million yen	36 months
Actual	221 million yen	47 months
Ratio (%)	85%	131%

Output was produced as planned.

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

4 Sustainability

<Policy Aspect>

“NSDP 2019-2023,” the action plan for RS III, sets good macro economy and fiscal conditions as its target and elaborates activities to achieve the target including capacity improvement of administrators engaged in customs and tax collection, simplification of taxpayers' bankruptcy procedures, intensification of tax inquiry, strengthening of tax collection functions for effective tax collection. The “Public Finance Management Reform Program 2005-2025” (PFMRP 2005-2025) also places high priority on the taxation system modernization as an urgent issue.

<Institutional/Organizational Aspect>

After the completion of the project, four departments were created in 2018 in order to make departments be able to focus on their targets by narrowing down their targets with clear scope of work. For example, the Department of Small and Medium Taxpayers was created to improve the tax services for and tax collection from small and medium enterprises, and the Bureau of Public Relations was established that did not exist at the time of project completion. The number of staff at GDT has not been sufficient and a considerable number of them have worked under persistent overload conditions.

<Technical Aspect>

NST has provided a wide variety of training programs for tax officers of GDT, ministries and agencies, and taxpayers. The training consists of the Tax Professional Training Course and the Standard Operating Procedures (SOP) Training Course for tax officers, the Tax Certificate Management System Training Course for taxpayers, and others. FAQs has been published on the GDT website. In addition, GDT has developed various digital platforms including e-newsletters, online training and workshops to disseminate knowledge and information to the public through social network service (SNS), and so on.

<Financial Aspect>

GDT's annual operation budget was on an increasing trend until 2018 and fluctuated at a nearly constant level from 2019 onwards as shown in Table 3. According to GDT, the budget for the headquarters and branch offices has been sufficient.

Table 4: GDT's annual operation budget (million Riel)

Year	2015	2016	2017	2018	2019	2020	2021	2022
Amount of budget	21,742.6	24,981.6	48,364.5	78,799.6	92,881.0	88,810.7	79,284.1	79,823.4

<Environmental and Social Aspect>

No issues on environmental and social aspects have been observed, and it has not been necessary to take any countermeasures.

<Evaluation Result>

In light of the above, some problems in terms of the institutional/organizational aspect of the implementing agency have been observed. Therefore, the sustainability of the project effects is ③.

5 Summary of the Evaluation

The project partially achieved its Project Purpose and Overall Goal by strengthening tax collection functions of GDT to some extent and increasing tax revenue from the self-assessment regime. After the completion of the project, the project effects have continued. As for efficiency, the project period exceeded the plan. Regarding sustainability, while some problems are observed in terms of the institutional/organizational aspect of the implementing agency, sustainability of other aspects are secured. Considering all of the above points, this project is evaluated to be highly satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

- It is recommended that GDT continues to update FAQs, the tax audit casebook, and the information collection format. It is expected that tax services and tax collection will be further effective and efficient by using these materials in integrative manner.

Lessons Learned for JICA:

- In the implementation phase of the project, some duplications of the project activities with other development partners' activities were found, and the project was forced to review and change its plan. This was one of the reasons for the delay of project activities leading to the extension of the project period. Collaboration/coordination with other projects is widely recommended while avoiding duplication of activities. For that, in a detail planning survey, it is necessary to collect information using the Internet and other information sources without relying solely on the information from the counterpart agency. And, if necessary, it will be required to visit related organizations to get detail information. During the project implementation period, it is recommended that Japanese

experts collect information using information sources stated above and keep having close communication with other organizations operating in the same sector.



Capacity Building Training on Audit Procedures and Code of Ethics, Discipline and Profession for Tax Auditors of Tax Branches on March 2024



Short-term Training on Taxation for Taxpayers in October 2023