

PD-AAA-377-D1

5140100 (3)

(6)

212

AID 1020-25 (7-68)		SECURITY CLASSIFICATION		001 PROJECT NUMBER	
PROJECT APPRAISAL REPORT (PAR)		UNCLASSIFIED		514-11-750-100 Reference Center	
(U-446) See M.O. 1026.1				Room 1656 NS	

002 PAR			003 U.S. OBLIGATION SPAN			004 PROJECT TITLE		
MC.	DAY	YR.	FY	THRU	FY	5140100 - Reference Center Room 1656 NS		
AS OF:	1	13	69	FY 63	Thru FY 70	TAX ADMINISTRATION		
005 COOPERATING COUNTRY - REGION - AID/W OFFICE								
COLOMBIA								

006 FUNDING TABLE

AID DOLLAR FINANCING-OBLIGATIONS (\$000)	TOTAL	CONTRACT (NON-ADD)	PERSONNEL SERVICES			PARTICIPANTS		COMMODITIES		OTHER COSTS	
			AID	PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT
CUMULATIVE NET THRU ACTUAL YEAR (FY 168)	1,239	63	179	917	63	53	-	5	-	22	
PROPOSED OPERATIONAL YEAR (FY 169)	152	-	-	118	-	32	-	2	-	-	-

CCC VALUE OF P.L. 480 COMMODITIES (\$000) → Thru Actual Year : Operational Year Program :

007 IMPLEMENTING AGENCY TABLE

If contractors or participating agencies are employed, enter the name and contract or PASA number of each in appropriate spaces below; in the case of voluntary agencies, enter name and registration number from M.O. 1551.1, Attachment A. Enter the appropriate descriptive code in columns b and c, using the coding guide provided below.

TYPE CODE b	TYPE CODE c	a. IMPLEMENTING AGENCY	TYPE CODE		d. CONTRACT/PASA/VOLAG NO.	e. LEAVE BLANK FOR AID/W USE
			b.	c.		
1. U.S. CONTRACTOR 2. LOCAL CONTRACTOR 3. THIRD COUNTRY CONTRACTOR 4. PARTICIPATING AGENCY 5. VOLUNTARY AGENCY 6. OTHER:	0. PARTICIPATING AGENCY 1. UNIVERSITY 2. NON-PROFIT INSTITUTION 3. ARCHITECTURAL & ENGINEERING 4. CONSTRUCTION 5. OTHER COMMERCIAL 6. INDIVIDUAL 7. OTHER:	1. U.S. Internal Revenue Service	4	0	LA(TA)52-00	
		2. Arthur Vazquez Armstrong	3	6	USAID 514-55-2-T	
		3.				

PART I - PROJECT IMPACT

I-A. GENERAL NARRATIVE STATEMENT ON PROJECT EFFECTIVENESS, SIGNIFICANCE & EFFICIENCY.

This summary narrative should begin with a brief (one or two paragraph) statement of the principal events in the history of the project since the last PAR. Following this should come a concise narrative statement which evaluates the overall efficiency, effectiveness and significance of the project from the standpoint of:

- (1) overall performance and effectiveness of project implementation in achieving stated project targets;
- (2) the contribution to achievement of sector and goal plans;
- (3) anticipated results compared to costs, i.e., efficiency in resource utilization;
- (4) the continued relevance, importance and significance of the project to country development and/or the furtherance of U.S. objectives.

Include in the above outline, as necessary and appropriate, significant remedial actions undertaken or planned. The narrative can best be done after the rest of PART I is completed. It should integrate the partial analyses in I-B and I-C into an overall balanced appraisal of the project's impact. The narrative can refer to other sections of the PAR which are pertinent. If the evaluation in the previous PAR has not significantly changed, or if the project is too new to have achieved significant results, this Part should so state.

008 NARRATIVE FOR PART I-A (Continue on form AID 1020-25 I as necessary): Overall Project Evaluation

In 1962, at the request of the Government of Colombia, a survey was performed of the functions and operations of the National Tax Division and recommendations for improvement in the administration of the tax system were made. In October of the following year, a program was developed in accordance with these recommendations and AID agreed to provide the services of a team of technical advisors from the U.S. Internal Revenue Service in different specialties of tax

MISSION DIRECTOR APPROVAL →	SIGNATURE: <i>Maxim Weiss</i>	DATE: February 19, 1969
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Continuation Part I-Project Impact, 1-A

administration. This team which has included specialties in collection of delinquent taxes, auditing organization and methods, automatic data processing and tax collection procedures has continued to provide technical assistance to the National Tax Division since 1964.

The objectives of this program have been to plan, initiate, and carry out measures:

1. To improve methods of identifying and investigating tax liabilities.
2. To speed up the liquidation of tax returns, and establish better filing systems for returns.
3. To insure prompt collection of all taxes.
4. To establish an effective program for public information and taxpayer education.
5. To improve specific administrative procedures, and reports.
6. To develop and improve systematic training programs of Tax Division employees.
7. To simplify tax laws to permit more efficient administration and enforcement.

The USAID considers this program to be generally successful in achieving its goals. (More detailed information on specific aspects of particular interest follows below). Backlogs of several years returns have been eliminated in the major tax districts, including Bogotá. Computer-produced registers of income taxes collectible replacing hand and machine posted account cards are now being furnished on a cyclical basis in the Bogotá district and this system is being expanded to include other large districts.

While the team might have profitably put more time and effort in the area of delinquent accounts collection, this deficiency is not considered serious. In fact, during the remaining duration of this project greater emphasis will be put in this area.

In addition to its program to improve tax administration, the Government of Colombia has made several changes in the tax structure including: temporary surcharges on income taxes due in 1965 and 1966, increases in tax rates for imports, sales taxes, automobile registrations, cattle production and foreign travel, a new tax on gasoline and diesel fuel to finance road construction. A system of withholding and current payments to be phased over

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a five year period was also initiated based on recommendations of the IRS team and the Mission.

Detailed Discussion of Specific Programs undertaken by the IRS Team

1. Revenue Increases

- (a) Income tax revenues in 1967 increased by 23.8% over 1966; in 1968 25.1% over 1967.

Sales tax revenues in 1967 increased by 32.9% over 1966, in 1968 14.8% over 1967.

- (b) This rate of revenue increase has exceeded the increased of real GNP. % of growth in real GNP using 1966 as base year was 2.9% in 1967 and 6.1% in 1968.

	<u>% INC.</u> <u>INC. TAX</u>	<u>* INC.</u> <u>SALES TAX</u>	<u>% INC. REAL</u> <u>GNP</u>
1967	22.3%	30.8%	2.9
1968	21.8%	12.8%	6.1

* Reduced to 1966 peso value.

- (c) Increases can be related to technical assistance in the audit area, both in income and sales tax and in the ^{Delinquent} Account Collections. The increases in income and sales taxes can also be attributed in part to administrative improvements which speeded up assessment and notification notices as well as increased results in audit activity.

Increase in cross checks is due to improvement in management, control and direction and through visitation programs inaugurated in the latter part of 1966.

Increases in field audit resulted from a training program designed for this group and in improvement in work control through preparation and monitoring of reports as a management tool.

Audit Results and Collection Efficiency
(pesos)

Period Ending	6-30-66	6-30-67	6-30-68
<u>Total Additional Tax (millions)</u>	<u>59.6</u>	<u>128.0</u>	<u>200.5</u>
Cross Check	29.0	71.4	153.6

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Period Ending	6-30-66	6-30-67	6-30-68
Field Audit	27.7	37.2	20.4
Sales Tax	--	12.6	7.0
Estate and Gift Indirect	2.9	6.8	9.6

<u>Cases/Employee</u>	<u>No.</u> <u>Emp.</u>	<u>Cases</u>	<u>No.</u> <u>Emp.</u>	<u>Cases</u>	<u>No.</u> <u>Emp.</u>	<u>Cases</u>
Cross Check	(207)	20.90	(243)	26.60	(225)	73.60
Field Audit	(50)	2.56	(50)	3.36	(25)	9.72
Sales Tax	--	--	(10)	113.60	(35)	38.60
Estate and Gift Indirect	(15)		(15)		(15)	
		Info	not	Available		

Productivity per Employee (thousand)

Cross Check	140.3	293.7	682.9
Field Audit	553.8	744.8	814.8
Sales Tax	---	1,264.0	486.8
Estate & Gift Indirect	193.4	452.5	637.0

Increase Revenues (million)

Income	546.0	713.0
Sales	179.0	107.0
Delinquent Accounts (millions)	---	103.3

2. Results of Audit Activity

The results from the total audit operations have increased substantially. The additional taxes and penalties from audit operations in the fiscal year ending 6/30/67 were 128 million pesos which represented 215% of the preceding year total of approximately 59.6 million pesos. In the fiscal year ending June 30, 1968, the additional tax and penalties from audit operations were 200.5 million pesos or approximately 157% of the FY 6/30/67 results.

The greatest increase was in the "cross-check" operation, a procedure for matching income tax returns with third party information. This program, which received a great amount of active attention from early IRS tax teams, yielded additional revenue of 29 million pesos in FY ended 6/30/66, 71.4 million pesos in FY ending 6/30/67, and 153.6 million pesos in FY ending 6/30/68. Stated in thousands of pesos, this resulted in the following average peso production per technical employee; FY 66 - 140.3; FY 67 - 293.7; FY 68 - 682.9. Thus the pesos production per technical employee was almost five times as much in FY 68 as in FY 66. The number of returns examined per technical employee in each of these years was 20.9 in FY 66; 26.6 in FY 67, and 73.6 in FY 68

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indicating that each employee examined about 3 $\frac{1}{2}$ times as many returns in FY 68 as in FY 66.

The field audit operation showed a somewhat more modest increase in additional revenues yielding totals of 27.7 million pesos in FY 66 or 553.8 thousand pesos per technical employee; 37.2 million pesos in FY 67 or 744.8 thousand pesos per technical employee; and 20.4 million pesos in FY 68 or 814.8 thousand pesos per technical employee. The apparent reduction of total revenue from field audits in FY 68 is due to the amnesty program initiated in the second half of the year. During this period employees were diverted to sales tax examinations. The employee averages have been adjusted to take into account this shift in duties in FY 68. From the foregoing, the average per agent peso yield in FY 68 is 147% of the FY 66 figure.

A sales tax was introduced in January 1965 but no meaningful audit activity occurred until FY 67. The total additional revenue yielded from sales tax audits was 12.6 million pesos in FY 67 and 17.0 million pesos in FY 68. The per agent peso production actually showed a decrease from 1264.0 thousands of pesos in FY 67 to 486.8 thousands of pesos in FY 68. However, this decrease is probably due to the temporary assignment to sales tax audits of the large number of field income tax agents due to the amnesty on income tax in FY 68. This conclusion is further supported by the fact that cases examined per agent dropped from 113.8 cases to 38.6 cases. Due to the recent introduction of the sales tax and the distortion due to the assignment of Field Income tax agents, as mentioned above, the sales tax statistics must be considered as less meaningful as an indication of unimprovement in efficiency than the statistics for other operations.

The two remaining tax areas of estate and gift taxes and indirect taxes have received a lesser amount of attention. The additional revenue from examination of these taxes was 2.9 million pesos in FY 66; 6.8 million pesos in FY 67; and 9.6 million pesos in FY 68. Thus the FY 68 results were approximately 3.3 times that of FY 66. The per agent production in thousands of pesos was 193.4 in FY 66; 452.5 in FY 67; and 637.0 in FY 68.

As can be seen from the preceding figures the income tax cross-check operation yielded approximately 49% of the total audit revenues in FY 66; in FY 67; and 77% in FY 68. The revenue yield from this operation in FY 68 was 5.3 times that of FY 66 and represented by far the greatest part of the total increase in revenue from audit operations. Stated in another way, total audit revenues in FY 68 was 141.0 million of pesos more than those of FY 66; total revenues from income tax cross-check operation were 124.6 million more in FY 68 than in FY 66 or 88% of the total increase in revenues from audit operations.

3. Collection (Delinquent Accounts)

The Delinquent Account Section on a national level was established by

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Decree 1715, 1960, and is under the Collection Sub-division. This section controlled and activated the collection of uncollected national taxes by means of a study of returns in the National Tax Administrations; it gave orders and resolved the consultations related to legal action (summary jurisdiction).

At the end of 1963 and with the purpose of raising money for the salary readjustments of personnel in the Finance Ministry, Decree 3273 was issued, abolishing the Delinquent Account Sections on national and regional levels, with the exception of those existing in the National Tax Administrations in Barranquilla, Cali, Medellín and Bogotá. Due to this reform, control over the actual payment of taxes was lost from the first of April, 1964 on.

Due to the fact that the demandable taxes were estimated to total over 700 million pesos on the 31st of December, 1967, the National Tax Division put all its interest on reducing the delinquent list. It had to confront serious problems like the lack of sufficient personnel, their scarce knowledge of delinquent accounts, a disconcerting mess in current accounts and difficulties in the automatic data processing. Nevertheless, a study was made; the computer was programmed to print out reminding notices for the collection of taxes and, later, lists of delinquent accounts. The printing of the forms for the computer was designed and ordered, and on several occasions, dates were set for the starting of the program. However, this program could not be carried out due to problems in the ADP Division.

As it was impossible to execute the program automatically, the following steps were suggested and carried out:

1. Instructions were given to the Tax Administrations so that, based on the number of levies (executory processes) existing the first of February, 1968, information about delinquent accounts activities would be made available again, but this time under the direct control of the National Tax Division.
2. Aptitude tests were given to the personnel of the Delinquent Accounts Sections of the Administrations of Bogotá and Medellín, and a small selection was made.
3. Studies were made to establish Delinquent Accounts Sections in the majority of the administrations, and, in conformity with the Organization and Methods office of the Ministry, they were included in the new structure with only minor changes.
4. A reorganization of the Delinquent Account Section in the Administration of Bogotá was carried out with the aim of raising its level of efficiency. It was reorganized into four divisions: management, reminding notices or voluntary payment, legal action for natural persons, and legal action for the corporations, partnerships and successions which are not yet processed.

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5. Guidance on the functions of the reminding notices division and its collaboration with Organization and Methods on other related matters was made available.
6. Special programs for the collection of delinquent taxes in the administrations of Barranquilla, Cali, Cartagena and Medellin were introduced. Other regional offices were visited in order to incorporate them into a general plan.
7. A special program was initiated to develop manual procedures for the collection of delinquent taxes in Bogotá using the ADP listings on current accounts and payments, lists that were not being used at all. This program was directed by the Tax Division Personnel.
8. Forms necessary for the development of the delinquent account program, and for control of individual performance were designed and printed.
9. A program for training personnel in use of legal action and reminding notices as means of collection was developed; this was presented to the Personnel Division to be carried out as one of its functions.
10. Other offices, not mentioned in this report, received instruction on the system of collecting through use of reminding notices.

4. Delinquent Accounts Results

Statistics on collection activities are incomplete but the following are available:

Delinquent Accounts Inventory - February 1, 1968	161.297
Received - February 1 to October 31, 1968	<u>43.069</u>
	204.366

Closed on payment	32,898
Erroneous accounts	<u>23,855</u>
	56,753
Inve. 10/31/68	147,613

Amounts collected

Thru legal action	66,700.301
By notices	26,771.365
Interest	<u>9,888.529</u>
	\$103,360,195

Plans are underway to automate this program in order to speed up the identification of delinquent accounts, especially the large ones, for more

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prompt handling and to provide other data for management purposes. Technical assistance is planned for this project.

5. Equitable Application of Revenue Laws

- (a) Administrative efforts have been directed towards both increased revenue and equity. The reorganization of the National Tax Division should bring about better administrative efforts in all areas, especially in the handling of claims where long delays in processing have created inequities.
- (b) Withholding and current payment of taxes were introduced in 1967. However, several problems have arisen, i.e. (1) no provision for registration of withholding agents; (2) checking of delinquencies; (3) verification of amounts withheld. Amendments to change rates of withholding will be introduced. Acceptance of the withholding system has been generally acceptable.
- (c) Throughout 1967 the Director conducted a campaign to eradicate dishonesty and improper practices among personnel in the National Tax Division. Strong presidential and ministerial backing was announced for this campaign and there was good press support. Arrests were made; Regional Administrators dismissed and other officials resigned. In 1966 and 1967 there were 250 separations for cause. In 1968, 141 were dismissed for various reasons.
- (d) In July, 1967, a law for tax evasion was approved. It was controversial and received some unfavorable public reaction. In December 1967, a second law was approved eliminating the controversial parts of the tax avoidance law. The feeling is that the law has brought about better compliance.

6. Contribution of ADP to Tax Administration - Colombia

Considerable emphasis has been placed on Automatic Data Processing by the Tax Team and the National Tax Division, as a tool for more effective tax administration. A third generation computer system was installed in late 1967 and is currently providing tax computation and notice preparation for the entire country. Also in process is the conversion of manual card files to a central master file on magnetic tape for the country. The speed and efficiency of this effort will be contingent on providing adequate staffing in PAD.

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PART I-B - PROJECT EFFECTIVENESS

009

I-B-1 - OUTPUT REPORT AND FORECAST - (See detailed instructions)

1. CODE NO. AID W USE ONLY	2. This section is designed to record progress toward the achievement of each project output target which was scheduled in the PIP, Part II. Where progress toward a target is significantly greater or less than scheduled describe reason(s) beneath the target	ACTUAL AND PLANNED OUTPUTS (ALL DATA CUMULATIVE)				6. PROJECTED TOTAL FOR PROJECT LIFE
		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	
			a. PLANNED	b. ACTUAL		
	<ol style="list-style-type: none"> 1. Obtain full use of the electronic computer in tax administration. 2. Improve procedures for liquidation of private and official income tax returns and for establishment of a better filing system for the returns. 3. Establish procedures for prompt collection of all taxes. 4. Establish an effective program for public information and assistance to taxpayers. 5. Improve methods of investigating tax liabilities. 6. Improve procedures for tax appeals. 7. Develop an internal audit system to review operations and improve their quality. 8. Develop and install an instruction manual system to provide improved and systematized internal communications. 9. Develop a more systematic training program for the Tax and Data Processing Divisions. 10. More effective administration of the sales tax law. 			See Narrative		

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PART I-B - Continued

010

B 2 - OVERALL ACHIEVEMENT OF PROJECT TARGETS

Place an "X" within the bracket on the following seven-point scale that represents your judgment of the overall progress towards project targets:



PART I-C - PROJECT SIGNIFICANCE

011

C.1 - RELATION TO SECTOR AND PROGRAM GOALS (See detailed instructions M.O. 1026.1)

This section is designed to indicate the potential and actual impact of the project on relevant sector and program goals. List the goals in col. b and rate potential and actual project impact in cols. c and d.

a. CODE NO. (AID/W USE ONLY)	SCALE FOR COLUMN c: 3= Very Important; 2= Important; 1= Secondary Importance SCALE FOR COLUMN d: 3= Superior/Outstanding; 2= Adequate/Satisfactory/Good; 1= Unsatisfactory/Marginal	c. POTENTIAL IMPACT ON EACH GOAL IF PROJECT ACHIEVES TARGETS	d. ACTUAL IMPACT ON GOAL TO DATE RELATIVE TO PROGRESS EXPECTED AT THIS STAGE
	b. SECTOR AND PROGRAM GOALS (LIST ONLY THOSE ON WHICH THE PROJECT HAS A SIGNIFICANT EFFECT)		
	(1) To improve Colombia's overall fiscal situation to enable the government to adequately finance needed public investment programs.	2	2
	(2)		
	(3)		
	(4)		

For goals where column c. is rated 3 or 2 and column d. is rated 1, explain in the space for narrative. The narrative should also indicate the extent to which the potential impacts rated 3 or 2 in column c. are dependent on factors external to the achievement of the project targets, i.e., is there a substantial risk of the anticipated impact being forestalled by factors not involved in the achievement of project targets. If possible and relevant, it also would be useful to mention in the narrative your reading of any current indicators that longer-term purposes, beyond scheduled project targets, are likely or unlikely to be achieved. Each explanatory note must be identified by the number of the entry (col. b) to which it pertains.

012 NARRATIVE FOR PART I-C.1 (Continue on form AID 1020-25 i);

PART I-C - Continued

C.2 - GENERAL QUESTIONS

These questions concern developments since the prior PAR. For each question place "Y" for Yes, "N" for No, or "NA" for Not Applicable in the right hand column. For each question where "Y" is entered, explain briefly in the space below the table.	MARK IN THIS COL.
013 Have there been any significant, unusual or unanticipated results not covered so far in this PAR?	N
014 Have means, conditions or activities other than project measures had a substantial effect on project output or accomplishments?	N
015 Have any problems arisen as the result of advice or action or major contributions to the project by another donor?	N
016 If the answer to 014 or 015 is yes, or for any other reason, is the project now less necessary, unnecessary or subject to modification or earlier termination?	NA
017 Have any important lessons, positive or negative, emerged which might have broad applicability?	N
018 Has this project revealed any requirement for research or new technical aids on which AID/W should take the initiative?	N
019 Do any aspects of the project lend themselves to publicity in newspapers, magazines, television or films in the United States?	Y
020 Has there been a lack of effective cooperating country media coverage? (Make sure AID/W has copies of existing coverage.)	N
021 <u>NARRATIVE FOR PART I-C.2</u> Identify each explanatory note by the number of the entry to which it pertains. (Continue on form AID 1020-25 I as necessary):	

0/19 Public Support

Announcements have been publicized in the press regarding campaigns to eradicate dishonesty and improper practices among personnel. There has also been publicity on the law for tax evasion, on Data Processing activities and on all changes in the laws. Public response has not been measured to our knowledge.

T.V. has been used to some degree. In Medellin, extensive newspaper coverage has been given to the tax program with special articles prepared by officials of the National Tax Division.

The services of a public relations agency were secured to undertake a publicity campaign. A very ambitious plan was presented but there was no money or personnel available to implement it.

The recent reorganization does provide for a public information office to coordinate all activities.

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PART II - IMPLEMENTATION REPORT

II-A - STATUS OF SCHEDULE

022 A-1 - INDIVIDUAL ACTIONS (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project implementation Plan, Part I.

(a) PIP ITEM NO.	MAJOR ACTIONS OR STEPS, CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS	(b) STATUS - PLACE AN "X" IN, ONE COLUMN		
		(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
	<u>A U D I T</u>			
	Develop a returns classification and selection program.		X	
	Complete audit technique guidelines for income tax field audit.	X		
	Improve methods of making income tax audits.		X	
	Improve audit report writing.		X	
	Develop a more effective review of completed cases.		X	
	Make visitations, with chief of section, to all regional offices to assist in improving their procedures, to improve quality and quantity of work.		X	
	Encourage the revision of the manual of instructions for income tax office audit (liquidations).		X	
	Encourage development of systematic investigation program for sales taxes.		X	
	Assist in developing sales tax investigation groups.		X	
	Assist in the preparation of materials for training sales tax and indirect tax auditors.		X	
	<u>CLAIM PROCEDURES</u>			
	Assist in developing procedures to promptly process claims.		X	
	<u>DELINQUENT ACCOUNT & RETURNS</u>			
	Assist in issuing computer reminder notices on all delinquent accounts kept on computer.	X		

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PART II - IMPLEMENTATION REPORT

II-A - STATUS OF SCHEDULE

022 A-1 - INDIVIDUAL ACTIONS (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project Implementation Plan, Part I.

(a) PIP ITEM NO.	MAJOR ACTIONS OR STEPS, CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS	(b) STATUS - PLACE AN "X" IN, ONE COLUMN		
		(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
	<p><u>Delinquent Account & Returns, continuation...</u></p> <p>Assist in analyzing current accounts files in offices not under computer system and identify delinquent accounts.</p> <p>Assist in reestablishing the Delinquent Accounts Section in the National Office.</p> <p>Assist in conducting returns compliance program.</p> <p><u>A. D. P.</u></p> <p>Develop and assist in the implementation of a long-range (5 year) plan for ADP equipment and applications development for the nation-wide tax system. (Replaces B-V-1-67).</p> <p>Provide training to ADP personnel and assist in the developing of a continuous recruiting, training, and professional development program in ADP. (Replaces D-VI-2-67).</p> <p>Provide guidance in the development, design, programming and implementation of new computer applications. (Replaces C-I-5-67; D-I-1-67; D-VI-3-67; D-VII-5-68; D-VII-7-67).</p> <p>Provide guidance in the enhancement of operational computer programs and in optimizing the operational use of ADP equipment. (Replaces D-VI-4-68; D-VII-1-67; D-VII-3-68; D-VII-4-68).</p> <p><u>SPECIALIZED PROGRAMS</u></p> <p>Assist in establishing in the National Office a technical group to answer taxpayers inquiries and issue informational materials.</p> <p>Assist in the preparation of specifications for electronic computer accounting for withholding tax.</p> <p>Assist in establishing a program for verifying compliance with the withholding tax law.</p>	X	X	
			X	
			X	
			X	
			X	
			X	
			X	
			X	
			X	

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PART II - IMPLEMENTATION REPORT

II-A - STATUS OF SCHEDULE

022 A-1 - INDIVIDUAL ACTIONS (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project Implementation Plan, Part I.

(a) PIP ITEM NO.	MAJOR ACTIONS OR STEPS; CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS	(b) STATUS - PLACE AN "X" IN, ONE COLUMN		
		(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
	<p><u>PUBLIC INFORMATION, TAXPAYER EDUCATION AND ASSISTANCE</u></p> <p>Assist in developing press information program, radio and T.V. information program.</p> <p>Make a study of taxpayer assistance activities with appropriate recommendations.</p> <p><u>STATISTICS</u></p> <p>Assist in establishing organization for statistical development and analysis.</p> <p>Assist in developing comprehensive statistics program.</p> <p>Assist in developing indicator of progress charts.</p> <p><u>GENERAL ADMINISTRATION</u></p> <p>Encourage final selection of personnel to serve as supervisors in the key positions in the Personnel Division. Send personnel selected to the U.S. for 30 days training.</p> <p>Study the needs in the areas of space, property, supply, personnel, training and paperwork management, and make recommendations.</p> <p>Encourage the establishment of a position in the Tax Division to plan, develop, promote and coordinate an administrative management program.</p> <p>Assist in implementing procedure manual system established by Resolution No. 01122 of 1965.</p> <p>Assist in developing new sales tax form.</p> <p><u>GENERAL MANAGEMENT</u></p> <p>Assist in strengthening structure and staff to</p>		X	
			X	
			X	
			X	
			X	
			X	
			X	
			X	
			X	

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PART II - IMPLEMENTATION REPORT

II-A - STATUS OF SCHEDULE

022 A-1 - INDIVIDUAL ACTIONS (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project Implementation Plan, Part I.

(a) PIP ITEM NO.	MAJOR ACTIONS OR STEPS; CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS	(b) STATUS - PLACE AN "X" IN ONE COLUMN		
		(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
	<p><u>General Management, continuation...</u></p> <p>provide for effective direction of the National Tax Division.</p> <p>Assist in developing a training organization and staff.</p> <p>Assist in implementing basic supervisory training course.</p>		<p>X</p> <p>X</p> <p>X</p>	

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PART II - Continued

023

II-A.2 - OVERALL TIMELINESS

In general, project implementation is (place an "X" in one block):

BLOCK (c): If marked, place an "X" in any of the blocks one thru eight that apply. This is limited to key aspects of implementation, e.g., timely delivery of commodities, return of participants to assume their project responsibilities, cooperating country funding, arrival of technicians.

(a) On schedule	X
(b) Ahead of schedule	
(c) Behind schedule	
(1) AID/W Program Approval	
(2) Implementing Agency (Contractor/Participating Agency/Voluntary Agency)	
(3) Technicians	
(4) Participants	
(5) Commodities (non-FFF)	
(6) Cooperating Country	
(7) Commodities (FFF)	
(8) Other (specify):	

II-B - RESOURCE INPUTS

This section appraises the effectiveness of U. S. resource inputs. There follow illustrative lists of factors, grouped under Implementing Agency, Participant Training and Commodities, that might influence the effectiveness of each of these types of project resources. In the blocks after only those factors which significantly affect project accomplishments, write the letter P if effect is positive or satisfactory, or the letter N if effect is negative or less than satisfactory.

1. FACTORS-IMPLEMENTING AGENCY (Contract/Participating Agency/Voluntary Agency)

024 IF NO IMPLEMENTING AGENCY IN THIS PROJECT. PLACE AN "X" IN THIS BLOCK:	032 Quality, comprehensiveness and candor of required reports	P
	033 Promptness of required reports	P
025 Adequacy of technical knowledge	034 Adherence to work schedule	P
026 Understanding of project purposes	035 Working relations with Americans	P
027 Project planning and management	036 Working relations with cooperating country nationals	P
028 Ability to adapt technical knowledge to local situation	037 Adaptation to local working and living environment	P
029 Effective use of participant training element	038 Home office backstopping and substantive interest	P
030 Ability to train and utilize local staff	039 Timely recruiting of qualified technicians	P
031 Adherence to AID administrative and other requirements	040 Other (describe):	

2. FACTORS-PARTICIPANT TRAINING

041 IF NO PARTICIPANT ELEMENT IN PROJECT. PLACE AN "X" IN THIS BLOCK:	TRAINING UTILIZATION AND FOLLOW UP	
PREDEPARTURE	052 Appropriateness of original selection	
042 English language ability	053 Relevance of training for present project purposes	
043 Availability of host country funding	054 Appropriateness of post-training placement	
044 Host country operational considerations (e.g., selection procedures)	055 Utility of training regardless of changes in project	
045 Technical/professional qualifications	056 Ability to get meritorious ideas accepted by supervisors	
046 Quality of technical orientation	057 Adequacy of performance	
047 Quality of general orientation	058 Continuance on project	
048 Participants' collaboration in planning content of program	059 Availability of necessary facilities and equipment	
049 Collaboration by participants' supervisors in planning training	060 Mission or contractor follow-up activity	
050 Participants' availability for training	061 Other (describe):	
051 Other (describe):		

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PART II-B - Continued

3. FACTORS-COMMODITIES

PLACE AN "X" IN APPROPRIATE BLOCK:	062 FFF	063 NON-FFF	064 NO COMMODITY ELEMENT	072 Control measures against damage and deterioration in shipment.	
065 Timeliness of AID/W program approval (i.e., PIO/C, Transfer Authorization).				073 Control measures against deterioration in storage.	
066 Quality of commodities, adherence to specifications, marking.				074 Readiness and availability of facilities.	
067 Timeliness in procurement or reconditioning.				075 Appropriateness of use of commodities.	
068 Timeliness of shipment to port of entry.				076 Maintenance and spares support.	
069 Adequacy of port and inland storage facilities.				077 Adequacy of property records, accounting and controls.	
070 Timeliness of shipment from port to site.				078 Other (Describe):	
071 Control measures against loss and theft.					

Indicate in a concise narrative statement (under the heading a. Overall Implementation Performance, below) your summary appraisal of the status of project implementation, covering both significant achievements and problem areas. This should include any comments about the adequacy of provision of direct hire technicians as well as an overall appraisal of the comments provided under the three headings (b, c & d) which follow. For projects which include a dollar input for generation of local currency to meet local cost requirements, indicate the status of that input (see Detailed Instructions).

Discuss separately (under separate headings b, c & d) the status of Implementing Agency Actions, Participants and Commodities. Where above listed factors are causing significant problems (marked N), describe briefly in the appropriate narrative section: (1) the cause and source of the problem, (2) the consequences of not correcting it, and (3) what corrective action has been taken, called for, or planned by the Mission. Identify each factor discussed by its number.

079 NARRATIVE FOR PART II-B: (After narrative section a. Overall Implementation Performance, below, follow, on form AID 1020-25) as needed, with the following narrative section headings: b. Implementing Agency, c. Participants, d. Commodities. List all narrative section headings in order. For any headings which are not applicable, mark them as such and follow immediately below with the next narrative section heading.)

a. Overall Implementation Performance, **See Narrative 1-A.**

b. Implementing Agency The Implementing Agency has been the Internal Revenue Service, through its Foreign Tax Assistance Staff. The program has had top level support in the IRS, and the Mission has been highly satisfied with the efforts of the FTAS. The FTAS staff has always been highly cooperative in carrying out all aspects of the project, and has consistently worked hard and well with the Mission in doing the best possible job. Relations between the IRS-FTAS and the Mission have always been close and friendly and no friction has ever developed during the life of the project.

While FTAS has worked extremely hard on personnel recruitment for tax programs within the IRS, and has consistently recruited some of the best IRS technicians for its work, it has been recruiting from a career civil service organization which emphasizes a long career commitment, orderly following of routines and procedures including those for innovation and change and slow sure development of all aspects of administration, virtues which do not attract men with some of the best qualities of creativeness and resourcefulness combined with energy and a sense of urgency which are important in technical assistance and advisory work. To offset this, the FTAS has also recruited outside the IRS and secured some very well qualified advisors, but the limitation of the basic approach of the IRS career employees toward advisory work has set and will continue to set some upper limits on the potential achievement of the project.

c. Participant Training Most of the benefits of the training for ADP Programmers has been nullified because of the high rate of turnover in National Tax Division personnel.

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d. Commodity Very minor element in tax administration program.

PART III - ROLE OF THE COOPERATING COUNTRY

The following list of illustrative items are to be considered by the evaluator. In the block after only those items which significantly affect project effectiveness, write the letter P if the effect of the item is positive or satisfactory, or the letter N if the effect of the item is negative or less than satisfactory.

SPECIFIC OPERATIONAL FACTORS:	
080 Coordination and cooperation within and between ministries.	P
081 Coordination and cooperation of LDC gov't. with public and private institutions and private enterprise.	NA
082 Availability of reliable data for project planning, control and evaluation.	N
083 Competence and/or continuity in executive leadership of project.	P
084 Host country project funding.	P
085 Legislative changes relevant to project purposes.	P
086 Existence and adequacy of a project-related LDC organization.	P
087 Resolution of procedural and bureaucratic problems.	P
088 Availability of LDC physical resource inputs and/or supporting services and facilities.	P
089 Maintenance of facilities and equipment.	P
090 Resolution of tribal, class or caste problems.	NA
091 Receptivity to change and innovation.	P
092 Political conditions specific to project.	NA
093 Capacity to transform ideas into actions, i.e., ability to implement project plans.	P
094 Intent and/or capacity to sustain and expand the impact of the project after U.S. inputs are terminated.	P
095 Extent of LDC efforts to widen the dissemination of project benefits and services.	P
096 Utilization of trained manpower (e.g., participants, counterpart technicians) in project operations.	P
097 Enforcement of relevant procedures (e.g., newly established tax collection and audit system).	N
098 Other:	
HOST COUNTRY COUNTERPART TECHNICIAN FACTORS:	
099 Level of technical education and/or technical experience.	P
100 Planning and management skills.	P
101 Amount of technician man years available.	N
102 Continuity of staff.	P
103 Willingness to work in rural areas.	NA
104 Pay and allowances.	N
105 Other:	

In the space below for narrative provide a succinct discussion and overall appraisal of the quality of country performance related to this project, particularly over the past year. Consider important trends and prospects. See Detailed Instructions for an illustrative list of considerations to be covered.

For only those items marked N include brief statements covering the nature of the problem, its impact on the achievement of project targets (i.e., its importance) and the nature and cost of corrective action taken or planned. Identify each explanatory note.

106 NARRATIVE FOR PART III (Continue on form AID 1020-25 1):

Role of Cooperating Country

Dr. Amaya, Director of DIN in 1966 was friendly, showed interest but lacked administrative ability and therefore there was very little positive results during his Directorship.

Dr. Isaza 9/66-12/67 - very serious and hard worker. He concentrated on improvements in Automatic Data Processing with little emphasis on administrative procedures.

Dr. Cuellar appointed 1-16-68, Director of Impuestos Nacionales, is genuinely interested in commitment to project objectives and action plan. With the pending reorganization about to be put into effect, the nomination of key personnel and the elimination of unsatisfactory employees, progress should be made in improvement.

They have expressed the feeling that they have been so busy with routine administration that they really haven't had the chance to fully take advantage of the technical assistance available. However, after the

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PAR CONTINUATION SHEET

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Continuation 106 Narrative for Part III

reorganization has been in effect, they feel that they will have more time for the exchange of ideas and working on programs.

Dr. Cuellar resigned December 27, 1968. His successor, Dr. Anibal Gómez Restrepo was appointed January 11. It is too early to make any judgement as to his impact on this program.

With respect to ADP operations which is independent of the National Tax Division, the need is recognized for adequate staffing of systems analysts and programmers, but this appears to be a major problem.

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PART IV - PROGRAMMING IMPLICATIONS

IV-A - EFFECT ON PURPOSE AND DESIGN

Indicate in a brief narrative whether the Mission experience to date with this project and/or changing country circumstances call for some adjustment in project purposes or design, and why, and the approximate cost implications. Cover any of the following considerations or others that may be relevant. (See Detailed Instructions for additional illustrative considerations.) Relevant experience or country situations that were described earlier can simply be referenced. The spelling out of specific changes should be left to the appropriate programming documents, but a brief indication of the type of change contemplated should be given here to clarify the need for change.

For example, changes might be indicated if they would:

1. better achieve program/project purposes;
2. address more critical or higher priority purposes within a goal plan;
3. produce desired results at less cost;
4. give more assurance of lasting institutional development upon U.S. withdrawal.

107 NARRATIVE FOR PART IV-A (Continue on form AID 1020-25 I): In past years the Tax Advisors were engaged in projects that covered a relatively large number of elements of tax administration. This approach had considerable validity at that time because the effort was in part a probing operation to discover the areas in which local officials would show the most susceptibility to change.

However, currently, it is considered preferable to give more intense coverage to a few key tax administration areas which will later lead to further desirable improvements.

Intensive attention is being given to management training for executive managers and supervisors in order that high level trained personnel will be available to carry out further improvements in project planning, procedures etc. Likewise, the IRS team will concentrate on setting up dependable staffing procedures for obtaining a continuous supply of capable recruits for program analysts in automatic data processing. It will, therefore, not be necessary for the team to be directly involved in projects to enlarge and improve programming of work in the PAD. This approach is in line with AID's policy of encouraging the greatest possible self-help.

IV-B - PROPOSED ACTION

108 This project should be (Place an "X" in appropriate block(s)):

1. Continued as presently scheduled in PIP.	
2. Continued with minor changes in the PIP, made at Mission level (not requiring submission of an amended PIP to AID/W).	
3. Continued with significant change in the PIP (but not sufficient to require a revised PROP). A formally revised PIP will follow.	
4. Extended beyond its present schedule to (Date): Mo. ___ Day ___ Yr. ___. Explain in narrative, PROP will follow.	
5. Substantively revised. PROP will follow.	
6. Evaluated in depth to determine its effectiveness, future scope, and duration.	
7. Discontinued earlier than presently scheduled. Date recommended for termination: Mo. ___ Day ___ Yr. ___. Explain in narrative.	
8. Other. Explain in narrative.	

109 NARRATIVE FOR PART IV-B:

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Continuation - 107 Narrative for Part IV-A

However, it should be noted that observable results will not be either as prompt or as spectacular as projects which concentrate on development of things and processes rather than on the development of people who can themselves then develop the things and processes. But this changed approach should give both more lasting and more locally acceptable results.

In preparation of the Work Plan for 1969, eleven ADP projects were consolidated into 4 and three new projects were added; one in the Claim Procedures area, one in the Returns Compliance area and the third in the Statistics area. There is a total of 35 projects scheduled in the Work Plan.

A draft of this Work Plan was discussed with Dr. Restrepo who is in accord with it. Names of counterparts who would participate in a number of the projects are being considered.

In addition with the reorganization of Tax Administration Division recently approved, it is anticipated that there will be a considerable shuffling of positions within the DIN, the extent of which is unknown as is the impact it will have on IRS assistance.

A further problem that is foreseen results from recent decrees announcing the changes in the filing dates, one date, March 15, 1969, for filing Juridicas, and one date, March 31, 1969, for the filing of individuals with the requirement that all taxpayers must file private liquidations.

All of the above can have a serious impact on our projects.

In developing the 1969 workplan for accomplishment of ADP projects, the services of the IRS advisor and the contract ADP advisor are included only through June, 1969. With the PAD reorganization now firm and with a new Director, the objectives planned for 1969 can be accomplished over this first six months. Beyond that, occasional help from ADP specialists on short-term basis will suffice. This assistance would consist primarily of guidance in evaluation of future ADP equipment requirements and development of new systems.

To accomplish the objectives cited above, 2 short-term advisors, one in the Delinquent Account & Returns area and one in Personnel and training will be needed for 6 months TDY.

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Participant Training

Four Supervisors will participate in Supervisory INTAX Seminar in Tax Administration given by IRS, FY 1969 and that additional participants in the Administrative Services INTAX Seminar in Tax Administration tentatively scheduled May 5 thru June 27, 1969.

A proposal for executive training for 20 candidates is currently being considered by the Secretary-General, MinHacienda. It is contemplated that parts of this training would be conducted in the U.S.

Musgrave Commission Proposals

Until the recommendations of this Commission are finalized, it will be impossible to define their effect on this program.

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