

PD AAB-366-A1

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AID 1020-25 (7-68)				SECURITY CLASSIFICATION <b>UNCLASSIFIED</b>				001 PROJECT NUMBER 527-11-750-057.1					
PROJECT APPRAISAL REPORT (PAR) (U-446) See M.O. 1026.1													
002 PAR	MO.	DAY	YR.	003 U.S. OBLIGATION SPAN				004 PROJECT TITLE					
AS OF:	1	3	1	FY	2	Thru	FY	7	4	GOVERNMENT FINANCE AND ADMINISTRATION (Tax Administration)			
005 COOPERATING COUNTRY - REGION - AID/W OFFICE													
PERU													

38% (Insuff Doc)

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 1968)	1,245	0	268 <sup>1/</sup>	834	0	41	0	12
PROPOSED OPERATIONAL YEAR (FY 1969)	145	0	25 <sup>1/</sup>	91	0	10	0	1	0	18	0

CCC VALUE OF P.L. 480 COMMODITIES (\$000) → Thru Actual Year : none Operational Year Program : none

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. Treasury Dept. I. R. S.	4	0	PASA No. LA (TA) 55-00	
		2.				
		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):

U. S. technical assistance to the GOP in the tax field dates back to the 1950's and funding for this specific project began in FY 1962. For purposes of the PAR, however, the project is assumed to have begun with a 1963 IRS survey which resulted in a program of technical assistance to the GOP in the internal revenue area performed continuously since that time by IRS under a PASA agreement.

1/ Largely housing and educational allowances for PASA group.

MISSION DIRECTOR APPROVAL →	SIGNATURE <i>[Signature]</i>	DATE March 25, 1969
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## PAR CONTINUATION SHEET

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From the time the original IRS team was built up in 1964 through CY 1967, the composition remained constant with seven members - a General Tax Advisor (Team Leader); two Audit Advisors; two Collection Advisors (one in the Tax Office "Superintendency" and one in the Banco de la Nación); one Organization and Methods Advisor; and one Intelligence Advisor. At the beginning of CY 1968, an Automatic Data Processing Advisor was added, and in mid-1968 the size of the team was reduced to five with the elimination of the positions of one Audit Advisor, the Organization and Management Advisor, and the Intelligence Advisor.

The ups and downs in the history of the project are marked more than anything else, by changes of people occupying the positions of Minister of Finance and Superintendent of Taxes and by the wide variations of interest these people have had both in the functioning of the Tax Superintendency and in utilizing the IRS and other foreign assistance groups. The present incumbents of these positions are probably the most enthusiastic and cooperative in the history of the project, and the outlook for major improvement in tax administration is excellent. This judgement must be tempered, however, by the sobering evidence of the past, which shows a close but inverse correlation between the effectiveness of individuals occupying the key positions mentioned and the length of their tenure. Unfortunately the Minister of Finance was changed again in late February as the PAR was being finalized.

In broad terms it is difficult to measure the results of five years of IRS assistance in achieving the ultimate goal of this assistance - increasing central government revenues, while simultaneously beginning to distribute the tax burden more equitably. The sources of this difficulty are dual. In the first place, it is almost impossible to separate out statistically the effects of changes in tax administration from the effects of changes in tax laws or rates and in the general economic level or composition, much less to separate out the effects of administrative changes resulting from technical assistance from those that would probably have occurred without it. In the second place, even where such distinctions might be made, the absence of historical, and in many cases even current, sound, accurate statistical data frustrates attempts to quantify.

In general terms, revenues generated by the Tax Office grew from about 6 billion soles in 1963 to slightly over 15 billion soles in 1968. Growth of the gross national product and price increases probably accounted for about 6 billion soles of the increase and new taxes for at least 2 billion more. Therefore, increases attributable to improved tax administration would not exceed one billion soles (\$23 million at today's free exchange rate). This is still a very respectable sum in comparison to an investment of \$350,000, composed of the \$280,000 average annual cost of the IRS team and the equivalent of an additional annual \$70,000 (after adjustment for inflation) spent by the GOP Tax Office over the 1963 level. (Moreover, this calculation does not take into consideration future revenues to be produced by administrative improvements made in the past nor revenues derived from changes in the Banco de la Nación, where one IRS technician is assigned.) At the same time, however, it is evident that the impact of tax administration improvement has to date not been large when compared to that of other factors, such as the increased level of economic activity over the period 1963-1968 and new (mostly in 1968) tax legislation.

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An attempt has been made to assemble what additional statistical evidence is available in Part I-B. The technique used in this narrative section will be to examine a few examples of projects subjectively determined to have been successes or failures. Even here, judgments can only be provisional. Projects that at one point in time appeared to be well established and functioning satisfactorily have turned out to be short-lived, while others that seemed to be dead as a dodo have subsequently been dusted off and implemented. An example of the first is the establishment of a training division in 1966 which, after getting into full swing and progressing well was effectively (although not formally) abolished in late 1967 simply because the space was needed for a project the GOP considered of higher priority (automatic data processing). An example of the second type is the reestablishment of an active Delinquent Returns program after a 10 month period (June 1967-April 1968) in which it was totally abandoned. Still other cases can shift back and forth between being successes or failures just through the application of different criteria. For instance, automatic data processing was assigned a relatively high priority in the original program drawn up by the IRS survey team (undoubtedly reflecting the great enthusiasm of GOP officials for ADP at that time). It was quickly determined, however, that the Tax Office was not yet ready for ADP, and the persuasion of the GOP to drop the attempt was hailed as an "accomplishment" by the IRS team and the USAID Mission. The idea was revived by the GOP in 1967 under what appeared to be more propitious conditions, but the lack of forward motion until at least the past few months would have to be characterized as a disappointment if not a failure.

8 These caveats having been expressed, two sub-projects can be mentioned as representative of relative successes of the program - Intelligence Service and Public Information. Despite some setbacks and continued obvious deficiencies, these two sub-projects can be characterized as showing steady overall improvement in their operations and as being staffed with competent personnel demonstrating an unusual degree of esprit de corps and enjoying considerable respect from other divisions of the Tax Office. The Intelligence Service was considered to be sufficiently well established that the IRS Intelligence Advisor was withdrawn in mid-1968, and the project has shown no signs of deterioration thus far as a result. IRS assistance to the Public Information project was provided only through short-term advisors and the part-time attention of the Team Leader and IRS advisors assigned to other sub-projects.

The reason for the success of these two projects appears clear and has significance for the evaluation of relatively less successful parts of the program. In both cases, there was no prior organization devoted to these functions. The projects were developed from scratch with IRS involvement at every stage. It is no surprise that it is easier to build something new than to remold an existing structure. There are no old habits to be broken, no entrenched interests rightfully fearful of the uncertainty of change, and a minimum of reluctance to admit that an outsider might know best.

These problems become most acute in areas where they must be attacked most directly, such as in Tax Audit and Appeals and as a result, it is precisely in these areas where concrete advances are thus far least visible. Nevertheless, it would be rash to equate the absence of tangible evidence with a lack of progress since it is nearly

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impossible to know to what extent attitudes have been subtly changed that will in time produce far-reaching positive effects.

Perhaps the most important failure of the program is in the area of the organization of the tax administration functions. The IRS team's responsibility in this area has been marginal, the principal foreign assistance role being assigned to the OAS/IDB. However, the subject merits examination because of its impact on every aspect of the IRS team's activities. A total reorganization of the Tax Office, reducing the number of divisions from 17 to 9 was carried out in 1966, using a plan drawn up by OAS/IDB with IRS assistance and concurrence. The new organization began almost immediately to be ignored, and at the present time the Tax Office consists of 16 divisions. The organizational changes occurring since 1966 were made, not to correct recognized deficiencies, but simply in order to create new positions to accommodate and reward individuals. Such a situation clearly reflects the deficiency of the personnel system and illustrates the interrelationship between various aspects of the program. One of the first acts of the new Minister of Finance who took office in October 1968 was to announce his intention to carry out a rational and functional reorganization of the Tax Office. After several months of studies and plans, this reorganization still has not taken place, demonstrating the difficulty of such a task even for a military government with extensive powers.

It is also worth noting that in neither the 1966 reorganization nor the one currently planned has the GOP given serious consideration to incorporating into the Tax Office the collection function located in the totally independent Banco de la Nación. This division of responsibilities has no rhyme or reason and presents great problems of administration and coordination. Continuance of this anomaly is a constant reminder of the power of tradition and entrenched interests.

In the absence of a PIP, the sources used for the formulation of output targets and implementation steps were the various program plan documents of the IRS and USAID Peru beginning with the 1963 survey report and ending with the annual work plan for 1967. For 1968, only informal office drafts were available, since it was never possible to get the Tax Superintendent to work together with the IRS team on the preparation of a formal joint plan.

In order to minimize the subjectivity of being selective about the inclusion of the many elements that at various times made up the program over a period of five years, only the most obviously insignificant have been eliminated with the result that the list is long. An attempt has been made, however, to consolidate those projects, targets, or activities that were essentially the same even though differing in their scope and formulation at different times.

A clear trend to less and less specificity is discernible in the definition of projects, targets, and activities (although this could not be reflected in the PAR without making it impossibly lengthy.) This trend in part reflects the changing format required for program reporting by IRS/FTAS, changes in USAID/IRS team Chiefs of Party, and the effort to fit an individual country program to such a format

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developed for world-wide applicability. However, the trend also seems to be the result of a recognition of the irrelevance of a work schedule phrased in specific terms when there is no continuity of GOP commitment to carrying the schedule out. Consequently the IRS has adopted the modus operandi of keeping a foot in the door of virtually all important Tax Office operations and seizing targets of opportunity -- moving ahead where and when the GOP is momentarily disposed to do so. This accounts for the spottiness of results and the difficulty of judging overall success, but there probably was no alternative.

Nevertheless, in retrospect it would seem that the size of the team should have more nearly reflected the degree of interest of the GOP. Nearly the same results probably could have been achieved with less than the seven members the team had during most of the time, making greater use, if necessary, of short-term specialists. Continuance of a relatively large team in the face of spotty, limited interest on the part of the GOP was no doubt largely just a question of inertia related to having advisors finish tours (six finished in June-August 1968 and only three of them were replaced) and perhaps an unwillingness to face up to the extremely difficult task of telling the GOP you are sending advisors home when with the next change of GOP officials things might get better.

Budgetary deficits have been at the root of GOP monetary and balance of payments problems in recent years, leading to a devaluation in 1967 and economic stagnation. Efforts to control expenditures have been insufficient to eliminate the fiscal problem, and Peru's development needs create constant pressure for increasing expenditures for investment and associated current operating costs.

In this situation, increasing government revenues is of great concern to the GOP and to AID, which shares Peru's interest in promoting economic and social development while avoiding inflationary financing of this development. The only opportunity for USAID/Peru to directly influence the increase in revenues is through the Tax Administration project. The Mission believes that past accomplishments of the project (even though less than hoped for), the present interest shown by the GOP in improving tax administration, and its current spirit of cooperation with the IRS team, all give strong reason to continue the project.

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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.	3. 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		
	I. AUDIT					
	A. Increased quality and quantity of field audit examinations	<u>1/</u>				
	<u>1/</u> See Table 1					
	B. Increased yield per return examined through improved returns selection program.	<u>2/</u>	<u>2/</u>	<u>2/</u>		
	<u>2/</u> Delinquent returns program was installed on pilot basis in 1965 but was suspended in mid-1967. It was reopened under a special division in April 1968 and in 9 months 1,036 cases were handled, resulting in additional taxes and penalties of \$1.22 million.					
	C. Increased scope and efficiency of audit function through reorganization.	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
	<u>3/</u> Consolidation of audit functions was carried out in 1966 but they are now again fragmented. New reorganization now planned. (see X.A. General Management - Organization). An office audit program was begun in mid-1966. See Table II for results.					
	D. Increased productivity of audit personnel through development of reference materials and training.	<u>4/</u>	<u>4/</u>	<u>4/</u>		
	<u>4/</u> See VII (Codification), IX.D. (Manual System) and X.B. (Training)					

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Table I: FIELD AUDIT RESULTS

	1966 <sup>1/</sup>		1967		1968	
				% Change		% Change
No. of Cases	608		1,733	+125.0	2,286	+ 31.9
Additional Tax & Penalty	S/. 79.1 mil.		S/. 588.1 mil	+357.0	S/. 593.5 mil	+ 1.8
Ave. Amt per Case	S/. 130,173		S/ 321,529	+103.1	S/. 215,510	33.0

<sup>1/</sup> 10 months only; percent increase of 1967 calculated on same 10 month basis.

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Table II: OFFICE AUDIT RESULTS

	1967	1968	% Change
No. of Cases	40,436	24,038	-40.6
Additional Tax & Penalty	S/. 836.9 mil.	S/. 481.6 mil.	-42.5
Ave. Amt per Case	S/. 20,696	S/. 20,034	-3.2

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		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	6. PROJECTED TOTAL FOR PROJECT LIFE
			a. PLANNED	b. ACTUAL		
	<p>II. APPEALS, CLAIMS, AND ADJUSTMENTS</p> <p>A. Equitable and prompt system for taxpayer appeals.</p> <p>1/ An informal taxpayer appeal procedure was put into effect in January 1969 as part of the audit project. Apart from this, no specific actions have been undertaken. Until 1968, the rate at which appeals cases were closed fell far short of the rate at which they were received, and as a result the backlog more than tripled in 1967. In 1968, the number of appeals fell off sharply and the number of cases closed increased somewhat, so that a start was made on reducing the backlog, which, however, still represented over a year's work at the current rate. (see Table III)</p>	1/	1/	1/	1/	

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Table III: APPEALS

	1967			1968		
	Cases Received	Cases Closed	Inventory	Cases Received	Cases Closed	Inventory
1/1/67			2,737			
1st Qtr	2,577	1,252	4,062	1,431	917	9,243
2nd Qtr	3,818	1,525	6,355	n.a.	n.a.	8,697
3rd Qtr	2,059	1,327	7,087	1,674	2,365	7,806
4th Qtr	2,445	803	8,129	1,225	909	8,122

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	<p>III. COLLECTION</p> <p>A. Improved collection procedures</p> <p><u>1/</u> During peak filing periods, temporary branch offices have been established in banks, super markets and department stores. This practice has met with great success because of the convenience and probably also because of the psychology of making taxpaying seem part of the normal routine of life. Although the procedure still needs to be simplified and extended, the Tax Office has accepted the principle of partial payment of tax obligations, making it easier for taxpayers, especially those with large accumulated liabilities, to cancel them. Cancellation of small billings that do not justify collection costs has been obtained only in a few instances on an ad hoc basis. "Pay-by-mail" was dropped after a trial proved that checking accounts were not in wide-spread enough use to make it practical. Decree issued late December 1968 gives state wide power to effect summary collection of debts to government. How this power will be utilized with regard to tax debts remains to be seen.</p> <p>B. Increased effectiveness of collection organization</p> <p><u>2/</u> An office collection unit has been successfully established on a pilot project basis for the Lima area. Collection responsibility remains in the Banco de la Nación, and there is no indication of any willingness to transfer it to the Tax Office.</p>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
		<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>

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	IV. PROCESSING					
	A. Greater efficiency in the receipt and control of tax returns.	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
	<u>1/</u> A number of different partial schemes have been introduced but never fully implemented. The <u>1a</u> test, begun in January 1969, involves the issuance of a taxpayer identification card and number, intended as the first step in the establishment of a master file which will eventually be tied into an ADP system.					
	B. Acceleration of the assessment and collection of taxes through an accurate system of taxpayer accounts.	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
	C. Coordination of the accounting for tax collections made by various government entities.	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
	<u>2/</u> Virtually nothing of significance has been accomplished in this area.					
	D. Increased speed and accuracy of processing and accounting systems by automation.	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
	<u>3/</u> After a number of abortive and wasteful sallies in this area, the Ministry of Finance is currently preparing to call for feasibility studies by equipment manufacturers of an integrated system for the entire Ministry, including the Tax Office.					

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	V. INTELLIGENCE					
	A. Increased compliance through a forceful enforcement program.	1/	1/	1/	1/	1/
	1/ No Intelligence Division existed at the beginning of the project. The organization that was created is effective within the limitations of its resources and has won the respect of both the taxpaying public and personnel of the Tax Office. See Table IV for results.					
	B. Increased efficiency and effectiveness of special agent personnel.	1/	1/	1/	1/	1/

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Table IV: INTELLIGENCE DIVISION RESULTS

	1966		1967		1968 <sup>1/</sup>	
	Taxpayers	Employees	Taxpayers	Employees	Taxpayers	Employees
Cases Investigated	14	5	18	5	11	5
Cases Closed	5	4	9	5	6	5
Amt Collected	S/.6.8 mil.		S/.34.9 mil.		S/.18 mil.	
Cases to Prosecution	1	-	2	1	9	2
Amt for Collection			S/.37.5 mil.		S/.57.6 mil.	
Employees Disciplined						
Warned		2		4		-
Suspended		2		-		1
Fined		-		1		-
Discharged		-		2		1

<sup>1/</sup> Eight months only, except for "Cases to Prosecution", which is for entire year.

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	<p><b>VI. SALES ("STAMP") TAXES</b></p> <p>A. Increased proceeds through easier compliance and improved enforcement</p> <p>B. Increased competence and productivity of field inspectors.</p> <p>1/ After responsibility was transferred from Banco de la Nación to Tax Office, an increase in collections was achieved while simultaneously reducing the number of inspectors by half. All of 65 inspectors remaining after this reduction completed a training course.</p>	1/	1/	1/	1/	1/
	<p><b>VII. CODIFICATION OF TAX LAWS, DECREES AND REGULATIONS</b></p> <p>A. Uniform administration of tax laws and increased taxpayer compliance.</p> <p>1/ Tax code was completed, issued and is being kept up to date, although a subscriber's service is not being kept current due to insufficient funds.</p>	1/	1/	1/	1/	1/

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		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	
			a. PLANNED	b. ACTUAL		
	<p>VIII. PUBLIC INFORMATION</p> <p>A. Understanding of public relations as a tool of tax administration</p> <p>B. Improved public awareness of and response concerning taxpayer rights and obligations.</p> <p>1/ No Public Information Office existed at the beginning of the project. That which was created has effectively utilized communications media, conferences by officials of the Tax Office, and other techniques to inform the public of its tax paying obligations and to help them understand how to carry out these obligations, as well as to publicize accomplishments, whether these be higher tax collections or the prosecution of a tax evader. The work of the Public Information Office was of particular importance during the past six months during which a major tax reform was implemented. Not only was the public kept informed of its new obligations, filing dates, forms and procedures to be used (some of which were constantly being changed at the last minute) but a campaign against the new taxes by some sectors of the public was also successfully countered by explaining the justification for the new taxes and their real impact, which was sometimes being exaggerated by opponents.</p>	1/	1/	1/	1/	1/
		1/	1/	1/	1/	1/

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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.	3. ACTUAL AND PLANNED OUTPUTS (ALL DATA CUMULATIVE)				
		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	6. PROJECTED TOTAL FOR PROJECT LIFE
			a. PLANNED	b. ACTUAL		
	<b>IX. GENERAL ADMINISTRATION</b>					
	A. Financial management that is responsive to changing needs (Budget) 1/ See Table V	1/	1/	1/	1/	
	B. Improved utilization of human resources (Personnel) 2/ A competently staffed personnel function has been established and a sound personnel evaluation system put into operation. However, at the management level, there has been virtually no real acceptance of the idea of a merit system nor is there understanding of the interrelationships within such a system of position descriptions, qualification standards, performance standards, and employee evaluation.	2/	2/	2/	2/	
	C. Improved physical resources for tax administration (Facilities Management) 3/ Extensive renovation and equipment acquisition was carried out on a one-time basis when "wind-fall" funds became available. There is no functioning system.	3/	3/	3/	3/	
	D. Improved employee performance and supervisory control through standardization of work operations (Manual System) 4/ Organization and Collections manual have been issued. Intelligence manual is in effect without being formally issued. Processing and Audit manuals are still awaiting approval.	4/	4/	4/	4/	

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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)				
		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	6. PROJECTED TOTAL FOR PROJECT LIFE
			a. PLANNED	b. ACTUAL		
	<p>E. Improved internal communications and paper-work processes (Records and Forms Management)</p> <p>5/ In an organized manner, progress has been made only with regard to forms management. One hundred tons of old records were disposed of, however, in January 1969 as a clean-up and space-making effort.</p>	5/	5/	5/	5/	

## PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

Table V: TAX OFFICE BUDGET <sup>2/</sup>

	Amount (million soles)	Percent Change	Percent of Total Central Gov't
1963	51.5		0.36
1964	45.3	-12.0	0.33
1965	61.6	+36.0	0.31
1966	74.7	+21.3	0.31
1967 <sup>2/</sup>	87.5	+17.1	0.36
1968	113.2	+29.4	0.37

<sup>1/</sup> Actual expenditures 1963-1966; budget 1967 and 1968.

<sup>2/</sup> On twelve-month basis; fiscal year was actually 15 months.

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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.	3. ACTUAL AND PLANNED OUTPUTS (ALL DATA CUMULATIVE)				
		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	6. PROJECTED TOTAL FOR PROJECT LIFE
			a. PLANNED	b. ACTUAL		
	<p><b>X. GENERAL MANAGEMENT</b></p> <p>A. Increased unity of policy and direction and improved administrative support of tax operations (Organization)</p> <p><u>1/</u> In 1966 a functional organization, prepared with the assistance of OAS and IRS, was adopted, reducing the number of divisions from 17 to 9. Over the next two years, the new organizational plan was increasingly ignored and the number of divisions grew to 16. A new reorganization is now under consideration.</p> <p>B. Sustained employee development through the use of in-service and off-site training facilities (Training)</p> <p><u>2/</u> A reasonably effective training center was established and operated until September 1967, when the space used was taken over for another purpose. Two competent training officers were employed at different times, but neither of them is currently working in the training field.</p>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	
		<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	

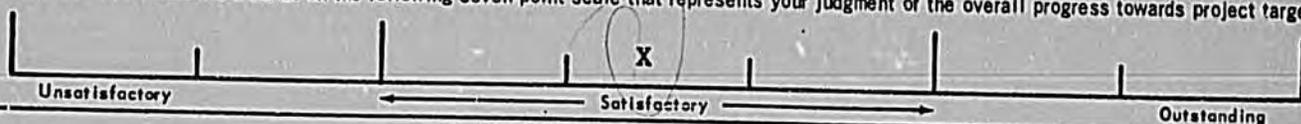
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SECURITY CLASSIFICATION <b>UNCLASSIFIED</b>	PROJECT NUMBER <b>527-11-750-057.1</b>
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**PART I-B - Continued**

**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)	b. 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
	SECTOR AND PROGRAM GOALS (LIST ONLY THOSE ON WHICH THE PROJECT HAS A SIGNIFICANT EFFECT)		
	(1) <b>Public Economic Policy and Financial Responsibility</b>	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 1):

This project is one of several AID efforts ultimately aimed at this broad goal. Both the sector goal target and the much narrower target of the project, itself, (increased revenues and more equitable distribution of the tax burden) are subject to a variety of external factors with potentially much greater impact than the project activities (see 008). However, within the range of what AID is doing and can do, particularly with regard to the "Financial Responsibility" aspect of the goal, the project would have to be rated very important.

## 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?  | Y  |
| 015 | Have any problems arisen as the result of advice or action or major contributions to the project by another donor?   | 1/ |
| 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?   | 2/ |
| 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?   | 3/ |
| 020 | Has there been a lack of effective cooperating country media coverage? (Make sure AID/W has copies of existing coverage.)  | N  |
| 021 | NARRATIVE FOR PART I-C.2 Identify each explanatory note by the number of the entry to which it pertains. (Continue on form AID 1020-25 I as necessary):  |    |
| 014 | See item 008 for discussion of effect of new revenue laws, general economic growth and inflation on revenue results and effect of attitude of host country officials on project accomplishments.   |    |
| 015 | 1/ During most of the period covered by this PAR, (until January 1968) parallel assistance in customs administration (including the revenue aspect) was provided by a private U.S. consulting firm under AID contract, and during the entire period technical assistance was also being provided by another US consulting organization (under AID contract) in the general area of public administration. During shorter periods, the IMF and OAS/IDB have had technical assistance missions working in the tax field or related areas. Although the activities of all these groups, in varying ways and degrees over time, touched upon areas related to the work of the IRS group, only the work of the OAS/IDB team has had direct bearing on this project. Cooperation between OAS/IDB and IRS was not always as close as it now is, but there never were serious problems and the two teams' work is complementary. |    |
| 016 | 2/ The program has undergone substantial modification in response to changing circumstances during the five years covered by this PAR and presently its staffing etc. reflects actual circumstances and needs. However, the increased attention being given to the project by the GOP and significant organizational changes underway or contemplated may lead to further modifications over the coming year.  |    |
| 019 | 3/ Past activities have received limited publicity in the U.S., but nothing currently merits further publicity.  |    |

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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.

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
I. A.	1. Expand scope of audit function and role of auditor through improved procedures.	X <sup>2/</sup>		
	2. Determine optimum number of auditors needed.		X <sup>2/</sup>	
	3. Install system of examiners monthly reports.			X <sup>2/</sup>
	4. Increase qualified audit staff.	X		
I. B.	1. Canvass for delinquent returns.			X <sup>2/</sup>
	2. Conduct pilot delinquent returns program.	X <sup>2/</sup>		
	3. Develop program for classification & selection of returns for examination.	X <sup>2/</sup>		
	4. Train classifiers.	X <sup>2/</sup>		
	5. Implement program on permanent basis. (Program was never approved by Tax Superintendent).	X		
I. C.	1. Develop organizational plan to consolidate audit function.			X <sup>2/</sup>
	2. Organize consolidated audit activity.	X <sup>2/</sup>		
	3. Select and train personnel.	X <sup>2/</sup>		
	4. Implement new organization.	X <sup>3/</sup>		
	5. Absorb audit of sales tax returns.	X <sup>2/</sup>		
	6. Install Office Audit operation.		X <sup>2/</sup>	
	7. Integrate Field Operations into prescribed plan of tax administration.		X	
	<sup>1/</sup> No PIP. Number is keyed to Part I.B.			
	<sup>2/</sup> Action completed			
	<sup>3/</sup> Action initially completed but lapsed.			

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## PART II - IMPLEMENTATION REPORT

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		(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
II. A.	1. Study present procedures for claims and appeals.	X <sup>2/</sup>		
	2. Develop written procedures for appeals.	X <sup>2/</sup>		
	3. Develop "informal" taxpayer appeal procedure.	X <sup>3/</sup>		
III. A.	1. Establish procedures to eliminate delays in submission of collection information by Caja (now Banco de la Nación) to Tax Office.	X <sup>4/</sup>		
	2. Carry out analytical study of office collection procedures.	X <sup>5/</sup>		
	3. Introduce pay-by-mail system.		X <sup>4/</sup>	
	4. Establish temporary offices away from Ministry to facilitate filing of returns during peak periods.		X <sup>5/</sup>	
	5. Increase enforcement powers of audit and collection personnel.		X	
	6. Ascertain causes and remedies for high rate of erroneous billings issued.		X	
B.	1. Develop reorganization plan.		X <sup>4/</sup>	
	2. Prepare an organization structure for an office collection activity.			X <sup>5/</sup>
	3. Prepare procedures for office collection operation.		X <sup>5/</sup>	
	4. Conduct pilot test of office collection operation.		X <sup>5/</sup>	
	5. Install regular reporting and control system.		X <sup>5/</sup>	
	6. Prepare organization structure for a field collection operation.		X <sup>5/</sup>	
	1/ No PIP. Number is keyed to Part I.B.			
	2/ Inactive.			
	3/ Completed.			
	4/ Step completed but ultimate goal not achieved.			
	5/ Completed.			

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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
	7. Prepare procedures for field collection program.		X <sup>2/</sup>	
	8. Select under merit system and train 6 new field collectors.		X <sup>2/</sup>	
	9. Activate field collection force.	X		
	10. Institutionalize means of coordination between Tax Office and Banco de la Nación.	X		
IV. A.	1. Implement new system for receipt and control of income tax returns.	X <sup>2/</sup>		
	2. Integrate sales tax returns into the system.	X <sup>3/</sup>		
	3. Integrate inheritance tax returns into the system.	X <sup>3/</sup>		
	4. Design, adopt and install taxpayer identification system.		X	
B.	1. Implement new system of taxpayer accounts for income tax returns.	X <sup>2/</sup>		
	2. Integrate sales tax returns into system.	X <sup>3/</sup>		
	3. Integrate inheritance tax returns into system.	X <sup>3/</sup>		
	4. Incorporate advance payments into accounting system.	X		
C.	1. Establish permanent coordinating committee for Caja (now Banco de la Nación) and Tax Office.			X <sup>4/</sup>
D.	1. ADP orientation for top officials by IBM		X <sup>2/</sup>	
	2. Aptitude tests to 100 potential programmers.		X <sup>2/</sup>	
	3. Assignment of those completing programmers course to on-the-job training.		X <sup>5/</sup>	
	<p><u>1/</u> No PIP Number is keyed to Part I-B.</p> <p><u>2/</u> Completed</p> <p><u>3/</u> Inactive.</p> <p><u>4/</u> Lapsed.</p> <p><u>5/</u> Step completed but no follow-on.</p>			

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## PART II - IMPLEMENTATION REPORT

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(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
	4. Determine programs that can be adapted to an EDP system.	X		
	5. Develop short and long-range plans for the transition to feasible applications.	X		
	6. Evaluate 4 preliminary proposals from ADP equipment manufacturers.			x <sup>2/</sup>
	7. Carry out ADP investigations for Ministries of Education and Government (at special request; unrelated to project).		x <sup>2/</sup>	
	8. Design, monitor and evaluate feasibility study for centralized ADP in Ministry of Finance.		X	
V. A.	1. Establish Intelligence Service.		x <sup>2/</sup>	
	2. Develop organization and staffing.		x <sup>2/</sup>	
	3. Study sanctions for tax violations.	x <sup>2/</sup>		
	4. Develop fraud referral program.		x <sup>2/</sup>	
	5. Develop procedure for processing criminal cases (post investigation)	x <sup>2/</sup>		
	6. Develop case review procedure.	x <sup>2/</sup>		
	7. Obtain access to bank records.		x <sup>3/</sup>	
	8. Develop guidelines for fraud detection	x <sup>2/</sup>		
	9. Develop procedure for processing civil cases.	x <sup>2/</sup>		
	10. Develop public information program that will have maximum deterrent effect		x <sup>2/</sup>	
	11. Develop personnel integrity program	x <sup>2/</sup>		
	12. Prepare audit plan for each function	X		
	13. Obtain approval of work schedule and conduct internal audit of all functions	X		
	<u>1/</u> No PIP. Number is keyed to Part I-B			
	<u>2/</u> Completed.			
	<u>3/</u> Completed with only partially satisfactory results.			

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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
	14. Give systematic publicity on apprehension and punishment of tax fraud and employee misconduct.		X <sup>2/</sup>	
	15. Double size of special agent force.		X <sup>2/</sup>	
	16. Indocrinate auditors in detecting indications of fraud and referring such cases to Intelligence.		X	
B.	1. Develop basic accounting course.			X <sup>2/</sup>
	2. Compile information about laws, rulings, evidence and procedures.	X <sup>2/</sup>		
	3. Develop background and case source file.			X <sup>2/</sup>
	4. Develop case report writing course.	X <sup>2/</sup>		
	5. Develop criminal investigation course.	X <sup>2/</sup>		
	6. Develop standard rules of conduct.	X <sup>3/</sup>		
VI. A.	1. Convert from stamps to returns for major sales taxes.	X <sup>2/</sup>		
	2. Transfer responsibility from Banco de la Nación to Tax Office.		X <sup>2/</sup>	
	3. Reorganize Sales Tax Division under new management.		X <sup>2/</sup>	
	4. Design means of sales tax enforcement as alternative to lottery.		X	
B.	1. Train inspectors.	X <sup>2/</sup>		
	2. Organize pilot mobile group of inspectors to aid provincial offices.	X <sup>4/</sup>		
	3. Apply merit selection process to identify and retain the most capable one half of Sales Tax inspection personnel.		X <sup>2/</sup>	
	4. Give three weeks' training to those retained.		X <sup>2/</sup>	
	<p>1/ No PIP Number is keyed to Part I B</p> <p>2/ Completed</p> <p>3/ Completed with only partially satisfactory results.</p> <p>4/ Dropped.</p>			

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)

(b) STATUS - PLACE AN "X" IN ONE COLUMN

PIP 1/  
ITEM  
NO.

MAJOR ACTIONS OR STEPS; CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS

(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
---------------------------	-----------------------	-----------------------------

- VII. A.
1. Establish Tax Commission. x<sup>2</sup>/<sub>1</sub>
  2. Establish task force of technicians to catalog statutes, decrees and administrative regulations. x<sup>2</sup>/<sub>1</sub>
  3. Prepare recommendations for presentation to Congress. x<sup>2</sup>/<sub>1</sub>
  4. Approval of new Tax Code. x<sup>2</sup>/<sub>1</sub>

- VIII. A.
1. Establish Public Information Office. x<sup>2</sup>/<sub>1</sub>
  2. Obtain needed personnel and facilities. x<sup>2</sup>/<sub>1</sub>
  3. Define inter-organizational relationships within Superintendency. x<sup>2</sup>/<sub>1</sub>
  4. Define representation role outside Ministry. x<sup>2</sup>/<sub>1</sub>
  5. Devise internal operating routines. x<sup>2</sup>/<sub>1</sub>
  6. Staff development in public relations techniques. x<sup>2</sup>/<sub>1</sub>
- B.
1. Develop system of news releases and conferences. x<sup>2</sup>/<sub>1</sub>
  2. Establish program of periodic taxpayer reminders. x<sup>2</sup>/<sub>1</sub>
  3. Establish policy for publicity support of operating activities. x<sup>2</sup>/<sub>1</sub>
  4. Activate regular flow of newsworthy releases. x<sup>2</sup>/<sub>1</sub>
  5. Produce, via USIS, comic strip, popular film or TV series for general attitudinal impact. x<sup>3</sup>/<sub>1</sub>
  6. Joint development by Public Relations and Audit of taxpayer assistance program. x<sup>2</sup>/<sub>1</sub>

1/ No PIP Number is keyed to Part I-B

2/ Completed.

3/ Abandoned.

## PART II - IMPLEMENTATION REPORT

## II-A - STATUS OF SCHEDULE

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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	
IX. A.	1. Establish new budget, fiscal, and accounting organizations.		x <sup>2/</sup>		
	2. Develop system for coordination with management decisions.		x <sup>2/</sup>		
	3. Devise internal operating procedures.	x <sup>2/</sup>			
	4. Activate new organizations.	x <sup>3/</sup>			
	5. Develop year-round budget analysis and reporting to management.		x <sup>2/</sup>		
	B.	1. Establish organization to administer personnel program.		x <sup>3/</sup>	
		2. Design and install procedures for merit selection.	x <sup>4/</sup>		
		3. Define coordination relationships with other offices of tax agency.	x <sup>4/</sup>		
		4. Design and install standards of performance.	x <sup>4/</sup>		
		5. Establish standards of conduct.	x <sup>4/</sup>		
		6. Design and adopt personnel evaluation system.		x <sup>2/</sup>	
	C.	1. Establish consolidated organization for space and property management, procurement and maintenance.			x <sup>3/</sup>
		2. Define coordination relationships with other offices of tax agency.	x <sup>4/</sup>		
		3. Develop program to improve quality and quantity of equipment.	x		
	D.	1. Design revisable manual system for policies, delegations, functional assignments and procedural instructions.	x <sup>2/</sup>		
2. Define coordination and clearance procedures.		x <sup>2/</sup>			

1/ No PIP. Number is keyed to Part I-B.

2/ Completed.

3/ Completed but with limited application.

4/ In suspense.

## 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.

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
	3. Devise reproduction and distribution procedures.	X <sub>2</sub> /		
	4. Secure adoption of system.	X <sub>3</sub> /		
	5. Secure agreement on organizational placement.	X <sub>2</sub> /		
	6. Preparation of manual content by offices having functional jurisdiction.	X <sub>4</sub> /		
E.	1. Establish new organization for records and forms management, printing, stockroom, distribution and communications services.	X <sub>3</sub> /		
	2. Define coordination relationships with other offices of tax agency.	X <sub>2</sub> /		
	3. Enlarge printing facilities.	X <sub>2</sub> /		
	4. Organize distribution and communications center.	X <sub>2</sub> /		
	5. Define forms management procedures for coordination and clearance.	X <sub>4</sub> /		
	6. Develop a record management program.	X		
X. A.	1. Develop plans to reorganize Tax Office.		X <sub>4</sub> /	
	2. Absorb Collection Department of Banco de la Nación into Tax Office.	X <sub>2</sub> /		
	3. Establish Tax Court.		X <sub>4</sub> /	
	4. Develop policies governing delegation of authority and management controls.	X <sub>3</sub> /		
	5. Implement reorganization of Tax Office.	X <sub>5</sub> /		
	6. Establish Organization, Methods and Control Offices.		X <sub>4</sub> /	
	7. Integrate Emissions and Control of Collections Divisions with Accounting and Data Processing Divisions.	X <sub>3</sub> /		
	<u>1</u> / No PIP. Number is keyed to Part I-B.			
	<u>2</u> / In suspense.			
	<u>3</u> / Completed but with limited application.			
	<u>4</u> / Completed.			
	<u>5</u> / Completed but lapsed.			

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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.

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
	8. Establish Regional Offices.	X <sup>2</sup> /		
	9. Study reorganization needs in departmental offices.	X <sup>2</sup> /		
	10. Install time and attendance system.	X <sup>2</sup> /		
	11. Secure agreement for unified direction of administration functions at a level immediately below the agency head.		X <sup>3</sup> /	
	12. Define responsibilities and authority relationships of this office.		X <sup>3</sup> /	
	13. Activate new administration organization.		X <sup>3</sup> /	
	14. Reorganize Collection Division.	X <sup>2</sup> /		
	15. Reorganize Sales (Stamp) Tax Division.	X <sup>3</sup> /		
B. 1.	Establish training center.		X <sup>4</sup> /	
	2. Prepare guides for on-the-job training.	X <sup>2</sup> /		
	3. Establish training policies and general training plan.	X <sup>3</sup> /		
	4. Conduct informal seminars in management concepts and practices.	X <sup>5</sup> /		
	5. Sponsor formal management training.	X <sup>2</sup> /		
	1/ No PIP. Number is keyed to Part I-B.			
	2/ In suspense.			
	3/ Completed.			
	4/ Completed but lapsed.			
	5/ Completed but with limited application.			

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PART II - Continued

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
- (b) Ahead of schedule
- (c) Behind schedule
  - (1) AID/W Program Approval X
  - (2) Implementing Agency (Contract/Participating Agency/Voluntary Agency) X
  - (3) Technicians
  - (4) Participants
  - (5) Commodities (non-FFF)
  - (6) Cooperating Country
  - (7) Commodities (FFF) X
  - (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	
025 Adequacy of technical knowledge	033 Promptness of required reports	
026 Understanding of project purposes	034 Adherence to work schedule	N
027 Project planning and management	035 Working relations with Americans	N
028 Ability to adapt technical knowledge to local situation	036 Working relations with cooperating country nationals	N
029 Effective use of participant training element	037 Adaptation to local working and living environment	N
030 Ability to train and utilize local staff	038 Home office backstopping and substantive interest	
031 Adherence to AID administrative and other requirements	039 Timely recruiting of qualified technicians	N
	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	P
042 English language ability	053 Relevance of training for present project purposes	P
043 Availability of host country funding	054 Appropriateness of post-training placement	N
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	N
046 Quality of technical orientation	057 Adequacy of performance	P
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).			X	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 I 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 Item 008

b. Implementing Agency Actions

- 027 As mentioned in item 008, the size and composition of the IRS team until recently was not adjusted to changes in local circumstances occurring since initiation of the project and to the modification of the project reflecting these changed circumstances. Responsibility for this failure is shared with the USAID. Delays in recruiting (see item 039) are also a reflection of planning and management deficiencies at the Washington level.
- 028 As individuals, the IRS technicians have generally adapted well to local conditions, established good working relationships with their Peruvian counterparts, and made an effort to learn Spanish. Familiarization with the work, personal adjustment, and language learning take time, however, and the high turnover rate among technicians has inevitably meant that the effectiveness of IRS assistance as a whole has been significantly reduced by the high proportion of time lost as a result. Nineteen long-term advisors have been assigned to the project over its five-year history. No more than four of them spoke Spanish upon arrival, and only six had had previous overseas experience. Only one stayed two tours, and the average stay was slightly less than two years. A scarcity of technicians with language capability and previous overseas experience is inevitable in the case of an organization as young as FTAS, and
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- 037

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## PAR CONTINUATION SHEET

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this situation is certain to improve with time. The fact that two of the four present members of the team came from another overseas assignment is an indication of this (although the fact that only five of the fifteen who have left Peru went to another overseas post dampens optimism). The newness of FTAS undoubtedly also plays a role in the high rate of turnover, as do climate, frustrating working conditions, etc. Only through comparison with IRS experience in other posts could one pin down the relative importance of these factors.

- 034 Responsibility for failure to meet implementation schedules lies chiefly with the GOP (see Part III). However, unrealistic scheduling by IRS, high turnover of technicians (see above) and delays in recruiting (see 039) also played a role.
- 035 In accordance with supplemental instructions attached to AIDTO Circular A-171 this item has been interpreted as relating to USAID supervision of the IRS team and the project. In this context, it has been marked negative, although the responsibility lies almost exclusively with the Mission and not with IRS. In the absence of a direct-hire Public Administration Advisor, project supervision at various times has been assigned to a number of different AID technicians - Assistant Director, Natural Resources Coordinator and Economic Advisor for the past two years. The amount of professional knowledge, time and interest devoted to this task varied according to the organizational location of the Mission's supervisory responsibility, as well as the individual carrying out the function. In general, however, it appears that most of the time in the past too little attention was paid to the project in relation to its cost and potential contribution, compounding the fact that the IRS Chiefs of Party from mid-1966 through 1968 were also weak in supervision and management. As noted under item 027, this has been reflected in the failure to always make timely changes in staffing, and it may also have contributed to the rate of turnover, insofar as IRS technicians did not perhaps feel themselves full members of the AID team. Greater support from AID might have played at least a marginal role in bringing about GOP acceptance of IRS proposed changes, but this must be balanced against the advantage of disassociation from AID in certain political circumstances.
- 039 The Collection Advisor position in the Banco de la Nación was twice vacant for periods of nearly six months each time; an Audit Advisor position was vacant for nearly 3 months, and the Team Leader position has been filled on only an acting basis since early December 1968. Unavoidable circumstances entered into all of these cases, and other members of the team were able to fill in. Nevertheless, the vacancies reduced the effectiveness of the team, and possibly raised doubts in the minds of GOP officials as to the total seriousness of our interest.

c. Participants

054, 056 See item 096

d. Commodities

The commodity element in this project has been insignificant - only \$12,000 out of a total of \$1,390,000.

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

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 I):

See item 008 for discussion of country performance and recent important changes.

- 080 Revenue administration is widely dispersed, and there is very little coordination or cooperation among the various entities involved. From the viewpoint of this project, the most important problem is the fact that collection of even those taxes which the Tax Office administers is the responsibility of the Banco de la Nación. The Banco, a semi-autonomous public entity, was until October 1963 a private corporation created under a different name by a consortium of banks to act as contractor to handle government revenues. It had, and to a lesser extent continues to have, many other disparate responsibilities, which, given its organizational structure, make coordination with the Tax Office extremely difficult. An effort is now being made to create a liaison body to effect better coordination between the two entities, but the best solution - transfer of collection responsibility to the Tax Office - is not under consideration. Even within the Tax Office, deficiencies in the organizational structure have led to serious problems of coordination, referred to various places in the PAR. A new reorganization of the Tax Office is now planned.

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- 082 As mentioned in item 008, there is an abysmal lack of reliable data within the Tax Office. Although there has been some progress in this respect in the past two years, the IRS team recognizes that greater attention must be paid to eliminating this problem.
- 083 See item 008. Lack of continuity and interest have been more of a problem than competence. There have been five different Ministers of Finance during the past year, and, although the turnover of Tax Superintendents has been less, indifference has usually been considerably greater than at the ministerial level. The degree of interest at both levels is now excellent but the question of continuity remains.
- 085 Changes of even a basically administrative nature require legislation, which is time consuming and difficult to obtain.
- 086 Inadequacy of Tax Office organization and procedures are treated throughout  
087 the PAR.
- 088 See item 008 for a description of how the Training Division went out of business for lack of space. Item 084 has not been marked negative because the problem is not so much a shortage of resources as proper priority and efficiently in their use.
- 091 See item 008.
- 092 See item 008 and 083.
- 093 Technical ability exists but there is relatively little interest in the tedious task of implementation and a tendency to believe that once a solution is down on paper the problem is solved. Even where this is not the case, political pressures and the strength of vested interests prevent implementation.
- 096 Although there is a relatively good record of participants and others trained being retained, they are seldom used to be best of their capability. Seniority and friendships count for more than ability.
- 097 See item 093.
- 099 In-service training was making good progress toward solving this problem until it was discontinued. There is now hope that it will be reinstated.
- 100 Planning and management skills are in extremely short supply and difficult to develop in short-term training programs. For reasons cited in items 096 and 104 it is difficult to attract personnel having these skills.

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101. Although there have been several instances where badly needed personnel were added, many high priority sub-projects suffer from a shortage of staff. As in item 088, the problem is not so much a shortage of funds as priority in their use. Some divisions are overstaffed with incompetent people (as noted elsewhere in the PAR, the number of sales tax inspectors was cut in half and collections increased).
- 102 Often reflects changes discussed in item 083.
- 103 Tax administration is virtually limited to Lima metropolitan area and a few other urban centers.
- 104 This is a problem common to all central government departments, but it is particularly serious for a Tax Office because of the temptation to accept bribes. Low pay scales have also been a contributing factor to the proliferation of organizational units in order to justify paying higher salaries.

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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):

See item 016

## 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 <del>scope</del> <del>scope</del> made at Mission level (not requiring submission of an amended PIP to AID W).	X
3. Continued with significant changes 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. ___	
8. Other. Explain in narrative.	

109 NARRATIVE FOR PART IV-B:

See item 016

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