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AAL-797-AH

PROJECT APPRAISAL REPORT (PAR) (FINAL) PV

1. PROJECT NO. 526-11-790-018.1	2. PAR FOR PERIOD: 7/1/73 TO 6/30/75	3. COUNTRY PARAGUAY	4. PAR SERIAL NO. 75-13
5. PROJECT TITLE			

TAX ADMINISTRATION

5p.

6. PROJECT DURATION: Began FY 1965 Ends FY 1975	7. DATE LATEST PROP 10/15/69	8. DATE LATEST PIP 4/20/73	9. DATE PRIOR PAR 11/7/73
10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$ 799,600	b. Current FY Estimated Budget: \$ 140,900	c. Estimated Budget to completion After Current FY: \$

11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME	b. CONTRACT, PASA OR VOL. AG. NO.
INTERNAL REVENUE SERVICE	PASA/IA(TA) 07-65

I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID	AID/W	HOST		
X			1. The Project Manager should prepare and obtain signature of a termination agreement before his departure.	July 31, 1975
X			2. Identify all unfinished project activities and prepare suggestions for future action by the various GOP counterpart offices.	July 31, 1975
X			3. Follow up on the receipt and delivery to GOP offices of project commodities.	Dec. 31, 1975

D. REPLANNING REQUIRES	REVISOR: <input type="checkbox"/> PROP <input type="checkbox"/> PIP <input type="checkbox"/> PRO AG <input type="checkbox"/> PIO/T <input type="checkbox"/> PIO/C <input type="checkbox"/> PIO/P	E. DATE OF MISSION REVIEW 6/24/75
PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE William B. Flaherty	MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE Oliver L. Sauss	

II. PERFORMANCE OF KEY INPUTS AND ACTION AGENTS

A. INPUT OR ACTION AGENT CONTRACTOR, PARTICIPATING AGENCY OR VOLUNTARY AGENCY	B. PERFORMANCE AGAINST PLAN							C. IMPORTANCE FOR ACHIEVING PROJECT PURPOSE (X)					
	UNSATISFACTORY		SATISFACTORY			OUTSTANDING		LOW		MEDIUM		HIGH	
	1	2	3	4	5	6	7	1	2	3	4	5	
1. Internal Revenue Service/PASA						X							X
2.													
3.													

Comment on key factors determining rating: The PASA team has continued its record of successfully achieving project objectives. As we approach the project termination date, all existing major objectives, save one, will be achieved. Although the establishment of a Ministry level planning function may not be a reality by 6/30/75, Ministry interest is still there. Relationships between the host country personnel and the IRS/PASA tax administration advisors continue to be excellent.

4. PARTICIPANT TRAINING					X							X	
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Comment on key factors determining rating: Although in-country training for clerical positions fell off substantially this year, training of supervisory and technical personnel increased by more than 50% over 1973. Two high level officials received IRS/INTAX management training and four others received advanced training in Argentina. All these officials returned to their former or higher positions. One of the INTAX graduates has just been promoted.

5. COMMODITIES					X								X
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Comment on key factors determining rating: There was an increase in USAID commodity support. In this last year for the project, an effort was made to fill some long neglected gaps in commodity support. The GOP has responded by upgrading the tax offices, through construction, furnishing and renovation.

6. COOPERATING COUNTRY	a. PERSONNEL					X								X
	b. OTHER					X								X

Comment on key factors determining rating: GOP support to this project has always been positive. During this rating period it has been even better. Included in the list of GOP accomplishments during this period have been 1) continued excellent progressive management in the Income Tax Office; 2) establishment of additional regional property tax offices; 3) establishment of the first regional income tax office; 4) completion of the first tax audits in the interior of the country with excellent results; 5) establishment of Field Collection Functions in both the Internal and Property Tax Offices; 6) substantial completion of the taxpayer master file in the Internal Tax Office. The major disappointment has been the failure of the Ministry to establish a planning function to date.

7. OTHER DONORS				X									
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11. 7. Continued: Comment on key factors determining rating of Other Donors
 Coordination between other donors (OAS, UN, CIAT) and USAID/IRS tax advisors is very good. However, the other ~~many~~ organizations, except CIAT, had few project-related activities during this rating period.

The Inter-American Center for Tax Administrators (CIAT) continues to have positive impact on the project through management and technical seminars and the dissemination of a monthly bulletin with international tax administration policy related articles.

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					
		CUMULATIVE PRIOR FY	CURRENT FY 75		FY ____	FY ____	END OF PROJECT
			TO DATE	TO END			
Auditors permanently assigned to the Income Tax Office.	PLANNED	20		5			25
	ACTUAL PERFORMANCE	16	0				
	REPLANNED						
Regional Property Tax Offices established and functioning.	PLANNED	5		1			6
	ACTUAL PERFORMANCE	3	2				
	REPLANNED						
Regional Income Tax Offices established and functioning.	PLANNED	2		1			3
	ACTUAL PERFORMANCE	1					
	REPLANNED						
Personnel in Tax Offices trained for key posts (US/Third countries).	PLANNED	10/9		2/0			12/9
	ACTUAL PERFORMANCE	10/9	2/1				
	REPLANNED						
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS	COMMENT:						
1.							
2.	COMMENT:						
3.	COMMENT:						

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IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? YES NO

To develop and institutionalize improved GOP tax administration systems and procedures.

B. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.										
<p>1. Improved audit function established. An increased number of audits by more effectively trained personnel.</p> <table border="1"> <tr> <td></td> <td><u>FYs</u></td> <td><u>73</u></td> <td><u>74</u></td> <td><u>75</u></td> </tr> <tr> <td>No. of tax returns audited in Income Tax Office</td> <td></td> <td>180</td> <td>200</td> <td>225</td> </tr> </table>		<u>FYs</u>	<u>73</u>	<u>74</u>	<u>75</u>	No. of tax returns audited in Income Tax Office		180	200	225	<p>1. The audit goal of 225 returns to be examined by field and office audit for 1975 was exceeded by a substantial number, even though more important and productive returns were selected for 1975. Also, additional taxes and penalties from total audits rose by more than 50% over 1973, or \$144,793,316 (\$1,149,153).</p>
	<u>FYs</u>	<u>73</u>	<u>74</u>	<u>75</u>							
No. of tax returns audited in Income Tax Office		180	200	225							
<p>2. Effective collection system, including accounting and office collection functions, operating in all three offices assisted by the project. Field collection function established and functioning in Real Property and Internal Tax Offices.</p>	<p>2. Effective collection systems are now functioning in all offices. It has not been formalized in the Income Tax Offices, as there are few delinquent accounts. The field collection function is now established and functioning in both the Real Property and Internal Tax Offices.</p>										
<p>3. Decentralized administration in the tax offices.</p>	<p>3. All tax offices are now decentralized to some extent, with regional offices. In addition, the Income Tax Office now has a planned program for tax audits in the interior of the country.</p>										

V. PROGRAMMING GOAL

A. Statement of Programming Goal

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

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IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? YES NO

B. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.
<p>4. Even-handed enforcement of the tax laws.</p> <p>5. A centralized planning function established which coordinates the efforts of the various tax offices. Maximum utilization of inter-office data.</p>	<p>4. This has been achieved to the extent it can be under the present GOP political attitude. This is especially true in the Income Tax Office, where it is most important. It has not been tested in the Property Tax Office.</p> <p>5. This has not yet been accomplished. Although discussions have continued and the concept verbally approved by the Minister of Finance, it has not yet been translated into reality. However, discussions are maintained with a major counterpart, the Minister's Economic Counselor, and concrete recommendations will be left behind if it is not achieved by project termination date.</p>

V. PROGRAMMING GOAL

A. Statement of Programming Goal

Increased revenues for the GOP through improved tax administration.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

Goal targets of this project call for an average compounded annual rate of increase in tax revenues of 8-1/2% from project assisted GOP tax offices attributable to improved administration.

Increases in tax collections for 1973 in assisted offices were 30% over 1972. In 1974 they were more than 40% over 1973.

Increases are not only due to better administration but also to other factors such as changes in tax rates, inflation, and growth of the economy in general, etc. The exact amount attributable to improved administration is impossible to quantify. However, there have been no significant tax rate changes in this rating period and it is certain that the percentage resulting from project action far exceeds the planned target of 8-1/2% P.A.