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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Agency for International Development

Washington, D. C. 20523

Project Paper

Tax Administration - EGYPT
263-0115

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
C = Change
D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY
EGYPT

3. PROJECT NUMBER
263 - 0115

4. BUREAU/OFFICE
KE

5. PROJECT TITLE (maximum 60 characters)
TAX ADMINISTRATION

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
MM DD YY
1 | 2 | 3 | 8 | 3 |

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)
A. Initial FY 810 B. Quarter 4 C. Final FY 82

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(1,484)	(616)	(2,100)	(1,484)	(616)	(2,100)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country		870	870		870	870
Other Donor(s)						
TOTALS	1,484	1,486	2,970	1,484	1,486	2,970

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) EST	550					2,100		2,100	
(2)									
(3)									
(4)									
TOTALS						2,100		2,100	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To modernize the administration of the Government of Egypt's (GOE's) personal and business income tax systems, improve tax equity and provide additional tax revenue for development.

14. SCHEDULED EVALUATIONS
Interim MM YY MM YY Final MM YY
0 | 9 | 8 | 2 | 0 | 4 | 8 | 2 | 1 | 2 | 8 | 3 |

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)
None

17. APPROVED BY
Signature
Title: A/Director, USAID/Cairo
Date Signed (From Project Grant) MM DD YY
18 | 3 | 1 | 80
18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

TAX ADMINISTRATION

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EGYPT - TAX ADMINISTRATION
SUMMARY AND RECOMMENDATION

1. Grantee: The Government of the Arab Republic of Egypt (GOE)
2. Implementing Entity: The Ministry of Finance, Department of Taxation.
3. Grant Amount: \$2.1 million (Two million, one hundred thousand U.S. dollars).
4. Purpose: To improve the institutional capability of Department Taxation.
5. Project Description: To finance the foreign exchange and some costs of technical assistance and commodities to (i) implement reorganization of the Department of Taxation, (ii) provide ADP capability; and (iii) establish a Tax Training Institute.
6. Total Project Cost: \$2.97 million (Two million, nine hundred seventy thousand U.S. dollars) of which this grant will finance two-thirds and GOE will finance one-third, or LE 870,000 in local currency.
7. Application: The GOE's application is included as Annex A.
8. Statutory Requirements: All statutory criteria have been met. See Annex F.
9. USAID Views: USAID/Cairo has recommended that this grant be authorized.
10. Environmental: The Initial Environmental Examination was a negative determination. See Annex D.
11. Recommendation: That a grant of \$2.1 million be authorized to the GOE on terms and conditions described in the draft authorization shown in Annex E.
12. Project Committees:

USAID/Cairo

James E. Stephenson, Chairman
John C. Ramos, IRS Senior Advisor
Peter Davis, Economist
L. Michael Eager, Counsel
Richard Layton, CON

Mission Executive Committee

Owen Cylke, A/DIR
John Blackton, A/AD/PRG
Pierre Elissabide, A/AD/CI
Richard Dangler, AD/IIDPS
Raymond Fort, AD/AG
John Hafenrichter, AD/EHS/EM
William Rice, CON
Michael Eager, LEG

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I. Recommendation

1.01. It is recommended that USAID/Cairo authorize a project in the amount of \$2.1 million to modernize the administration of the Government of Egypt's personal and business income tax system. The grant will cover foreign exchange costs of \$1,484,000 and local currency costs equivalent to \$616,000. The GOE will contribute the equivalent of \$870,000, or 29% of total project costs.

II. Introduction, Brief Project Description, and Background

A. Introduction

2.01. In its efforts to generate additional tax revenues for development through improved tax administration, the Government of Egypt (GOE) has in the past requested technical assistance from the U.S. Government. AID has responded positively to those requests and advisors from the U.S. Internal Revenue Service have made several studies related to the problems of Egypt's tax administration. However, such technical assistance has primarily been undertaken on an ad hoc basis and it was not until the conclusion of a one-year pilot program that the Ministry of Finance requested an extension and broadening of a tax administration improvement project.

B. Brief Description

2.02. The proposed project will continue support of Egyptian efforts to implement modern tax administration procedures and practices over a three year period and establish a sound management base for continued tax administration.

2.03. The heavy technical assistance input reflects the capability-building emphasis of the project. Areas scheduled for assistance are:

(a) Management and Organization; (b) Training; (c) ADP; (d) Delinquent Accounts and Returns; (e) Assessment/Examination/Appeals and (f) Tax Evasion. Assistance will be in the form of technical assistance (\$1,317 thousand); Commodities and Facilities (\$350,000); Training (\$300,000) and Other Costs (Travel, special U.S. support for Tax Team and Contingency) (\$133,000).

C. Background

2.04. GOE requests for U.S. Internal Revenue Service (IRS) technical assistance date back to November 1974, when meetings of the U.S./Egyptian Joint Working Group in Economic and Technical Cooperation were initiated.

2.05. In 1975, the IRS, at the request of the GOE, conducted a comprehensive tax administration survey.¹ This survey was an overall examination of income tax administration. The Survey Report identified interrelated problem areas including:

- Inadequate collection procedures and policy;
- A Tax processing system with weak controls and security;
- Tax examination policy requiring audit of all returns; and
- Other management disfunctions which hindered effective tax administration.

2.06. The Report made an extensive set of recommendations. It was proposed that senior GOE officials visit the IRS for observation and discussion of methods and procedures, installation of functional innovations including automation, and suggested a program of technical assistance. Because of sensitivity of the population to taxation, the responsibility for determining modernization priorities and steps to be taken was explicitly left to the GOE. The immediate action resulting from the "Report" was to have six GOE tax officials take part in an IRS training program.

2

2.07. In the fall of 1976 the GOE requested IRS assistance in training. At the GOE's request, the IRS advisor also reviewed with GOE officials the recommendations and other aspects of the 1975 Report. The result of this effort was a three-week seminar in the U.S. for six more GOE officials to cover management techniques in tax administration and to review U.S. tax laws.

2.08. In late 1977, the GOE again requested assistance and advice on automating certain aspects of their operation.³ Short-term assistance was provided in January 1978, which confirmed the feasibility of data automation if it were developed internally and based on an overall master plan.

2.09. Also in late 1977 the GOE requested additional assistance in planning the reorganization of the Tax Department. This request was based on the December 1977 Presidential Decree authorizing the Department to reorganize. In February and March 1978 a draft reorganization plan was developed by an IRS advisor in coordination with the Tax Department.⁴

2.10. In early 1978 the GOE requested, and AID agreed, to assist with a pilot advisory project focusing on two primary areas--(1) reorganization and (2) automation planning. The IRS advisor arrived in July 1978 for a one year assignment. In December 1978 the Minister of Finance issued a detailed Reorganization Order for the Tax Department, Minister of Finance Decision 402/1978, and at the end of the pilot project an automation plan had been developed.

2.11. The experience of this pilot project has shown that a useful role can be played by USAID and the IRS in assisting the Tax Department improve the personal and business taxation systems and also advise on day-to-day operational and management problems.

2.12. On April 25, 1979, the Minister of Finance requested an extension and broadening of the pilot activity.

- 1 Survey (See Annex G)
- 2 Tax Training (See Annex G)
- 3 Terry Report (See Annex G)
- 4 Newnam Report (See Annex G)

III. Detailed Project Description: Relation to Objective and Funding

A. Purpose and Goal

3.01. The purpose of the project is to modernize the administration of the Government of Egypt's (GOE's) personal and business income tax systems, improve tax equity and provide additional tax revenue for development. Achievement of the project purpose contemplates substantial institutionalization of tax administration improvements in the business and personal income tax office (Taxation Department) to enable the collection of substantial additional revenues from existing tax laws.

3.02. The purpose is consistent with the program goal which contemplates the increased mobilization of domestic resources for development. The expected improvements in income tax administration should result in more national revenues for development purposes and help preserve a favorable distribution of national incomes/revenues.

3.03. The improvements should also result in more equitable application of taxes since current inequities of the system place a heavier tax burden on salaried employees who are more easily identified and placed on the tax rolls. On the other hand, self-employed proprietors and professionals are able to withhold information related to sales, investments, profits, etc., and thereby do not fully share in the cost of public services. Further, equitable and consistent application of tax laws and regulations should assist in efforts to encourage investment by ensuring predictability of uniform tax application for industry and commerce.

B. Outputs

3.04. The principal outputs will consist of the improvements in and/or upgrading of all major functions in the Tax Department, including establishment of an in-house training capability and an improved and expanded ADP capability.

1. Identified Management Systems and Procedures for Functional Tax Areas

3.05. The Reorganization authorized by Ministerial Decision 402/1978 will have been implemented; i.e., all responsible management officials will have been designated and in place. Delegations of Authority required to enable officials to carry out their work responsibilities will have been issued. Organizational plan, office and staff position descriptions will be completed. At least three procedural manuals will have been prepared or perfected in the income tax examination and collections activities and in the ADP area.

3.06. A Tax Training Institute committed to in-house training of technical and supervisory personnel will be established and staffed. Instructor training courses to develop expertise in teaching technical and supervisory courses to other employees will be implemented. Training needs will be identified, and curriculum for teaching established.

2. Automated Data Processing

3.07. The ADP Division of the Tax Department will be established, staffed, and functioning. Employees will have received additional systems analysis and programming training. Assessment information from third-party documents will be processed by ADP means and transmitted to Examination Division for its use. Long-range planning for expanded ADP facility will be drafted together with operational planning for establishing an integrated taxpayer master file and use of a unique taxpayer identification number. Determination will be made during project implementation as to whether more ADP equipment should be introduced.

3. Training Program

3.08. Substantially all top-level managerial personnel will have received training in the U.S. 14 Senior executives will have benefitted from the observational programs; 18 Division Chiefs will have been participants in the INTAX Middle Management Seminars and 8 managers (two each in Training, Examinations, Collections and Computer Management) will have received specialized management training through IRS management seminars. In addition, 12 persons will have been participants of specialized training at USC.

3.09. Short-term Training Advisors will have provided assistance for developing in-house training programs both for technicians and instructors as well as training in curriculum building. Initial training course development will concentrate on technical subjects (processing, assessment/examinations, delinquent returns and accounts, etc.). Subsequently, management programs may be developed at the Institute.

4. More Accurate, Current and Inclusive Tax Assessments

3.10. A result of improved income tax examination and collections training, assessments and examinations will be conducted in less than the present six-year cycle. Return classification and selection for examination programs will enable tax auditors to be more current in the examination of tax returns. Quality of examination will be stressed; arbitrary production quotas of tax examiners will be eliminated. Administrative appeal of findings will be expedited. "Package audit" programs (examination of several taxes concurrently) will be developed and implemented.

3.11. As a result of improved management, better technical skills and more efficient procedures and systems, personal and business income taxes should rise from their current level of 17% of total tax revenue to contribute 25% of total tax revenue by 1984. See Annex I, Logical Framework Matrix, for a summary of program goal, project purpose, inputs and outputs, interrelationship of those and quantification of projected results.

C. Inputs

3.12. AID inputs to the project are principally technical advisory services, training, and commodities for carrying out project purposes and for achieving project objectives. The total AID grant for the three-year life of the project is budgeted at \$2,100,000, of which \$616,000 is local currency costs.

3.13. GOE contributions to project objectives will approximate \$870,000 (LE equivalent) and will consist primarily of appropriate managerial and technical staff support, counterpart commodities (principally in the Tax Training Institute and ADP sites), facilities and support for the USAID/IRS advisory team.

AID INPUTS

1. Technical Assistance

3.14. 117 staff months of U.S. technical assistance have been programmed for the three-year life of the project. Advisory assistance would continue and expand from the present one-man resident advisor to two full-time resident advisors, augmented by 45 staff months of TDY specialized expertise spread over six functional activities.

3.15. The full time advisors will be required to identify and coordinate with appropriate counterpart officials in the tax administration activity to assure that advisory recommendations will receive full and objective reception and to insure that project inputs are applied in an orderly and timely manner. Principal responsibility for this and for all scheduled project activities will rest with the IRS Senior Advisor, who is designated Team Leader.

3.16. Team Leader's role is one of an in-house advisor concentrating on improvements and adjustments of the internal workings of the functional offices in accordance with the reorganization plan, including development of guidelines for delegating authority, reporting systems, and operating manuals and procedures. These steps are included in the Ministry's reorganization implementation plan.

3.17. The Team Leader will also have major responsibility for providing advice on the development of the Tax Training Institute. The needs in tax administration training are documented in detail in the 1975 survey. A major effort will be needed to develop this Institute into an effective organization meeting the needs of the Tax Department and short-term advisors will assist as necessary.

3.18. The Team Leader will also assist in selection and supervision of all short-term U.S. advisors assigned to the project (45 staff months), though authority for this supervision could be delegated to the other long-term advisor when appropriate. He will also be available for consultation in selecting and processing host government officials for training abroad, and he would assume a viable technical

role in restructuring the organization and providing advisory assistance to the examination/assessment/appeals divisions. Finally, he would be responsible to the USAID Mission and to IRS/TAAS Division for progress reporting on the project.

3.19. The other long-term advisor, a Systems Analyst/ADP Advisor, will advise the Tax Department on its automation unit in the establishment of the data processing activity. The Systems Analyst will also assist in planning and programming in functional areas such as delinquent returns, delinquent accounts, etc. He will advise in the development of a taxpayer master file and assist in overall ADP planning requirements for the Tax Department.

3.20. As the master file is established, refined, and some operational experience is gained by the data processing unit, the potential for linkages to other accounts will grow, since the system will utilize a taxpayer numerical identification number which can be tied to many transactions such as customs, property transactions, etc. The perfection and widespread use of a common identifier is likely to take several years to achieve, but its use will be built into the initial processing system. With the greater use of third party information documents for assessment and evasion control, this linkage with other information systems is very important to the Tax Department.

3.21. Short-term technicians would advise in the specialty areas of Training (12 months), ADP (12 months), Delinquent Accounts and Delinquent Returns (10 months), Examination/Assessments/Appeals (6 months), Tax Evasion (4 months), and Project Evaluation (1 month). They would also assist in appropriate on-site training programs as needed.

3.22. USAID will finance required contractor support services for an interpreter/office administrator and a bilingual secretary.

2. Training

3.23. AID funding for formal training abroad will total \$300,000 of which \$86,000 will be in local currency.

3.24. Training in the U.S. will be in four programs: IRS orientation of top policy/administrative executives; IRS Middle Management Training for tax managers; specific tax studies at the Institute for Tax Administration at the University of Southern California; and four specialized management courses to be conducted by IRS; (Tax Training Management, Examination Management, Collections Management, and Computer Management).

3.25. ~~The orientation course for the top policy/administrative executives will incorporate visits to all operational levels of the U.S. Internal Revenue Service. The developing country executive will have~~

an opportunity to meet and talk with top IRS tax officials in all major line and staff management areas. The program is designed to demonstrate to those officials the interrelationship of the various tax administration functions, to observe first-hand decision making at the lowest practical level of operations and to orient them to the necessity for considering administrative implications prior to any final policy decisions in the taxation areas. These orientation courses are of three weeks' duration.

3.26. The IRS Middle Management Courses for managers below the level of Director General are practical courses in tax administration management. They incorporate formal training with officials from other developing countries, affording the participants a forum for the mutual discussion of problems and the interchange of ideas. The participants will also have an opportunity to visit the various organizational levels and functions of the Internal Revenue Service, and discuss procedures and problems with local officials. Six Division level managers are programmed to attend these courses in each of the three years of the project.

3.27. The University of Southern California's Institute for Tax Administration provides the opportunity to study specific areas of taxation not otherwise provided for by either the IRS or other State tax administrations. These courses are generally of five weeks' duration. Four participants in each of the three years of the project are programmed for attending these specialized courses.

3.28. In addition to the programmed training offered by the IRS, four special functional management training courses will be provided to high level Tax Department managers. These will be Tax Training Management, Examination Management, Collections Management and Computer Management. These courses or specialized seminars will concentrate on the management policies in each of the four areas. Focus will be on program definition, planning, direction, coordination between functional activities, and evaluation. Two managers in each of the four areas will receive this specialized management training. The seminars will be of two weeks' duration. See Exhibit N for training schedule and budget details.

3. Commodities

3.29. AID commodity contribution will total \$350,000 during the life of the project. The allocation of these commodities is:

ADP	\$ 237,000
Tax Training Institute	67,000
Test Equipment	40,000
Advisor's Office	6,000

3.30. Commodities for the ADP unit provide for the acquisition of an additional ADP equipment and training materials for the ADP Division of the Tax Department. However, the bulk of these acquisitions are not programmed until the third year of the project, or until such time as special evaluation of the ADP Division's operations is completed prior to the end of the second year of the project.

3.31. Commodity acquisitions for the Tax Training Institute provide for materials, books, supplies, training aids, and equipment. Specific commodity assistance to the Tax Training Institute is to be deferred until senior tax management training is completed and the short-term Training Advisor has had an opportunity to determine the most critical and immediate needs of the Tax Training Institute.

3.32. Test equipment commodity support is provided to permit demonstration of increased productivity and efficiency in operational activities (examinations, collections, appeals, tax evasion, etc.) when employees are provided with the necessary tools of their trade (adding machines, calculators, locking files (for unique records), and photocopiers).

4. Other Inputs

3.33. These "other" AID inputs total \$48,000, all of which are local currency funds. This funding provides for in-country travel of all advisors to visit the significant locations outside of Cairo which impact substantively on tax collections and/or at which large numbers of Tax Department employees work or where volume of functions (returns, examinations, etc.) is located. The full-time advisors are expected to visit each Regional Office at least once each year and the short-term advisors are expected to visit the Alexandria Regional Office once.

3.24. Also included under this heading are funds to cover the costs of an interpreter/office administrator and a bilingual secretary for use by the tax team. See Exhibit J for Summary of Commodity Inputs.

GOE INPUTS

3.35. Principal inputs from the GOE would be operational project support, expanded facilities (Tax Training Institute and ADP site), and support for the advisory team. Total GOE project support is calculated at \$870,000. See Schedule 1 (Page 21) for cost analysis.

D. Administrative/Management Responsibilities

3.36. The administrative and management responsibilities of the project are divided between AID, through the IRS Senior Advisor (Team Leader) and responsible GOE officials of both the Ministry of Finance and the Taxation Department.

3.37. AID: The IRS Senior Advisor is responsible for managing the inputs of the project. He will identify and coordinate with appropriate counterpart officials to assure that project inputs are applied in an orderly and timely manner. He will assist in selection and supervision of all other team members. He is responsible for assignment of projects to team members and evaluating their performance. The Team Leader is responsible to the AID Director or his designee for the tax administration program and its relation to the overall AID Mission and CDSS. The Team Leader receives operational supervision from the Director, Tax Administration Advisory Services Division, IRS Washington.

3.38. The Tax Advisory Team works directly with Taxation Department personnel in the performance of team's objectives. The Tax Team serves in an advisory or consultative capacity. The effectiveness and success of the effort depends greatly on the degree of confidence GOE officials have in the team's ability, integrity and dedication.

3.39. GOE: The principal official with whom the IRS Advisory Team works with is the Director General of Taxation. It is he who has final approval of all decisions to implement or refrain from implementing program recommendations. Success of the project is predicated on the GOE's willingness to assume an active counterpart supportive role to assure the attainment of project objectives. To this end, it is imperative that counterpart officials be designated to work with the IRS Advisory Team.

3.40. In addition to the Director General of Taxation, the IRS Advisory Team must coordinate activities with the Director, Tax Modernization Program. This latter has responsibility for determining administrative feasibility of all new tax legislation proposals. The Deputy Prime Minister has appointed Dr. Attef Sedkey to assume management and decisional responsibility for the project. However, it must be recognized that all inputs must be implemented through the Director General who has direct responsibility for the Department of Taxation.

E. Relation to Program Objectives

1. Relation to CDSS

3.41. The FY 82 Country Development Strategy Statement (CDSS) isolates growth in real income, improved quality of life and containment of population as central to U.S. political objectives of peace and stability in Egypt. Dominant themes of the strategy for FY 82-86 are productivity and the preservation of social equity. Inherent ~~in the achievement of the strategy and the rejuvenation of the~~ Egyptian economy is the advent of more effective economic management.

3.42. As stated in the CDSS, the Egyptian Government has resumed substantial responsibilities for the provision of a panopoly of basic needs and social services, either directly in the form of budget allocations or indirectly in the form of subsidies and price controls. This has resulted in large budget deficits and inflationary pressures which have eroded the value of this approach to equity. The CDSS recognizes the need for increased revenues, reduced tax evasion and increased collections. Tax reform, of which improved administration is a part, is one way of restructuring the equity base from income supports to real productivity by helping to reduce budget deficits and increasing equity through equitable reallocation of revenues (social services) and equitable taxation. The increase of collections without additional tax burden is one way to increase national productivity and equity without destabilization.

2. Relation to GOE Objectives

3.43. There is no question that the GOE has embarked on an effort to increase revenues. This is reflected in the activities undertaken by the Ministry of Finance with regard to the Tax Modernization Project which will culminate in draft tax legislation. The activities of successive IRS tax advisors, who have been assisting the Ministry since 1975, have led directly to the Tax Administration Project. GOE concern that the outputs of the two projects should benefit each other is reflected by the appointment of a single individual to assume responsibility for the implementation and coordination of both projects.

3. Other Donor Activities

3.44. The principal other donors in the area of taxation are the International Monetary Fund (IMF), working in sales tax legislation reform, and, in conjunction with the Government of France, Customs Administration and Tariff Reforms. A related project, involving USAID, the Ford Foundation, Ministry of Finance contractors from the U.S. (comparative tax law experts Professors Oldman and McIntyre, respectively, of Harvard and Wayne State Universities) and other elements of the GOE is the Tax Modernization Project.

a. Tax Modernization Project (263-800-G-002)

3.45. This project is designed to provide modern draft corporate and personal income tax laws based on studies of various issues such as the schedular vs. global tax system, equity in personal taxation (how does one or does one want to tax agricultural income, income earned abroad, hard-to-tax groups), and tax incentives for savings and investment.

3.46. ~~There are a number of strong linkages between this and the principal project.~~ The conversion to a global income tax was recommended by the IRS' 1975 Report as a major element in facilitating income tax administration. Decisions on other issues mentioned above will have obvious tax administration implications. Modernization of the income tax administration will broaden the alternatives available to the tax policymakers and strengthen the possibility that the policies selected can be implemented with minimum disturbances in service.

3.47. The principal project will coordinate closely with this project. Administrative feasibility of any new legislative proposal will weigh heavily on decisions made. However, the focus of the principal project is to improve and strengthen the existing tax system; with that purpose accomplished, administration of new tax legislation is facilitated.

b. Sales Tax Reform

3.48. The People's Assembly is currently studying a proposal submitted by the International Monetary Fund. However, Sales Tax Administration is the responsibility of another agency and at present, except for providing training at USC in Sales Tax Administration to selected participants, the principal project is focused on personal and business income tax administration improvements.

c. Customs Administration and Tariff Reforms

3.49. These programs are respectively being handled by the French Government and the IMF. The former program includes the computerization of most customs operations; the latter has provided recommendations for a new tariff code consistent with Egypt's economic objectives. In fact, part of these recommendations have already been decreed. Customs has been identified as a potential source of information on taxpayer identification and return compliance and other income tax-related information. Improvement of this system should increase the quality and quantity of information available to the Tax Department as well as make data more rapidly available. Feasibility of partial use of Customs' computer facilities for income tax administration will be studied.

F. Funding

3.50. Projected AID contribution to the project is \$2.1 million. GOE contributions total \$870,000. Total project cost is estimated at \$2,970,000. The breakdown of project costs by component is as follows:

Summary of Funding
(U.S. \$000 or LE Equivalent)

<u>Component</u>	<u>AID</u>	<u>GOE</u>	<u>Total</u>
Full-time Advisory Support	820	33	853
Full-time Operational Support	---	627	627
Short-term Advisory Support	497	---	497
Formal Training & Orientation	300	20	320
Commodities & Facilities	350	190	540
Travel & Miscellaneous	18	---	18
Special U.S. Support	<u>30</u>	<u>---</u>	<u>30</u>
Subtotal	2,015	870	2,885
Contingency	<u>85</u>	<u>---</u>	<u>85</u>
TOTAL	<u>2,100</u>	<u>870</u>	<u>2,970</u>
	=====	---	=====

Refer to Schedule 5 (Page 25) for dollar amount LE equivalent analysis.

IV. Analyses

A. Economic Analysis

4.01. The economic benefits to be derived from improved organization, automatic data processing and better trained tax officials are easily identifiable but difficult to quantify. Although there are numerous problems with tax laws, which the GOE has recognized and is attempting to rectify through tax reform (Tax Modernization Project 263-800-G-002); there can be no doubt that the administration of the Taxation Department has been a major constraint to timely and fair collection of taxes. At the present time, the Department audits each tax return and is some three years behind in audit of those returns that have been filed. This does not take into account the overwhelming problem of tax evasion which improved administration should remedy to a large extent. The achievement of project purposes of improved tax equity and additional revenue will have a beneficial economic impact on several levels. Clearly, increased revenue without additional tax burden is in the interest of the GOE and, indirectly, the individual taxpayer should receive the benefits of increased services that greater revenues generate. At the same time, individual taxpayers should realize a direct benefit from the creation of a collection system that is predictable and equitable.

4.02. As stated in the CDSS, Egypt's commitment to equity through direct and indirect subsidies has placed a tremendous financial burden on the GOE. In 1979, the budget deficit grew by LE 700 million to LE 2.5 billion by year's end. As more than half of this deficit is bank finance the money supply in 1979 grew by over 30 percent, fueling inflation by a similar amount. The Taxation Department, at current levels of performance, is still two years away from final determination of 1979 taxes. There can be no doubt that the increased collections that will accrue from improved administration should reduce the imbalance between revenues and expenditures. The reduction in inflation that should result should have a very real impact at every level of the economy.

B. Social Soundness Analysis

1. Beneficiary Analysis

4.03. The direct beneficiaries of the project will be the counterparts working with the IRS tax team and the GOE tax officials receiving training in Egypt and in the U.S. A special effort is being made to train women to assume technical positions. Thereafter, the entire Tax Department of 16,000 employees will benefit, both National Office and the field (Regions and Districts), in terms of better work systems, organization, environment, and opportunities for upward mobility and better pay and promotions through training.

4.04. Indirect beneficiaries over a longer term will be the taxpayer community (currently about 1,000,000 people and companies) with a whole

range of improved services, including taxpayer information and assistance. Improved collection procedures and a broadening of the tax base will lessen the tax burden falling on those who currently pay taxes. Investors should benefit from efficient, reliable, and equitable tax administration. Further, increased investment as a result of added development resources would have a variety of positive economic and social effects, including added employment opportunities. Similarly, to the extent additional revenue is directed toward reducing the budget deficit, inflationary pressures should lessen which would provide a broad range of benefits to a large number of people, especially those with more relatively fixed incomes.

2. The Role of Women

4.05. The GOE does not discriminate in appointing women to important technical and managerial positions. Presently there are a number of capable women serving at both levels. Two women were included in the group of fifteen who were selected for Systems Analysis and Program training at Ain Shams University, funded entirely by the Ministry of Finance. These same women are currently assigned to the core of the nascent ADP Division.

C. Technical Feasibility

1. Technical Analysis

4.06. The project will emphasize institutionalization and modernization of all important internal tax administration functions and their integration under a single tax office. Special emphasis is placed upon training of tax managers and technicians, the establishment of a Tax Training Institute as well as expanding and fostering ADP capabilities.

4.07. There are few project related technical considerations other than the USAID/IRS-furnished technical advisory services. Project planning is adequate and comprehensive. The timetable and cost allocation for technical service, training, commodities and other items are both timely and reasonable.

4.08. The development Plan and GOE Budget, to which these revenues will be primarily allocated, have a strong bias in favor of Egypt's rural and urban poor.

a. Technical Assistance Description

4.09. The plan provides for two full-time advisors for the project life. A Systems Analyst/ADP Advisor to advise the Tax Department in the establishment of the data processing unit and ADP applications initially in processing third party information documents and subsequently in creating an integrated taxpayer master file and other basic applications such as delinquent returns, delinquent accounts, assessment examinations and appeals. The second advisor would be the generalist Senior Tax Advisor who would coordinate the entire program, including the development of and adjustments to the internal workings of the functional offices in

accordance with the Ministry of Finance reorganization plan and development of guidelines for delegations of authority, reporting systems, operating manuals and procedures. The Senior Advisor would be responsible for overall project management, including reporting, evaluation, etc.

4.10. The 45 staff months of short-term specialists includes 12 months for a Training Advisor, 12 months for additional ADP processing specialization, 10 months for assistance in delinquent accounts and delinquent returns, 6 months for an appeals specialist, 4 months for a tax evasion specialist, and 1 staff month for a program evaluation specialist.

D. Administrative Feasibility

1. Technical

4.11. The technical preparation of most Egyptian tax officials (tax inspectors, collections, etc.) is generally very high. Most tax inspectors, if not all, are college graduates. The great majority are graduate accountants. Therefore, basic technical preparation of these officials, unlike in many other developing countries, is not a major concern of the project. This is not to say, however, that there are no technical tax administration facets to be considered. There are many.

4.12. As pointed out in the Survey Report of Tax Administration in Egypt, technical personnel utilize much of their time on administrative and clerical duties better left to clerical personnel to perform. Tax law enforcement is currently implemented by imposing arbitrary quotas on tax inspectors, e.g., they are required to "complete" fifty examinations per month. No quality examination standards are established. Front line supervisors are exclusively occupied with pro-forma review and approving of all examinations concluded. Supervisors have no time available to evaluate performance other than by quantity of examinations produced by tax inspectors.

4.13. One-hundred percent of all returns filed each year are theoretically to be audited/assessed. In fact, not all tax returns are audited assessed each year. As a consequence an examination of one taxpayer generally covers several years tax returns. Additionally, as the taxpayer population grows, the backlog of unexamined returns increases. When the statute of limitation is about to toll for a particular tax year, a great many of the unexamined returns for that year receive no more than a cursory review and are either accepted as filed by the taxpayer or arbitrary adjustments are made to increase the taxpayer's tax liability.

4.14. A consequence of these arbitrary adjustments, either during normal examinations or near the end of the statute of limitation period (adjustments based upon a tax inspector's subjective judgment and/or

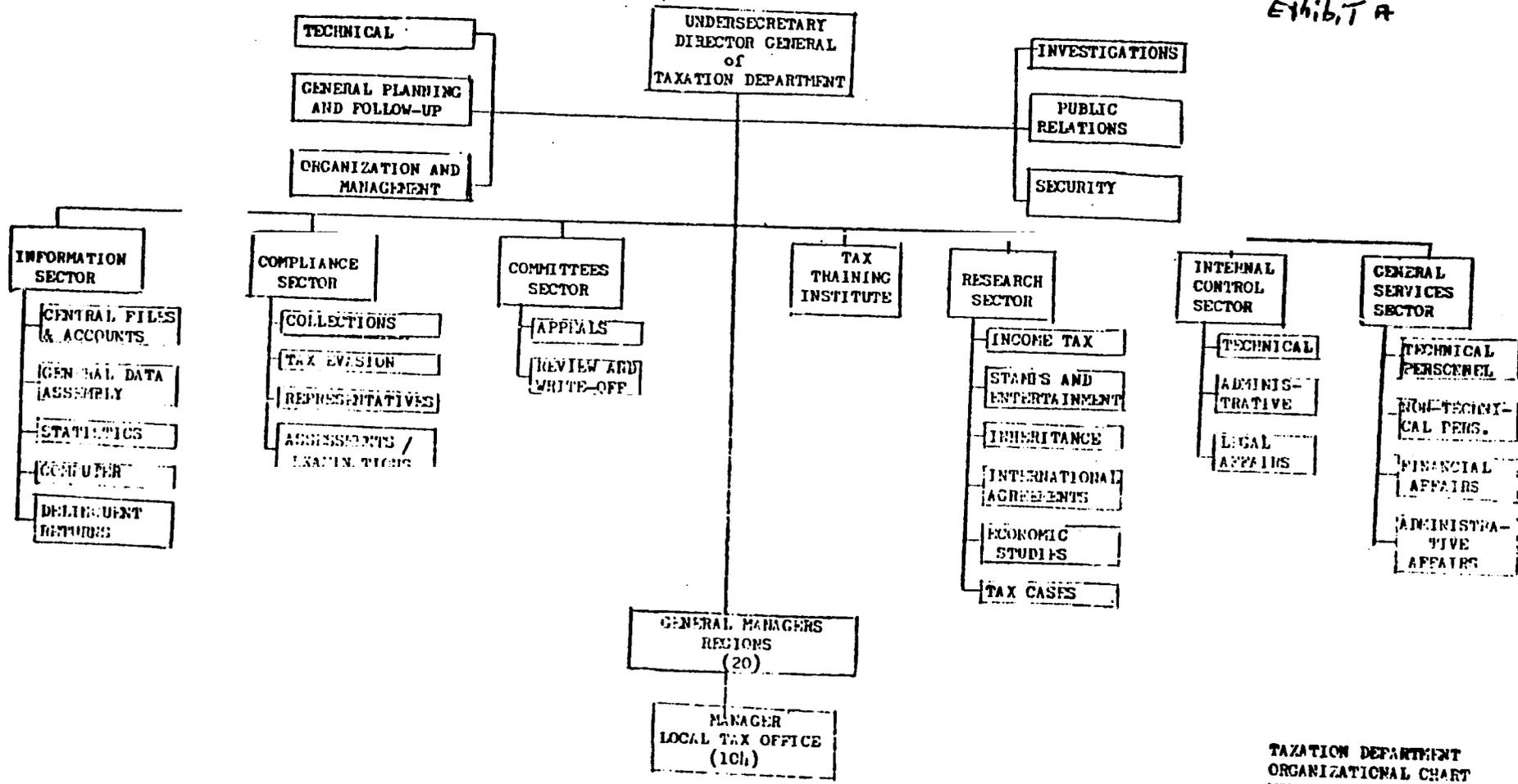
upon unsubstantiated "averages," "standards" or "norms" -- much of which is brought about because of pressure for "x" examinations per month to be completed --) is that taxpayers do not agree to the additional taxes proposed by the tax inspector. This causes a substantial backlog of work in the "Appeals" area. To arrange for a meeting with the taxpayer, his representative and with the Committee assigned to the case is a long, drawn-out tedious affair. To arrive at a reasonable determination of the additional tax due is even more difficult. Approximately half of the cases resolved by the "Appeals Committee" are elevated to the judiciary for final settlement. Judicial settlements have by far favored the taxpayer. This latter is not due to any predisposition to favor taxpayers over the tax agency but simply that the tax agency, because of its practices of forcing quantity of examinations, cannot sustain the burden of proof of additional income to the court's satisfaction.

4.15. When taxpayers agree to settlement of his/her tax assessment, they routinely ask for and are granted the opportunity to pay their additional tax in installments. The installment period granted is generally equal to the sum of the months of the tax years assessed: e.g., three years' returns examined allows taxpayer to pay additional taxes over thirty-six months; four years would entitle taxpayer forty-eight months and so on. It is not unusual for a tax inspector to audit five or six years' returns of one taxpayer simultaneously. No interest is charged on the underpayment. Though the installment contract permits nullification for non-compliance with its terms, this authority is seldom exercised. A result is a backlog of uncollected taxes.

4.16. The Egyptian law provides for assessment of penalties against taxpayers for tax evasion. However, no one at the Taxation Department can recall a single case in which penalties provided have been applied or a case which has been transmitted to the courts for tax evasion. Tax evasion enforcement is primarily devoted to obtaining third-party information which will permit tax inspectors to make determinations of omitted income. This effort would be of great assistance to the government in carrying its burden of proof with regard to income, but the problem with the existing system is that this data is processed manually. As a consequence, the information is not timely, it is incomplete and generally inaccurate.

4.17. The above fairly summarizes the primary concerns of the project in audit/assessments/appeals; delinquent accounts and returns and tax evasion. Technical assistance in these areas will provide the Egyptian tax administration with the expertise required to become efficient and effective in these primary areas. Discussions with both Ministry and Taxation Department officials indicate the GOE acknowledgement of the problems and their desire to overcome them. Senior officials have, for example, acknowledged that they cannot continue to pretend a one-hundred percent audit/assessment of tax returns and that quality of examination standards is required to overcome the cycle of assessment/appeals/judicial intervention of most examinations. They also agree that the routine granting of installment facilities to pay additional taxes encourages understatements of taxes when the returns are filed.

EXHIBIT A



TAXATION DEPARTMENT
ORGANIZATIONAL CHART
MINISTRY OF FINANCE
DECISION NO. 402/1978
(December 18, 1978)

CRS (5/18/80)

2. Managerial

4.18. The shortage of qualified managers presents another serious impediment for effective tax administration. Inadequate planning, insufficient controls over employees, resources and procedures, excessive centralization of authority and lack of follow-through are significant drawbacks of existing management. The project proposes to overcome these management deficiencies by concentrating on exposing senior Tax Department officials to systems whereby controls can be established to assure program accomplishments with proper delegations of authority. During discussions of the Project Paper, assurances were given that delegations of authority would be implemented. Ministerial Decision 402/1978, the basic document for the Taxation Department's organization change and assignment of functional responsibilities lends credence to the oral assurances that these will be implemented. See Exhibit A attached for organizational structure of Taxation Department as called for under Decision 402/1978.

3. ADP

4.19. With regard to the ADP area, the pilot program has demonstrated the GOE's seriousness of purpose. At its own expense the Ministry financed the training for fifteen Tax Department employees to Ain Shams University. The training included systems analysis, programming and statistics. A consultant to serve as liaison between the Tax Department and the Ministry was contracted; he reports directly to the Minister on all ADP matters. Site for installation of the transcription equipment (financed by AID during the pilot program and currently being contracted for by AID/W) has been obtained and refurbishing of this site will be financed by the Ministry. Third-party information documents processing will be undertaken by the ADP Division initially and other applications related to the other primary areas will be undertaken together with establishing a taxpayer master file.

E. Summary

4.20. Most of the problems stated in this section have been acknowledged by GOE officials and they have expressed their desire and willingness to undertake measures to overcome them. The project is designed to provide the expertise to foster those desires so that the GOE can successfully implement the project.

4.21. While our expectations are positive with regard to GOE intentions and will to implement substantive tax administration reform in efforts to increase revenues for development, there are established in Part IX Conditions Precedent in those areas where actions take place to assure that the project can go forward as planned and at a pace consistent with project inputs and GOE ability to absorb change.

V. Technical Soundness

5.01. The technical advisors, all of whom will have had experience in development assistance, are the major inputs to this project. All

project objectives will depend on their successful performance. Advisory assistance proposed is the minimum necessary for achieving project goals.

A. Training

1. Description

5.02. Management training in the U.S. (IRS) for twenty-six tax officials is proposed. Twelve participants to the special courses in tax administration at the University of California are also programmed. In addition, orientation visits to the U.S. for fourteen policy-level senior officials are scheduled. On-site training in instructor training techniques is also planned.

2. Technical Soundness

5.03. Experience with similar tax administration projects has demonstrated the effectiveness of job oriented training. Managers in developing countries are usually weak in modern administrative techniques. The training planned can remedy that defect and is vital to developing institutionalized modern tax administration practices. The need for training of GOE tax officials, managers and technicians has been identified by all past studies of Tax Department operations.

B. Commodities and Facilities

1. Description

5.04. USAID's commodity contributions will consist primarily of additional ADP equipment, training aids and equipment for the Tax Training Institute, Operations demonstration equipment and equipment for the Tax Team office.

5.05. GOE's commodity input will consist primarily of site for the Tax Training Institute, refurbishing of office space for installation of ADP equipment, and office space for the USAID/IRS advisors and secretarial assistance for the advisors.

2. Technical Soundness

5.06. Commodities, facilities and maintenance are essential contributions to project success. Efficient handling of processing systems, management of improved systems and building an in-house capability to train employees will require the inputs of these items. The commodities call for no new or overly-sophisticated systems and are within the ability of the GOE to provide required maintenance support.

C. Other Elements

1. Description

5.07. Other elements consist of in-country travel and special support for the Tax Team (interpreter/office manager and a bilingual secretary).

2. Technical Soundness

5.08. The allocation of minimal budget support for travel and for local contracting of an interpreter and bilingual secretary is essential to project success.

D. Environmental Concerns

5.09. While any number of projects to be financed from increased tax revenues would have varying degrees of environmental impact, this project has none. The primary concern of the project is upgrading the tax system through improving managerial and technical competence of people, improving the operational elements of tax administration functions and providing equipment which support them. There are no environmental considerations in the activities that would achieve those objectives.

5.10. In view of its nature, this project has no environmental implications; therefore it is recommended that the threshold decision be negative and that no environmental assessment or environmental impact statement be prepared.

Financial Analysis

A. Summary Cost Estimate and Financial Plan

6.01. This analysis relates to data presented in the six schedules following:

- Schedule 1: Summary Cost Estimate and Financial Plan
(Total Project Costs)
- Schedule 2: Financial Plan - Inputs (Breakdown of AID/GOE
Inputs by Project Year)
- Schedule 3: Costing of Project - Inputs/Outputs
(Relationship of Project Inputs to Outputs)
- Schedule 4: Project Summary - AID Appropriated Funds
(AID's Project Element Costs, by Year)
- Schedule 5: Summary Financial Plan (AID and GOE Input
Dollar Costs and LE Equivalent)
- Schedule 6: Projection of Expenditures by Year (AID and GOE
Inputs, Dollar Costs and LE Equivalents)

Funds will be provided to the Ministry of Finance on a grant basis.

6.02. The project life is proposed for three years. Total funding is budgeted at \$2,970,000. USAID's grant-funded contributions will be \$2,100,000, of which \$616,000 will be in local currency costs; the GOE's contribution is \$870,000 (LE equivalent). There is no other funding proposed for the project.

6.03. The GOE counterpart contribution, which meets AID's development assistance guidelines, is made up of project-related operations support, facilities, commodities, and office and secretarial support for the USAID/IRS Advisory Team.

6.04. AID's principal input will finance technical assistance and training with part of the funds, approximately 17% of AID's total grant, utilized in support of project-related commodities. GOE's commodities and facilities represent approximately 22% of the government's contribution.

6.05. After termination of AID's project funding it is anticipated that the Tax Department will require no outside financing beyond normal GOE budget appropriations.

Schedule 1 SUMMARY COST ESTIMATE AND FINANCIAL

(U.S. \$000 or LE Equivalent)

<u>Component</u>	<u>AID</u>	<u>GOE</u>	<u>T</u>
Full-time Advisory Support	820	33	
Full-time Operational Support	---	627	
Short-term Advisory Support	497	---	
Formal Training & Orientation	300	20	
Commodities & Facilities	350	190	
Travel & Miscellaneous	18	---	
Special U.S. Support	<u>30</u>	<u>---</u>	<u>-</u>
Subtotal	2,015	870	2
Contingency	<u>85</u>	<u>---</u>	<u>-</u>
TOTAL	<u>2,100</u> =====	870 ---	2 =

(U.S. \$000)

<u>FUNDING PERIOD</u>	<u>INPUTS</u>	<u>AID</u>	<u>GOE</u>	<u>TOTAL</u>
Year 1	U.S. Technical Services	454	---	454
	Training	85	6	91
	Commodities & Facilities	83	54	137
	Travel & Miscellaneous	6	---	6
	Special Team Support	10	---	10
	GOE Operations Support	---	205	205
	Advisory Team Support	---	13	13
	Contingency	42	---	42
		TOTAL	680	273
Year 2	U.S. Technical Services	453	---	453
	Training	111	7	118
	Commodities & Facilities	20	87	107
	Travel & Miscellaneous	6	---	6
	Special Team Support	10	---	10
	GOE Operations Support	---	214	214
	Advisory Team Support	---	10	10
	Contingency	30	---	30
		TOTAL	630	318
Year 3	U.S. Technical Services	410	---	410
	Training	104	7	111
	Commodities & Facilities	247	49	296
	Travel & Miscellaneous	6	---	6
	Special Team Support	10	---	10
	GOE Operations Support	---	208	208
	Advisory Team Support	---	10	10
	Contingency	13	---	13
		TOTAL	790	274
	GRAND TOTALS	2,100	870	2,970

SCHEDULE 3

COST OF PROJECT

INPUTS/OUTPUTS

(RELATIONSHIPS)

(U.S. \$000)

	<u>Training of Management & Technical Personnel</u>	<u>Orientation of Senior Personnel</u>	<u>Establishment of Tax Training Institute</u>	<u>Organiza- tional Changes</u>	<u>Establish and/or Upgrading of Tax Administration Functions</u>	<u>Establish ADP Capability</u>	<u>TOTAL</u>
Full-Time Advisors	124	129	46	184	115	272	870
Short-Term Advisors	96		106		195	103	500
Training Programs	206	84	15			15	320
Commodities & Facilities			220		46	294	560
Project Staffing			92	82	147	306	627
Travel & Miscellaneous		15		10	20	13	58
Team Support	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>10</u>	<u>5</u>	<u>35</u>
TOTAL	431 ===	231 ===	464 ===	281 ===	533 ===	1,008 =====	2,970 =====

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SCHEDULE 4**PROJECT SUMMARY - AID APPROPRIATED FUNDS**

(U.S. \$000)

<u>Component</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
U.S. Technicians	454	453	410	1,317
Participant Training	85	111	104	300
Commodities	83	20	247	350
Travel & Miscellaneous	6	6	6	18
Special U.S. Support	<u>10</u>	<u>10</u>	<u>10</u>	<u>30</u>
Subtotal	638	600	777	2,015
Contingency	<u>42</u>	<u>30</u>	<u>13</u>	<u>85</u>
TOTAL	<u>680</u>	<u>630</u>	<u>790</u>	<u>2,100</u>

SCHEDULE 5

SUMMARY FINANCIAL PLAN

(U.S. \$000)

	AID			GOE			TOTAL		
	\$	LE Eq.	T	\$	LE Eq.	T	\$	LE Eq.	T
Staff	908	409	1,317	---	660	660	908	1,069	1,977
Training	214	86	300	---	20	20	214	106	320
Commodities & Facilities	307	43	350	---	190	190	307	253	540
Other:									
Travel	---	18	18	---	---	---	---	18	18
Special U.S. Support	---	30	30	---	---	---	---	30	30
Subtotal	1,429	586	2,015	-0-	870	870	1,429	1,456	2,885
Contingency	<u>55</u>	<u>30</u>	<u>85</u>	---	---	<u>-0-</u>	<u>55</u>	<u>30</u>	<u>85</u>
TOTAL	1,484	616	2,100	-0-	870	870	1,484	1,486	2,970

SCHEDULE 6

PROJECTION OF EXPENDITURES BY YEAR (U.S. \$000)

<u>YEAR 1</u>	AID			GOE			TOTAL		
	\$	LE Eq.	T	\$	LE Eq.	T	\$	LE Eq.	T
Staff	312	142	454	---	217	217	312	359	671
Training	61	24	85	---	6	6	61	30	91
Commodities & Facilities	55	28	83	---	54	54	55	82	137
Other:									
Travel	---	6	6	---	---	---	---	6	6
Special U.S. Support	---	10	10	0	---	---	---	10	10
Subtotal	<u>428</u>	<u>210</u>	<u>638</u>	<u>0</u>	<u>277</u>	<u>277</u>	<u>428</u>	<u>487</u>	<u>915</u>
Contingency	<u>25</u>	<u>17</u>	<u>42</u>	---	---	---	<u>25</u>	<u>17</u>	<u>42</u>
TOTAL YEAR 1	<u>453</u>	<u>227</u>	<u>680</u>	<u>0</u>	<u>277</u>	<u>277</u>	<u>453</u>	<u>504</u>	<u>957</u>
	===	===	===	===	===	===	===	===	===
<u>YEAR 2</u>									
Staff	321	132	453	---	225	225	321	357	678
Training	79	33	112	---	7	7	79	40	119
Commodities & Facilities	10	10	20	---	87	87	10	97	107
Other:									
Travel	---	6	6	---	---	---	---	6	6
Special U.S. Support	---	10	10	---	---	---	---	10	10
Subtotal	<u>410</u>	<u>191</u>	<u>601</u>	<u>0</u>	<u>319</u>	<u>319</u>	<u>410</u>	<u>510</u>	<u>920</u>
Contingency	<u>20</u>	<u>10</u>	<u>30</u>	---	---	---	<u>20</u>	<u>10</u>	<u>30</u>
TOTAL YEAR 2	<u>430</u>	<u>201</u>	<u>631</u>	<u>0</u>	<u>319</u>	<u>319</u>	<u>430</u>	<u>520</u>	<u>950</u>
	===	===	===	===	===	===	===	===	===

SCHEDULE 6 (Continued)

YEAR 3	AID			GOE			TOTAL		
	\$	LE Eq.	T	\$	LE Eq.	T	\$	LE Eq.	T
Staff	275	135	410	---	218	218	275	353	628
Training	74	29	103	---	7	7	74	36	110
Commodities & Facilities	242	5	247	---	49	49	242	54	296
Other:									
Travel	---	6	6	---	---	---	---	6	6
Special U.S. Support	---	10	10	---	---	---	---	10	10
Subtotal	591	185	776	0	274	274	591	459	1,050
Contingency	10	3	13	---	---	---	10	3	13
TOTAL YEAR 3	601	188	789	0	274	274	601	462	1,063
	===	===	===	===	===	===	===	===	=====
Life of Project	1,484	616	2,100	0	870	870	1,484	1,486	2,970

VII. Implementation Planning

A. Organization of Tax Administration in Egypt

7.01. The personal and business income tax administration in Egypt is administered by one agency, the Taxation Department of the Ministry of Finance. For the reason that the tax system of Egypt is schedular, its tax administration had evolved into an organizational structure to receive returns, process, enforce and collect taxes by the type of tax the taxpayer was required to pay, i.e., either commercial profits, professional enterprise, employee status, etc. Commencing with the 1976 TDY effort at reorganizing the Taxation Department along functional activities rather than by taxes, as was the practice, and continuing until present, there has been a decision by the Ministry of Finance that the Taxation Department will be organized primarily by functional activity. However, initial implementation of this functional reorganization is to be completed at the National Office level first (to keep disruption of on-going activities at a minimum) and then be extended to the Regional Offices (20 regional offices located throughout the country) and finally to the local tax offices (104 offices throughout Egypt). Total employment of the Taxation Department is approximately 16,000.

7.02. The fragmentation of tax administration on a by-tax basis has resulted in a variety of management disfunctions, duplication of processes and non-uniform application of tax law to taxpayers in similar circumstances.

7.03. It is generally recognized that tax evasion/tax avoidance in Egypt is commonplace. Many eligible taxpayers simply do not file tax returns. Those who do, particularly professionals and independent proprietorships, substantially understate their actual incomes. A major reason for this state of affairs is the weakness of the tax administration system, i.e., little planning, inadequate training, inadequate management, lack of written procedural manuals, poorly designed forms and insufficient supplies to support the tax office functions.

7.04. Most of these problems are recognized by the Ministry of Finance. The desire to correct them is indicated by the GOE's request for this project. It is evident that there is much to be done through better enforcement, strengthened procedures, establishment of an in-house training capability and efficient utilization of ADP processes and more effective training for managers and technicians. Effective and efficient tax administration will be essential to the GOE's desire to increase revenues for development purposes.

B. Project Implementation

7.05. The Senior IRS Advisor will continue on-site activities (presently in Cairo under extension of PASA agreement with IRS) to assure a smooth transition from the pilot project to full project implementation.

7.06. The major categories of AID inputs are technical assistance and training. There are also commodity and Tax Team support provisions. Based on a projected 117 staff months technical assistance, training and commodity support inputs, the following implementation schedule is proposed:

a. Year 1

7.07. A total of 39 staff months will be provided including 24 months of full-time advisors. The remaining 15 months will be supplied by specialists in Training (6 months); Delinquent Accounts and Delinquent Returns (6 months); and Examination, Assessment and Appeals (3 months). Orientation to the IRS Tax System will be provided to the Director General and to three Sector Chiefs. A Specialized Training Management seminar will also be provided to two of the senior Tax Training Institute managers. Six Division Chiefs will attend the IRS/INTAX management training program, and four participants will receive training in specialized courses at USC. Substantially, all of project commodities earmarked for the Tax Training Institute will be in place during the first year of the project.

b. Year 2

7.08. A total of 43 staff months will be provided, including 24 months of the full-time advisors. The remaining 19 months will be supplied by a Training Advisor (3 months); additional ADP processing specialist (6 months); Delinquent Accounts and Delinquent Returns (3 months); Assessment, Examination and Appeals (3 months); tax evasion expert (3 months); and project evaluation expert (1 month). Orientation to the IRS tax system will be provided for the remaining four Sector Chiefs and 1 other senior executive. Four managers from the Collections and Examination functions will participate in a special IRS seminar designed to review the management policies of those functional areas. An additional six Division Chiefs will be participants to the IRS/INTAX Middle Management seminars, and four additional employees will be sent to USC for the specialized tax training courses. Seventy-five percent of the demonstration commodities will have been acquired in year two. These commodities will be used primarily for the operational functions (collections, examinations, tax evasion).

c. Year 3

7.09. A total of 35 staff months will be provided, including 24 from the long-term advisors. The remaining 11 months will be provided in the same areas as in Year 2, with the exception of the Assessment, Examination and Appeals function and the Evaluation expert, i.e., Training Advisor (3 months); ADP specialist (6 months); Delinquent Accounts and Delinquent Returns (1 month follow-up and review of prior efforts); tax evasion (1 month follow-up and review of prior efforts). Five senior executives will receive the IRS orientation course, and two ADP managers will receive the special Computer Management seminar.

Six Division Chiefs will participate in the IRS INTAX Middle Management Training courses, and four additional employees will receive the specialized tax training courses offered at USC. The bulk of the commodity funding for the ADP unit will be committed in year three, provided that the special evaluation conducted prior to the end of year two supports the GOE's ability to absorb additional ADP equipment and use it effectively. During the entire project life AID/IRS inputs will be coordinated with those of the GOE to assure orderly achievement of project objectives.

. Implementation Arrangement

7.10. The project is to be implemented over a three-year period. Technical Assistance will be provided through a PASA agreement with the U.S. Internal Revenue Service.

7.11. Project commodities will be procured through AID-financed procurement procedures established in Handbook 11 in the Mission Order on Local Procurement. The IRS Team Leader will develop specifications for commodity acquisitions. The special evaluation related to ADP operations, to be conducted during the nineteenth month of full project implementation, must result in affirmative recommendations before additional ADP equipment is procured. Local procurement procedures may be approved by AID for procurements under \$10,000 or Egyptian pound equivalent.

7.12. Arrangements for all offshore training will be the responsibility of the AID Training Division. IRS Senior Advisor will assist the Taxation Department in identifying and selection of qualified participants.

7.13. Following signature of the Project Agreement, the Project Manager (IRS Senior Advisor) will assume all project management responsibilities. AID management responsibilities will be exercised by the AID Director's designee and other USAID offices as required.

Project Implementation Schedule

Timetable

<u>July, 1980</u>	PP developed and submitted
<u>July, 1980</u>	CN sent
<u>August, 1980</u>	PP approval USAID/Cairo
<u>August, 1980</u>	PRO/AG and PIO/T signed
<u>August, 1980</u>	Project initiated

VIII. Evaluation and Monitoring Plan

8.01. The project manager for this project is the IRS Senior Advisor. The project manager will prepare periodic narrative reports no less often than quarterly, reporting on achievements, setbacks, impediments and delayed sub-projects and plans for future actions. The reports will be quantified to the extent possible, and at least annually will record revenue collections in project-related tax areas.

8.02. Failure to achieve planned objectives must be explained and alternative objectives must be established if feasible.

8.03. After year one of full project implementation, USAID will conduct an in-house evaluation to assess progress toward meeting project objectives as shown in the logical framework. Ninety days before the end of project, a comprehensive overall evaluation will be made by a USAID/IRS team. It is expected that these evaluations will take approximately 15 days each. Upon review and assessment of the results of this evaluation, the Senior Advisor will take steps where necessary to implement those recommendations implicit in the evaluation and to adjust project inputs where necessary.

8.04. A special evaluation will be made beginning in month nineteen of full project implementation of the data processing operation to make recommendations for long-range improvements of personnel, data systems and equipment needs. The decision to move ahead with ADP Commodity inputs which are budgeted for the project in year three will be deferred until the completion of this evaluation and, (depending on the result), may be substantially altered or cancelled.

IX. Conditions, Covenants and Negotiation Status

A. Conditions Precedent

1. Conditions Precedent for Initial Disbursement

- 9.01
- a. Initial disbursement will be made following receipt of evidence that senior tax officials have been designated by the Director General of Taxation as official counterparts to the IRS Senior Advisor.
 - b. A statement of the names of the person or persons authorized to represent the Grantee and the Ministry of Finance and a specimen signature of each.
 - c. Evidence that the Grantee has made all of the grant funds available to the Ministry of Finance.

2. Conditions Precedent for Specific Components

- 9.02. a. Tax Training Institute Commodities: Disbursements for this purpose will require evidence that (a) the site for the Tax Training Institute has been acquired for the use by the Taxation Department, (b) that its Director and senior staff have been selected and approved, (c) that the Taxation Department agrees to develop its in-house training capabilities; that it will conduct instructor training courses; and that employees will be trained during normal work hours.
- 9.03. b. ADP Commodities: Disbursements for this purpose will require (a) recommendation of the special review committee described in the Evaluation Section and (b) evidence that the Computer Division has been organizationally established within the Taxation Department; (c) that a Division Director has been selected and approved; (d) that the Computer Division staff has been formally transferred to that Division; and (e) that the GOE will establish an incentive pay plan to retain trained, qualified personnel within the Computer Division.
- c. Training:
- 9.04. i) Observational Training Programs: Disbursements for this purpose will require evidence that the senior executives selected have in fact been delegated authority for performance of their positions.
- 9.05. ii) Participant Training (INTAX): Disbursements for this purpose will require evidence that the participants are incumbent managers or assurance given that they will be placed in managerial positions upon completion of the training. (USC): Disbursements for this purpose will require evidence that the participants are employees of the functional unit for which the training is designed, e.g., participants to the Sales Tax Administration course must be employees of the Sales Tax Office.
- 9.06. iii) Specialized IRS Management Training: Disbursement for this purpose will require evidence that (a) managers selected for this training have been delegated authority for performance of their positions and (b) that they are incumbent managers or assurance given that they will be placed in that functional area as a manager upon completion of the training.

B. Covenants

9.07. AID's "Standard Grant Agreement Covenants" will apply.

C. Negotiation Status

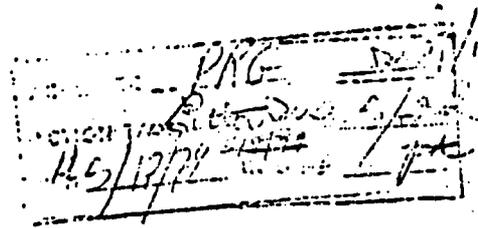
9.08. This project has had substantial inputs in the form of pre-project activities in both commodities (ADP equipment) and technical assistance. One of the most serious constraints to pre-project implementation was the failure to appoint personnel within the Taxation Department to effect the reorganization of the Department. The decision to proceed with this project was made after a Project Director/Coordinator was appointed by the Deputy Prime Minister for Finance. The Director/Coordinator and the project officer are in agreement with regard to the requirements of the conditions precedent and covenants.

ARAB REPUBLIC OF EGYPT

MINISTRY OF FINANCE

OFFICE OF THE MINISTER

324-5-79



8 May , 1979

Dear Mr. Brown

Regarding your letter of 7 May, 1979, I would like to confirm requests for assistance discussed in our meeting of April 25. These requests covered three basic areas : technical assistance, equipment, and training.

In addition to a replacement for Mr. Watson, which my letter of April 29 addressed, we discussed the need for a second long-term advisor to work for at least one year with our Tax Department's newly established Training Institute. This expert would also assist in identifying management training needs related to the more efficient functioning of the reorganized offices.

I requested that AID assist our computerization program by providing data processing equipment to the Tax Department. We have developed this program to a point now where it is essential for our personnel to have this type of equipment to work with. Further, I suggested we need to review equipment needs for the Training Institute in order to improve the capabilities of this organization, with prospective help from AID in meeting some of these needs.

I also requested expanded training opportunities, of short duration, in the U.S. for staff of the Tax Department. In conjunction with this we need greater assistance in English language training to prepare staff with little exposure to English for these training courses in your country.

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ARAB REPUBLIC OF EGYPT

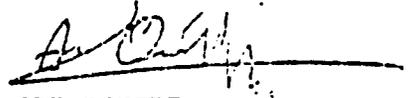
MINISTRY OF FINANCE

OFFICE OF THE MINISTER

(2)

Assistance that AID can provide in these areas will be greatly appreciated by the Ministry. Considering the varied nature of our requests, the content and direction of our current joint efforts in modernization of the Tax Department, and the likelihood these efforts will continue over a long term, we would be interested in exploring ways to establish more formal agreements that will more adequately meet the future needs of the Tax Department, rather than depending on ad hoc arrangements as in the past.

Sincerely yours,



ALI LOUTFI

Minister of Finance

Mr. Donald S. Brown
U.S.A.I.D.
Cairo.

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S.T.

RECOMMENDATION TO PURCHASE EGYPTIAN POUNDS WITH U.S. DOLLARS

The major thrust of the project is to assist the Ministry of Finance Taxation Department to reorganize; establish a training Institute and develop ADP capability. In order for the project to run smoothly and effectively the majority of work will be done in Egypt utilizing resources available within Egypt. The significant external costs are direct reimbursement to U.S. companies for the purchase of commodities and salaries of PASA advisor and technicians.

Local currency expenses required for the project will exceed by approximately \$616,000 in dollar equivalent the sum that the GOE has agreed to contribute to the project. To require the GOE to absorb all local costs would obligate it to bear roughly 58 percent of project costs and mean that the real resource addition of the project to Egyptian economy would be very small. Conversely, the provision of dollar funding for local costs offers some incentive for the Egyptian Government to implement new initiatives that it might otherwise not be able to undertake.

An additional reason for recommending approval of dollar financing of local costs is the unavailability of additional excess Egyptian currency for use in this project. As a result of the high level of activity over the past four years, the amount of excess Egyptian Pounds available for programming has been severely depleted. The U.S. Embassy has submitted a plan for the utilization of the remaining excess currency which does not include an allocation for this project.

Present implementation plans call for full funding of the project in FY 1980 so that all project activities can proceed expeditiously. Delays in fully funding the project until the anticipated negative decision on excess currency availability is formalized may lead to disruptions in the project schedule and a consequent lessening of the project impact.

RECOMMENDATION TO APPROVE DIRECT AID PROCUREMENT
OF A.I.D.-FINANCED COMMODITIES

The commodities to be procured under the project consist of those to be used in support of project operations. The budget amount for this procurement totals \$365,000 including allowances for contingency and inflation.

It is proposed that direct A.I.D. procurement of those commodities be approved. The reasons for recommending direct A.I.D. procurement are: (1) the relatively small amount of commodities involved; (2) the similar nature of future procurement to the pre-project procurement which was an A.I.D. direct procurement; and (3) the need to provide quick support to the project. The contemplated procurement is insufficient to permit the Taxation Department to gain significant experience, while overburdening the newly reorganized department with this responsibility would necessarily detract from performance of primary project duties.

For the foregoing reasons, it is recommended that direct A.I.D. procurement of up to \$365,000 in commodities be approved and an exception made to the general policy expressed in Policy Determination 68 which calls for host country procurement of commodities.

INITIAL ENVIRONMENTAL EXAMINATION
NARRATIVE DISCUSSION

1. Project Location: Egypt
2. Project Title: Tax Administration
3. Funding (Fiscal Year and Amount): FY80 \$2.1 Million
4. IEE Prepared by: J. E. Stephenson
5. Action Recommended: Negative Determination
6. Discussion of Major Environmental Relationships of Project Relevant to Attached Impact Identification and Evaluation Form:

This project will provide financial and technical assistance to the Taxation Department of the Ministry of Finance. The major input will be assistance in bringing about the reorganization of the Taxation Department. The major output will be a Taxation Department that more efficiently assesses and collects taxes.

The project will have no adverse environmental impact. The only construction will consist of minor renovations to accommodate the ADP equipment. Benefits will accrue to the individual taxpayer in the form of equitable enforcement of tax laws. Indirect benefits will accrue in the form of higher revenues and a consequent reduction of bank financed budget deficits. This should reduce inflation. Although the project has the potential for important economic impact, this should be a gradual and desirable effect.

**THRESHOLD DECISION BASED ON
INITIAL ENVIRONMENTAL EXAMINATIONS**

Project Location: Egypt

Project Title: Tax Administration

Funding (Fiscal Year and Amount): FY 80 \$2.1 Million

IEE Prepared By:

J. E. Stephenson

Date:

July 16, 1980

Environmental Action Recommended:

(Environmental Assessment, Negative Determination, etc.)

Negative Determination

Mission Decision:

(Approval/Disapproval of Environmental Action Recommended in the IEE)

Approved: _____

Disapproved: _____

Date: _____

Clearances:

Environmental Coordinator: _____ Date: _____

Other Mission Offices: _____ Date: _____

IMPACT IDENTIFICATION AND EVALUATION FORM

Impact Areas and Sub-areas

Impact
Identification
and Evaluation 1/

A. LAND USE

- | | |
|--|---|
| 1. Changing the character of the land through: | N |
| a. Increasing the population | N |
| b. Extracting natural resources | N |
| c. Land clearing | N |
| d. Changing soil character | N |
| 2. Altering natural defenses | N |
| 3. Foreclosing important uses | N |
| 4. Jeopardizing man or his works | N |
| 5. Other factors | |
| | N |
| | |
| | |

B. WATER QUALITY

- | | |
|-----------------------------------|---|
| 1. Physical state of water | N |
| 2. Chemical and biological states | N |
| 3. Ecological balance | N |
| 4. Other factors | |
| | N |
| | |
| | |

- 1/ N -- No environmental impact
 L -- Little environmental impact
 M -- Moderate environmental impact
 H -- High environmental impact
 U -- Unknown environmental impact

IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERE

1. Air additives

N

2. Air pollution

N

3. Noise pollution

N

4. Other factors

N

D. NATURAL RESOURCES

1. Diversion, altered use of water

N

2. Irreversible, inefficient commitments

N

3. Other factors

N

E. CULTURAL

1. Altering physical symbols

N

2. Dilution of cultural traditions

N

3. Other factors

N

F. SOCIOECONOMIC

1. Changes in economic/employment patterns

M

2. Changes in population

N

3. Changes in cultural patterns

N

4. Other factors

N

IMPACT IDENTIFICATION AND EVALUATION FORM

G. HEALTH

- 1. Changing a natural environment N
- 2. Eliminating an ecosystem element N
- 3. Other factors
- N
-

H. GENERAL

- 1. International impacts N
- 2. Controversial impacts N
- 3. Other factors
- N
-

I. OTHER POSSIBLE IMPACTS (not listed above)

- N
-
-

Prepared by: J.E. Stephenson Date: _____

Project Location: Egypt

Project Title: Tax Administration

PROJECT AUTHORIZATION

Name of Country: Arab Republic of Egypt Name of Project: Tax Administration
 Number of Project: 263-0115

1. Pursuant to Part II, Chapter 4, Section 531 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize the Tax Administration Project for the Arab Republic of Egypt ("Cooperating Country") involving planned obligations of not to exceed Two Million One Hundred Thousand United States Dollars (\$2,100,000) in grant funds over a three-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to assist in financing the foreign exchange and local currency costs of goods and services required for the project.

2. The project will assist Egypt to reorganize the Taxation Department of the Ministry of Finance; update the Department's data gathering and analysis capability and establish a tax training institute. The implementing Agency for the Project shall be the Ministry of Finance of the Government of Egypt. The entire amount of the A.I.D. financing herein authorized for the Project will be obligated when the Project Agreement is executed.

3. The Project Agreement which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4. a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the project shall have their source and origin in the Cooperating Country or in the United States, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent to Disbursement

(1) Initial Disbursement

Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as the Parties may agree otherwise in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the names and titles with specimen signatures of the person or persons who will act as the representatives of the Grantee;

(b) Evidence that the Ministry of Finance Taxation Department ("Taxation Department") has been given adequate responsibility, authority and access to Grant funds to assure full implementation of the Project.

(c) Evidence of the appointment of senior tax official in the Taxation Department to cooperate with the project advisors.

(d) Evidence that the Ministry of Finance has authorized and directed the Director General of the Taxation Department or his designee to make available to the project advisor relevant data (exclusive of personal taxpayer information) necessary for project evaluation.

(2) Conditions Precedent to Disbursement for Tax Training Institute Commodities

Prior to disbursement, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for the procurement of Tax Training Institute commodities, the Grantee shall, except as the Parties may agree otherwise in writing furnish to A.I.D. in form and substance satisfactory to A.I.D. evidence that the Taxation Department has: (a) acquired an adequate site for the Tax Training Institute; (b) selected and approved its Director and senior staff; and (c) established a plan to develop its in-house training capabilities through instructor training courses and training during normal work hours.

(3) Conditions Precedent to Disbursement for Automated Data Processing ("ADP") Commodities

Prior to disbursement, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made for the procurement of ADP commodities, the Grantee shall, except as the Parties may agree otherwise in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., evidence that the Taxation Department has: (a) accepted the recommendations of the special review committee; (b) established an operating Computer Division with adequate staff and an approved Division Director; (c) and promulgated an incentive pay plan to retain qualified personnel within the Computer Division.

(4) Conditions Precedent to Disbursement for Certain Training

Prior to disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for training activities specified below, the Grantee shall except as the Parties may agree otherwise in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) For Observational Training: evidence that the selected senior executives have in fact been delegated authority to perform their duties.

(b) For Participant Training: evidence that the participants selected for INTAX training are incumbent managers or will be placed in managerial positions upon completion of such training and that the participants selected for USC training are employees of the functional unit for which the training is designed.

(c) For Specialized IRS Management Training: evidence that the managers selected for such training have been delegated authority to perform their duties and that they are either incumbent managers or will be placed in that functional area as managers upon completion of the training.

c. Covenants

The Grantee shall:

(1) Assure that the Taxation Department will do all things necessary and reasonable to implement the reorganization mandated by Presidential Decree Number 557 of 1977 and Ministry of Finance Decision Number 402 of 1978 and that the Ministry of Finance will include in its future budget plans for the timely recruitment and funding of Taxation Department staff and the provision of funds to meet other operating costs.

(2) Carry out the project with due diligence and efficiency, and in conformity with sound engineering, construction, financial, administrative and other professional practices.

(3) Cause the project to be carried out in conformance with all the plans, specifications, and with all modifications therein approved by A.I.D. pursuant to the Agreement, including the provision, on a timely basis, of necessary local currency and in-kind support as specified in the Agreement and its annexes.

(4) Cooperate fully with A.I.D. to assure that the purpose of the grant will be accomplished and the GOE and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the project, the performance of consultants, contractors and suppliers engaged on the project, and matters relating to the project.

(5) Establish a project evaluation program which shall include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems, and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

(a) For Observational Training: evidence that the selected senior executives have in fact been delegated authority to perform their duties:

5. Based upon the justification set forth in Annex B of the Project Paper, I hereby determine, in accordance with Section 612(b) of the Act, that the expenditure of United States Dollars for the procurement of goods and services in Egypt is required to fulfill the purposes of this Project; that the purposes of this Project cannot be met effectively through the expenditure of United States-owned local currencies for such procurement; and that the administrative official approving local cost vouchers may use this determination as the basis for the certification required by Section 612(b) of the Act.

6. Based upon the justification set forth in Annex D of the Project Paper, I hereby determine that the circumstances warrant an exception to the country contracting policy set forth in A.I.D. Policy Determination No. 68, and authorize A.I.D.-direct procurement of commodities necessary for the Project.

Owen Cylke
Acting Director, USAID/Cairo

Date

5C (2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? Yes
 HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT? Yes

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FY 80 App. Act Unnumbered; FAA Sec. 634A; Sec. 653(b);
 - (a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?
 - (a) Congressional Notification has been submitted.
 - (b) Yes

2. FAA Sec. 611(a) (1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
 - (a) Yes, firm financial plans have been developed as part of the Project Paper.
 - (b) Yes

3. FAA Sec. 611(a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

None required.

4. FAA Sec. 611(b); FY 79 App. Act Sec. 101; FY 80 App. Act Sec. (501.) If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land-Resources dated October 25, 1973?

Not applicable.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

Not applicable

6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

This project is not susceptible to execution as a regional or multilateral project. Impact will be country specific.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

- (a) No
- (b) Project will have impact on private companies and individuals and will promote economic equity.
- (c) Not directly.
- (d) No
- (e) Yes, equitable taxation should result in better planning.
- (f) No

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and services of U.S. private enterprise).

Improved tax administration should improve operating conditions for U.S. investors and others. Commodities and technical assistance are U.S.

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

The project grant will so provide.

See Annex B request for a determination under Section 612 (b) that dollars be used to procure local currency.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

Yes. See Annex B for reasons U.S. owned foreign currency will not be used.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

12. FY 79 App. Act, Sec. 608; FY 80 App. Act Sec. (521). If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

Not applicable.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b); 111; 113; 281a.

Extent to which activity will

(a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts

Not applicable.

of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107.

Is assistance being made available:

(include only applicable paragraph which corresponds to source of funds used.

If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) (103) for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; (103A) if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food

reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) (104) for population planning under Sec. 104(b) or health under Sec. 104(c); if so, (a) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) (105) for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) (106) for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is: (i) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves.

(ii) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. (107) is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.)

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

f. FAA Sec. 231(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's

intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

Not applicable.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of Section 102?

Yes. Tax equity is a major concern both economically and politically. This project is designed to promote equity and increase productivity.
No.

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?

Yes

3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will commodities be insured in the United States against marine risk with a company or companies authorized to do marine insurance business in the U.S?

Egypt does not so discriminate.

4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? .

Not applicable.

5. FAA Sec. 603. Compliance with requirement in Section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

Yes

6. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?

Yes

7. FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable will such assistance, goods and professional and other services from private enterprise, be furnished on a

contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes

8. International Air Transport. Fair Competitive Practices Act, 1974.

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? Yes

9. FY 79 App. Act, Sec. 105; FY 80 App. Act Sec. (505.) Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States?

It will so provide.

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? Not applicable.

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? Not applicable.

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million? Not applicable.

C. Other Restriction

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? Not applicable.

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? **Not applicable.**
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? **Yes**
4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase sale, longterm lease, exchange or guaranty of motor vehicles manufactured outside the U.S.? **Yes**
5. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization? **Yes**
- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? **Yes**
- c. FAA Sec. 600. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? **Yes**
- d. FAA Sec. 662. For CIA activities? **Yes**
- e. FY 79 App. Act, Sec. 104; FY 80 App. Act Sec. (504.) To pay pensions, etc., for military personnel? **Yes**
- f. FY 79 App. Act, Sec. 106; FY 80 App. Act. Sec. (506.) To pay Un.N. assessments? **Yes**

g. FY 79 App. Act, Sec. 107; FY 80 App. Act, Sec. (507.) To carry out provisions of FAA Section 209(d)? (Transfer of FAA funds to multilateral organizations for lending.) **Yes**

h. FY 79 App. Act, Sec. 112; FY 80 App. Act Sec. (511.) To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? **Yes**

i. FY 79 App. Act, Sec. 601; FY 80 App. Act Sec. (515.) To be used for publicity or propaganda purposes within U.S. not authorized by Congress? **Yes**

List of Reports, Studies by IRS on
GOE Tax Administration

1. A Study of Tax Administration, Ministry of Finance,
Government of Egypt June, 1975
2. TDY Report Regarding Taxation Administration,
Government of Egypt September 29 - October 13, 1976
3. Computerization of Tax System in the
Government of Egypt February 17, 1978
4. Proposed Reorganization of the Taxation
Department, Ministry of Finance, GOE. March 29, 1978

ANNEX H

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE
FOREIGN ASSISTANT ACT OF 1961, AS AMENDED

I, Owen Cylke, the Acting Principal Officer for the Agency for International Development in Egypt, having taken into account, among other things, the maintenance and utilization of projects in Egypt previously financed or assisted by the United States and technical assistance and training planned under this project, do hereby certify that in my judgment Egypt has both the financial capability and human resources capability to effectively maintain and utilize the technical and financial assistance to be provided to the Ministry of Finance.

Owen Cylke
Acting Director, USAID/Cairo

Date

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 80 to FY 84
Total U.S. Funding 2,100
Date Prepared: 7/17/80

Project Title & Number: 263-0115

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Provide additional tax revenue for development.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1) Income tax revenue increasing to 25% of total tax revenues by 1984. 2) Budget deficit declining to 9% of GNP by 1984. 3) Income tax revenues, discounted for inflation, increased by 15 per cent over pre-project levels. 	<p>1) GOE tax collection data. 2) GOE Budget and GNP data. 3) GOE tax collection data.</p>	<p>Assumptions for achieving goal targets:</p> <ol style="list-style-type: none"> 1) Economic stability and growth. 2) Improvements in tax administration will lead to greater revenues. 3) Budgetary discipline will allocate increased resources for development. 4) Tax law changes do not decrease base or effective tax rates.
<p>Project Purpose:</p> <p>Modernize the administration of the Government of Egypt's personal and business income tax systems, and improving equity.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1) Functional responsibilities clearly assigned and authority appropriately delegated 2) Key managerial and technical staff trained and applying techniques learned. 3) More accurate & current tax assessments. 	<ol style="list-style-type: none"> 1) Review of organizational charts, written responsibilities, delegation orders. 2) Review training records USAID and GOE status reports. 3) Review and analysis of collection statistics. 4) In depth review of selected procedures and processes. 	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none"> 5) Consistent application of equitable tax policy and regulations. 1) Delegations of authority. 2) Actual implementation and operation of modernized system, and commitment to continue improving systems.
<p>Outputs:</p> <ol style="list-style-type: none"> 1) Identified Management Systems and Procedures for Functional Tax Areas. 2) Automated Data Processing. 3) Training Programs. 4) More accurate, current and inclusive tax assessments. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 4) More comprehensive reporting and analysis of tax information. 1) Organizational plan, office and staff positions descriptions, procedural manuals covering assessment, collection, data processing. 2) Equipped and staffed processing unit. (Please see back) 	<ol style="list-style-type: none"> 1a Review of organizational charts, implementing decrees, position descriptions. 1b Review of procedural manuals in functional areas. 2) Interview and audit of processing unit. 3a Review of U.S. and GOE training statistics. 3b Review curriculum & records of Tax Training Institute. 3c Review & examine facilities. (Please see back) 	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none"> 3) Continued good management and GOE support of tax department 1) Acceptance of U.S. assistance modes and ability to adjust to Egyptian context. 2) Timely procurement of needed equipment and release of staff. 3) Adequate incentives to attract and retain qualified ADP personnel.
<p>Inputs:</p> <p>AID:</p> <ol style="list-style-type: none"> 1) Technical Assistance 2) Training Opportunities in U.S. 3) Commodities 4) In-country travel & special U.S. Support services. <p>GOE:</p> <ol style="list-style-type: none"> 1) Project support 2) Training (Please see back) 3) Commodities & Facilities 	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none"> 1) 117 staff months of assistance; 72 long term, 45 short term. 2) 50 tax department personnel trained in U.S. w/ executive 3) \$350,000; primarily in ADP 4) Visits to outlying Regional Offices, Interpreter and bilingual secretary contracted. 	<p>AID:</p> <ol style="list-style-type: none"> 1-3 AID Mission files 4) Travel Vouchers <p>GOE:</p> <p>On-site review of operations.</p>	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> 2) Available GOE and U.S. resources. 2) GOE will establish project counterparts to oversee implementation of project.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: **263-0115**

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p>	<p>Measures of Goal Achievement:</p>		<p>Assumptions for achieving goal targets:</p>
<p>Project Purpose:</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p>		<p>Assumptions for achieving purpose:</p>
<p>Output:</p>	<p>Magnitude of Output: 3.a. 50 personnel trained in U.S. in various tax specialties. 3.b. 35 training courses conducted at Tax Training Institute. 4.a. Audit cycle less than 6 yrs. b. Selective audit program c. Package audit instituted.</p>	<p>4.a. Review Audit Division statistical records. 4.b. Review Classification Manual 4.c. Review Audit Techniques Handbook.</p>	<p>Assumptions for achieving output:</p>
<p>Input: 4. Incentives primarily for ADP personnel.</p>	<p>Implementation Target (Type and Quantity) <u>COE:</u> (1) Managerial and technical counterparts working with advisors. (2) Training Institute established; instructors trained, trainees attending sessions; COE continued salary for participants to U.S. (3) Tax Training Institute and ADP sites, Tax Team office. (4) Various types of monetary and non-monetary incentives available to ADP staff.</p>		<p>Assumptions for providing inputs:</p>

AID Inputs - Commodities

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
IRS Team Office				
1. Air conditioning, copy machine	6,000	---	---	6,000
Tax Training Institute				
1. Equipment & Supplies TTI & Regional Centers	52,000	---	---	52,000
2. Library	15,000	---	---	15,000
Subtotal	<u>67,000</u>			<u>67,000</u>
Demonstration Equipment				
1. Functional Activities	10,000	20,000	10,000	40,000
ADP				
1. Library Assistance	2,000	3,000	---	5,000
2. Transcription Equipment	---	---	200,000	200,000
3. Related ADP	---	---	32,000	32,000
Subtotal	<u>2,000</u>	<u>3,000</u>	<u>232,000</u>	<u>237,000</u>
TOTAL	85,000	23,000	242,000	350,000

(1) Specific training aids/equipment to be determined by Training Advisor.

(2) Additional ADP equipment needs to be determined after special ADP review and evaluation.

UNCLASSIFIED

STATE 332073

ACTION

EC0369
RUEHC
RUEHC #2273 3611958
NR UUUUU ZZE
2712367 DEC 79 7DK CTG URSVC0320S
SECSTATE WISEDG
AMEKPASSY CAIRO PRIORITY 8713

29 DEC 79
TOR: 1221
CN: 23215
ACTION AID
INFO: AMB
ECON CHR 9/MD

UNCLAS STATE 332073

DAC

Q. 12065: N/A

AGS:

ACTION TO PRG
ACTION TAKEN 12/1/79
BY [Signature]

OBJECT: PID - TAX ADMINISTRATION (263-0115)

NEAC HELD DECEMBER 22. PID APPROVED AND MISSION AUTHORIZED TO DEVELOP AND APPROVE PP WITHOUT FURTHER AID/W REVIEW. NEAC RECOMMENDS MISSION INCORPORATE CONSIDERATION OF FOLLOWING POINTS IN PROJECT PAPER.

GOAL-LINE OF LOGFRAME ACCOMPANYING PID SETS TOO GREAT BURDEN FOR PROJECT. A CONCISE STATEMENT IS CONTAINED IN MISSION'S FY 80 CONGRESSIONAL PRESENTATION AND THE NEAC SUGGESTS IT BE USED. SPECIFIC SUGGESTIONS FOR THE LOG- FRAME REVISION ARE AS FOLLOWS:

PURPOSE: AS STATED IN MISSION'S CP FOR FY '82.

END OF PROJECT STATUS: INCOME TAX REVENUES DISCOUNTED FOR INFLATION, INCREASED BY 15 PERCENT OVERPRE-PROJECT LEVELS; FUNCTIONAL RESPONSIBILITIES CLEARLY ASSIGNED AND AUTHORITY APPROPRIATELY DELEGATED; KEY MANAGERIAL, TECHNICAL STAFF TRAINED; BETTER, MORE COMPREHENSIVE REPORTING AND ANALYSIS OF TAX INFORMATION.

OUTPUTS: IDENTIFIED MANAGEMENT SYSTEM AND PROCEDURES FOR FUNCTIONAL TAX AREAS; AUTOMATED DATA PROCESSING; TRAINING PROGRAMS; MORE ACCURATE, CURRENT AND INCLUSIVE TAX ASSESSMENTS.

MORE EMPHASIS SHOULD BE PLACED ON THE MIDPROJECT EVALUATION WHICH NEAC BELIEVES PARAMOUNT IN DETERMINING DIRECTION. CHANGES NECESSARY FOR BALANCE OF LOP AND IN PLANNING FOR FUTURE DESIGN ADJUSTMENTS SHOULD FOLLOW-ON EEM APPROPRIATE. EVALUATION PLAN SHOULD BE ALTERED AS WELL TO FIT CHANGES ADOPTED AS RESULT OF SUGGESTIONS IN PARA 2.

PP SHOULD DESCRIBE LINKS BETWEEN THIS PROJECT AND OTHER EXTERNALLY FUNDED PROJECTS DESCRIBED IN ANNEX 2 OF PID, NOTING PARTICULARLY THE ROLE THIS PROJECT IS EXPECTED TO PLAY IN RELATIONSHIP TO THE OTHERS.

FINALLY, NEAC SUGGESTS THAT MISSION CONSIDER FUTURE

IN VIEW JOINT COP-USAID EFFORTS SUPPORTING DECENTRALIZA-
TION AND LOCALLY GENERATED DEVELOPMENT. WOULD APPRECIATE
CABLE REACTION. VANCE

BT
#2073

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UNCLASSIFIED

STATE 332073

EGYPT
TAX ADMINISTRATION PROJECT
SCHEDULE OF COMPONENTS
PHASE-IN

1980
SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG
1981

		SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
1.	Observation Training		█										
2.	Specific Management Training			█									
3.	IFTAX Training												
4.	USC Training												
5.	Training Advisor - TDY				█	█	█	█	█	█			
6.	Delinquent Accounts Advisor - TDY								█	█	█		
7.	Delinquent Returns Advisor - TDY										█	█	█
8.	Examination Advisor - TDY					█	█	█					
9.	ADP Advisor - TDY												
10.	Tax Evasion Advisor - TDY												
11.	Evaluation Specialist - TDY												
12.	COMPANIES: Tax Training Institute					█	█	█					
	Team Office		█	█	█								
	Demonstration Equipment								█	█	█		
	ADP		█	█	█								

* Schedule of Training to be published

Terminal Dates

A. Recommendation

10.02. It is also recommended that the following waivers, determinations and exceptions be made: (1) A determination that local financing with dollar appropriation in the amount of \$616,000 is necessary for successful project implementation (Annex B); and (2) An exception to the general policy expressed in Policy Determination 68 calling for host country procurement of commodities to allow direct AID procurement of up to \$350,000 in commodities (Annex C).

B. Terminal Dates

10.03. The terminal date for satisfaction of conditions precedent to initial disbursement will be 15 days from the date of the project grant agreement signing. The Project Assistance Completion Date (PACD) is set at December 31, 1983 which will allow about three years from the expected satisfaction of Conditions Precedent. The Terminal Date for opening letters of commitment will be March 31, 1983. Terminal Date for disbursements will be June 30, 1984.

PARTICIPANT TRAINING SCHEDULE AND BUDGET

ANNEX N

		YEAR <u>1</u>	YEAR <u>2</u>	YEAR <u>3</u>	TOTAL
	<u>COURSE DURATION</u>				
I. INTAX Middle Management	Number of Participants	6	6	6	18
1.	International Travel (L.E. equivalent)	7,800	8,400	9,600	25,800
2.	IRS Fees, Participant per diem, U.S. travel	28,200	31,000	31,100	93,300
	TOTAL INTAX	<u>36,000</u>	<u>39,400</u>	<u>43,700</u>	<u>119,100</u>
	6 1/2 Weeks				
II. U.S.C. Specialized Courses	Number of Participants	4	4	4	12
1.	International Travel (D.E. Equivalent)	7,600	8,400	9,200	25,200
2.	USC Fees, Participant per diem	14,000	15,400	16,900	46,300
	TOTAL USC	<u>21,600</u>	<u>23,800</u>	<u>26,100</u>	<u>71,500</u>
	5 Weeks				
III. GOE Executive Observation	Number of Participants	4	5	5	14
1.	International Travel (D.E. Equivalent)	5,200	7,150	8,000	20,350
2.	Participant per diem, U.S. Travel	6,600	9,025	9,825	25,450
3.	Interpreter fee, per diem U.S. travel	3,230	3,595	3,965	10,790
4.	IRS Fees, Escort per diem and U.S. travel	7,850	9,580	9,740	27,170
	TOTAL OBSERVATION	<u>22,880</u>	<u>29,350</u>	<u>31,530</u>	<u>83,760</u>
	3 Weeks				
IV. Functional Management Seminars	Number of Participants	2	4	2	8
1.	International Travel (L.E. Equivalent)	2,600	5,720	3,200	11,520
2.	Participant per diem, U.S. travel	2,600	5,600	3,135	11,335
3.	Interpreter fee, per diem U.S. travel	2,320	5,160	2,845	10,325
4.	IRS Fees, Escort per diem and U.S. travel	2,950	6,840	3,125	12,915
	TOTAL SEMINARS	<u>10,470</u>	<u>23,400</u>	<u>12,305</u>	<u>46,175</u>
	2 Weeks				
SUMMARY:	Number of Participants	16	19	17	52
1.	L.E. Equivalent - International Travel	23,200	29,670	30,000	82,870
2.	U.S. dollar costs	67,750	86,280	83,685	237,615
	TOTAL TRAINING COSTS	<u>90,950</u>	<u>115,950</u>	<u>113,685</u>	<u>320,585</u>

T-2