

-A.B-650

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

INCOME TAX ASSISTANCE
(278-0247)

PROJECT PAPER AMENDMENT
FIRST AMENDMENT TO PROJECT AUTHORIZATION

UNCLASSIFIED

memorandum

DATE: May 6, 1984

REPLY TO
ATTN OF: Douglas L. Sheldon, Controller *DS*SUBJECT: Authorization to Amend the Income
Tax Assistance Project

TO: Walter G. Bollinger, Mission Director

Problem: Your signature is required on the attached project authorization amendment to provide an increase in funding of \$1,000,000 in the Income Tax Assistance Project and to extend the Project Assistance Completion Date (PACD) to 31 December 1986.

Discussion: The Income Tax Assistance Project was authorized in August 1981 with the objective, or project purpose, of enhancing the GOJ institutional capacity for income tax administration. The Project Agreement was signed on 26 August 1981 and provided \$1,000,000 in AID funds.

A project evaluation in March 1983 recommended a project extension. Significant changes in the Department of Income Tax (DIT) in respect to the method of assessment and in the administration of the department have presented an opportunity for an expanded effort oriented towards institution building.

As detailed in the amended project paper the new project focus and emphasis will require an extension of the PACD and additional funding. The additional funding primarily provides the 90 person months of IRS Advisory services to the DIT. Additionally, the PP makes provision for Jordanian Technical and Administrative support for the DIT and the IRS Team.

State 043142 dated 12 February 1984 provided an ad hoc delegation of authority for you to approve the project paper amendment and authorize the additional funding and PACD extension.

State 065412 dated 6 March 1984 indicated that a Congressional Notification on the subject project was forwarded 29 February 1984 and would expire on 15 March 1984. State 130372 of 4 May 1984 advised that the CM waiting period expired without objection.



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

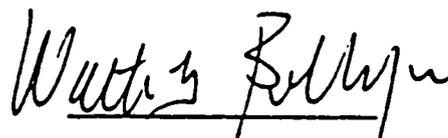
Recommendation: (1) That you sign the attached Amendment of Project Authorization, which will increase the approved level of project funding from \$1,000,000 to \$2 million extend the PACD to 31 December 1986. (2) That you sign the face sheet of Project Paper Amendment.

APPROVE: Walter G. Bollinger
Walter G. Bollinger
Director, USAID/J

FIRST AMENDMENT
TO
PROJECT AUTHORIZATION

Name of Country : Hashemite Kingdom of Jordan
Name of Project : Income Tax Assistance
Number of Project: 278-0247

1. Pursuant to Section 532 of the Foreign Assistance Act of 1961, as amended, the Income Tax Assistance Project was authorized by the USAID/Jordan Mission Director in August 1981. That authorization is hereby amended as follows:
 - A. The Project is defined to consist of improving and modernizing, through institutional development and otherwise, the technical capacity of the Department of Income Tax.
 - B. The amount of funds authorized for the Project is increased by \$1,000,000 to a new total amount of \$2,000,000. Subject to availability of funds in accordance with the A.I.D. OYB/allotment process, obligation of this \$1,000,000 increase is planned over a one-year period from the date of this amended authorization.
 - C. The planned life of the Project (i.e., the Project Assistance Completion Date) is hereby extended to 31 December 1986.
2. The original authorization, cited above, remains in force except as hereby amended.
3. An amendment to the Project Agreement may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, subject to the above and such other terms and conditions as A.I.D. may deem appropriate.


Walter G. Bollinger
Director, USAID/Jordan

Date: May 10, 1984

INCOME TAX ASSISTANCE
PROJECT PAPER AMENDMENT

TABLE OF CONTENTS

	<u>PAGE</u>
I. Summary and Recommendations	1
II. Project Description	3
A. Background of Revised Project	3
B. Project Purpose and strategy	5
1. Project Purpose	5
2. Beneficiaries	6
3. Sector Goals	6
C. Project Inputs	13
1. AID Inputs - Technical Assistance	13
2. AID Inputs - Training	16
3. AID Inputs - Local Consulting and Other Services	18
4. GOJ Inputs	19
D. Project Outputs	21
III. Analyses	23
A. Economic Feasibility	23
B. Social Soundness	23
C. Technical Feasibility	24
D. Administrative Feasibility	24
E. Environmental Concerns	24
IV. Financial Plan and Analysis	24

	<u>PAGE</u>
V. Implementation Plan	32
VI. Evaluation Plan	34
VII. Conditions, Covenants and Negotiating Status	36

ANNEXES

A. Logical Framework	37
B. AID/W project extension approval and related correspondence	43
C. Statutory Requirements	46
D. Project Authorization	63
E. Summary of Prior Experience	66
F. Project Grant Agreement	72
G. Description of the Systems, Procedures, and Analysis Group	80
H. Description of the Public Information and Training Section	90
I. PES Abstract and Correspondence	96
J. Detailed Project Activity Work Plans	102

Tables

1. Budgetary Results vs Second Five Year Plan Projections, 1981 - 1983	9
2. Central Government Budget, 1980 - 1983	10
3. GOJ Income Tax Revenues and Percentages, 1978 - 1983	11
4. GOJ Domestic Revenues, 1983 and 1984	12
5. Revised Summary Project Budget	28
6. U.S. Contribution, Additional Funding for Extension	29
7. U.S. Contribution, Detailed Budget	30
8. Financial Implementation Plan	31

I. Summary and Recommendations

Background:

In August 1981 a Project Agreement was signed with the GOJ to assist in income tax administration. The Agreement provided \$1,000,000 in AID funding for activities through the PACD of 12/31/83. The initial project evaluation, (PES 83-1), was completed in April 1983. The PES and a subsequent project review in October 1983 resulted in agreement between the GOJ, USAID, and the IRS to expand the project into a longer-term effort, aimed at developing a firm institutional base within the DIT for an efficient income tax system. Accomplishment of this objective requires an extension of the PACD to 12/31/86 and additional inputs from the GOJ and AID. This amendment to the project paper details the proposed changes to the project.

Grantee: The Government of the Hashemite Kingdom of Jordan.

Implementing Agency:

Department of Income Tax

Total Project Cost :

This amendment provides an additional \$1,000,000 in AID funding and an additional GOJ contribution of \$931,000. The total project cost is therefore \$3,483,000 consisting of the AID contribution of \$2,000,000 and the GOJ contribution of \$1,483,000.

Project Description:

The Income Tax Assistance Project is a technical assistance and training effort directed toward the improvement and modernization of the Department of Income Tax (DIT). Technical Assistance provided by IRS and training will be utilized in a coordinated effort aimed at the establishment of a sound managerial and technical base within the DIT. The project is a continuation of previous short-term assistance efforts. The revised project as described within the PP amendment redirects the activity toward institution building. The DIT will be strengthened through the organizational development and growth of three units in particular; the Systems, Procedure, and Analysis group; the Public Information and Training Section; and the Computer Section. Technology transfer will be a focus of the project through the installation of a new computer system and the preparation of revised programs and, through the implementation of self-assessment as required by the 1982 Tax Law. Areas of emphasis under the project include: (1) data processing applications; (2) management and organization; (3) the assessment and audit process; (4) collections and delinquent accounts. The success of tax administration to date under the project has prompted the GOJ to seek a broadening and extension of the assistance.

8X

Grantee Contribution

The GOJ contribution under the revised project will be \$1,483,000 or 43 % of total project costs.

Statutory Checklist:

The original check list has been reviewed and revised in accordance with current requirements. See annex C to this amendment.

Issues: The new work groups will require an organizational change within the DIT. Particularly since the provision of adequate counterpart personnel has been a problem, the establishment of the work groups and the assignment of a minimum level of personnel will be the subject of a covenant.

Source and Origin: Goods and services, except for ocean shipping, financed by AID under the Project shall have their source and origin in either the U.S. or Jordan. Ocean freight financed by AID shall be financed on U.S. flag vessels.

Recommendation: It is recommended that an additional grant of \$1,000,000 be authorized in accordance with the draft project authorization shown in Annex D.

Project Committee:

Douglas L. Shelton:
Controller, Chairman
Lary Scollick :
IRS Senior Advisor
Stanley Stalla :
Assistant Project Development Officer
Nancy Carmichael :
Assistant Program Officer

Senior Review Committee:

Gerald Gower :
Deputy Director
Daniel Leaty :
Program Officer
Thomas Rishoi :
Project Development Officer
William Libby :
General Engineering Officer (Acting)
Douglas Shelton :
Controller

II. Project Description

A. Background and Current Status of the Project

The Income Tax Assistance Project Agreement, signed August 26, 1981, provided a grant of \$1,000,000 to the GOJ Department of Income Tax (DIT). The project represented a follow-on to previous short-term activities and was conceived as a technical assistance training effort aimed at improving the capacity for income tax administration within the DIT. To achieve this objective, project efforts were directed towards:

- (1) Development and implementation of improved operational systems for income tax assessment, collection, clerical processing, and administrative servicing.
- (2) Development of the DIT capacity for training.
- (3) Improvement of the automated data processing (ADP) capacity within the DIT.

The project was initially envisioned as a relatively short term, 27 month, effort with the PACD established as 31 December 1983. With the satisfaction of the initial CP's on September 6, 1981, a PASA agreement was signed with the U.S. Internal Revenue Service (IRS) to provide necessary technical assistance and training in the U.S.

As of 31 December 1983 a total of 46 months of technical assistance, long and short term, has been provided under the project. USAID has also provided, (or assisted in the provision of), approximately 450 person months of appropriate training for DIT employees. The advisors have made substantial progress in the development of a tax administration capacity particularly in respect to ADP applications. Achievements of the effort to assist the DIT are detailed in Annex E, summary of experience. More detailed summaries of progress to date can be found in: (1) Annex H to the original project paper, which is a summary of assistance activities prior to the Project; (2) PES 83-1, which details project progress through 3/31/83; and (3) the Tax Team Advisors monthly reports to IRS. The aforementioned documents are incorporated by reference into this project paper amendment.

The project evaluation, completed in March 1983, indicated that circumstances had changed considerably from those which prevailed during project design, and recommended an extension of the PACD. The PES abstract and related correspondence are included in Annex I.

Since the completion of the PES, the DIT, USAID, and IRS have had an opportunity to further assess progress in view of the results of initial cycle of self-assessment. One increasingly evident problem was the technical limitation of the existent automated data processing (ADP) system in respect to the increased document processing

requirements of self-assessment. IRS/TAAS provided a consultant who completed a status report/analysis of the computer function within the DIT. The consultant's findings and the DIT's experience in self-assessment were the focal points of the IRS annual project review. The review consisted of a series of discussions between IRS Commissioner Egger, IRS/TAAS Director Ormerod, DIT Director Abdulla Nsour, and USAID Director Bollinger. The proposed project extension is, in effect, a result of the program review and the USAID Jordan PES.

The project was originally envisioned as a short-term infusion of assistance to help the DIT with the development of selected staff resources. Over the course of project implementation, factors affecting the DIT have changed considerably.

1. As explained in the PES, the DIT went through an administrative upheaval in 10/81 which resulted in the dismissal of virtually the entire assessment/audit staff and a significant number of management personnel. Thus the audit/assessment function is now staffed with relatively new personnel.

2. The GOJ is placing increasing reliance on the internal generation of revenue, especially since the drop in Arab aid. The realization of increased income tax revenues has become an issue of ever increasing importance for the GOJ.

3. As a part of a general effort to improve the system for administration of income tax, the GOJ passed a new tax law in 1982. The new law provided for the conversion from agency assessment to self assessment. The new law also enhanced greatly the authorities of the DIT to implement an effective system of income taxation.

The Income Tax Assistance Project has to date been successful with significant achievements detailed in the PES. Yet, as noted above, the circumstances have changed. The original concept of a short-term infusion of assistance no longer represents an adequate approach to meeting the DIT's requirements. While a number of short range problems could be addressed via the project as originally designed, the change in the operating environment clearly indicates the requirement/opportunity for more fundamental systems upgrading and institutional modifications.

USAID Jordan has concluded that the accomplishment of the project purpose continues to represent a high developmental priority and that the most appropriate course of action is to convert the project into a longer term effort focused directly on institution building and technology transfer.

1. The conversion to self-assessment is a complex undertaking during which the entire organizational and procedural structure of the DIT must change. The initial cycle has been a qualified success which in turn, has indicated the scope of the task ahead. The IRS is uniquely qualified to assist the DIT through the early stages of this difficult process.

2. To fulfill its mandate, the DIT will need to modernize its institutional structure and capacity. As a part of the project extension, the Tax Team will assist in the development of two new organizational units within the DIT; (1) a System/Procedures/Analysis (SPA) group; and (2) A Public Information/Training Section.

These two units will provide the broadened institution building focus for the amended project. The SPA group will enable the DIT to develop a capacity for ongoing review, and system design/modification which it does not now possess. The public information/training section will be developed in recognition of the ongoing responsibilities of the Department to inform the public about income tax related requirements and the ongoing nature of training required for the technical staff.

3. The effective utilization of state-of-the-art data processing systems as well represents a significant opportunity for technology transfer and institution building. The DIT has reached the limits of its first generation of computer hardware/software and must change to more efficient automated methods of processing and manipulating data. The DIT has moved ahead to procure the necessary new hardware and has requested assistance in designing and implementing the new systems which are required.

To accomplish these institution building effort objectives will require a PACD extension until 12/31/86 and an additional \$1,000,000. These funds will be used to provide additional technical assistance and training.

II.B. Project Purpose and Strategy

1. Project Purpose

The project purpose remains as stated in the original project paper; the enhancement of the institutional capacity for income tax administration within the GOJ. The approach by which the project purpose is attained will be modified, however. The amendment anticipates more fundamental institutional changes and strengthening than did the original project. The project purpose will be achieved primarily through growth and development of three organizational units within the DIT; the systems procedures and analysis group; the public information training section; and the computer section.

The SPA group, described more fully in section II D, Project Outputs and in Annex G, will by the end of the project, be able to continue most of the tasks performed by the Advisors i.e. the continuing process of review/modification of systems and procedures, and the analysis of tax compliance and revenue data.

The PIT section will be able to continue the ongoing process of preparing and disseminating guidance, instructions, and exhortations to the taxpayers. The section will also plan and monitor in service training programs.

The function of the computer section will be more clearly defined. A new computer system will be installed and new programs written and implemented. By project completion, the Computer Section should be able to maintain the new system and make programmatic alterations and modifications within the general framework of the system.

The growth and development of the three organization elements should be indicative of the achievement of the project purpose. The functioning of the three units should be reflected throughout the DIT with significant improvement in systems/procedures in respect to the assessment and collection functions.

The GOJ remains determined to implement an effective income tax and recognizes that the principal constraint is the technical capacity of the DIT. Despite very severe budgetary limitations the GOJ is firmly committed to the continued development of the DIT into an organization capable of effectively implementing income taxation. This commitment has been demonstrated recently by:

- the construction of a new building for the DIT;
- the increase in staff from about 275 in 1980 to about 400 today;
- purchase of computer hardware to supplement the current system and the decision to invest in a new computer system for the DIT; and
- the passage of a comprehensive revision to the income tax law.

II. B. 2. Beneficiaries

The project extension does not affect the project beneficiaries as indicated in the original project paper.

II. B. 3. Sector Goals

The overall goals of the Project remain as stated in the original Project Paper: (1) to increase the generation of domestic revenue; and, (2) to strengthen the capacity for public administration within the GOJ. The principal assumption to the achievement of the goal of increased financial self-sufficiency is that improvements in the technical capacity for tax administration will be reflected through additional revenues. The principal assumption to the achievement of an enhanced capacity for public administration is the degree to which the DIT is able to play a more effective role within the GOJ. It should be restated that the Income Tax Assistance Project as an individual activity, will neither bring the GOJ to financial self-sufficiency nor alter significantly overall public administration within Jordan. The Project is one measure aimed at assisting the GOJ in these directions.

While the project goals remain unchanged, it is appropriate to note the change in the economic environment which has occurred since the original project design, and to reexamine the role of income taxation in relation to the changed economic circumstances. Lastly, it is worthwhile to review the progress to date toward the sector goals.

Financial Self-Sufficiency

The Project Paper noted the GOJ pursuit of the goal of financial self-sufficiency, and indicated that increasing dependence on concessionary foreign financing represented a constraint to development. The Second Five Year Plan (SFYP), 1981-1985, expressed the GOJ intent to increase domestic revenue generation to 100% of current expenditure, (from 62% in 1979). The SFYP nonetheless placed considerable reliance on foreign assistance to fund the developmental effort. Table 1 compares SFYP projections with actual results for the period 1981-1983. As predicted in the PP, Foreign Assistance did not meet expectations. The plan envisioned a total of 1,205 Million JD in foreign grants and concessionary loans for these three years of the plan period. Actual assistance amounted to 760 Million JD or 63% of the projection. The reduction was reflected in reduced capital investment. Interestingly, SFYP objectives in respect to the current account have so far been realized. Domestic revenues actually exceeded projections. Table 2 indicates that domestic revenue grew at an annualized rate of 20.5% for the period (1981-1983).

Current expenditures increased at an annualized rate of 10.1% during the same period and roughly matched SFYP projections. In view of the sluggish state of the Jordanian economy, attributable to factors largely beyond the GOJ control, the success in increasing domestic revenues and holding current expenditures in check is noteworthy and represents an important achievement. The GOJ is very much on target in its projection for domestic revenues to equal current expenditures during the plan period. The following table indicates progress to date in respect to the percentage of current expenditures covered by domestic revenues.

	<u>PLAN</u>	<u>ACTUAL</u>
1980		68.9%
1981	71.6%	79.0%
1982	79.2%	83.0%
1983	84.3%	88.3%
1984	91.9%	99.2% (BUDGET)
1985	100.4%	

Actual budget results for the period 1980-1983 are indicated in Table 2. Income taxation has played an important part in achieving the SFYP domestic revenue objectives. As indicated in table 3, income taxes

increased from 27.9 Million JD in 1980 to 48.1 Million JD in 1983, an annualized increase of 19.9%. Over a 5 year period (1978-1983) income taxes have gradually increased as a percentage of total tax revenue (21.1% in 1983). Income tax as a percentage of total domestic revenue has remained relatively constant at about 12.3%. Thus the increase in income taxes has paralleled the overall growth in domestic revenues. The increasing importance of income taxes in respect to the reduction in Arab assistance is demonstrated in the growth of income tax as a percentage of total revenues and grant assistance from 5.6% in 1979 to 9.2% in 1983. The rate of increase in income tax revenues is expected to slip somewhat in 1984 to 8.4% due to the state of the economy. Table 4 indicates the GOJ reliance on increases in non-tax revenues in 1984.

Progress toward the achievement of the Sector Goal

Considerable progress has been achieved toward the realization of the project goal during the period 1981-1983. An indicator of goal achievement detailed in the project paper was the increase in income tax collections of 15% over revenues estimated without project assistance. The Economic Analysis projected targets toward that objective. Actual results for 1981-1983 have closely paralleled projections. Revenues for 1983 amounted to 48.1 Million JD's compared to estimates of 46.9 Million JD's. Revenue increases were achieved despite the reduction of the tax rates by approximately 25%, and the reduced rate of growth in the economy. These factors were apparently offset by the introduction of self-assessment, and the identification of additional taxpayers. The Project Paper indicates the ability to implement tax policy as an indicator of the goal of improving the capacity for public administration. The relative success to date in implementing self-assessment demonstrates the DIT's improved capacity for the implementation of a fundamental change in tax policy.

Summary

Increased financial self-sufficiency, and the improvement of the capacity for public administration are stated GOJ policy objectives which USAID supports.

The Second Five Year Plan and USAID planning documents identify these goals as important issues in Jordan's economic development. The Income Tax Assistance Project aims at assisting the GOJ toward these objectives. The extension of the Project is consistent with USAID and GOJ policy in view of the success of the activity to date.

TABLE 1
BUDGETARY RESULTS vs. SFYP PROJECTS, 1981-83
(JD MILLIONS)

	<u>SFYP</u>	<u>ACTUAL/EST.</u>	<u>AVAILABILITIES/EXPENDITURES (a) IN EXCESS OF (LESS THAN) PLAN</u>
A. Available Funds:			
1. Domestic Revs.	970	1,065	95
2. Budget Suggest	732	521	(211)
3. Loan Repayment	-	10	10
4. Current Revs.	<u>1,702</u>	<u>1,596</u>	<u>(106)</u>
5. Current Exps.	1,230	1,274	(44) (b)
6. Current Account (4-5)	472	372	(150)
7. Foreign Loans & Technical Assistance	473	239	(234)
8. Net Available (6+7)	945	561	(384)
B. Deficit Financing	98	186	88
C. Capital Expenditures of which:	1,043	747	(296)
1. Ordinary	275		
2. Plan Investment	768		

Notes: (a) Actual for 1981; Preliminary for 1982 & 83

(b) Expenditures greater than Plan equals reduction in funds available for plan investments.

Sources: Central Bank: Monthly Statistical Bulletins and Annual Reports for 1981 and 1982
Budget Law for 1984
National Planning Council, Second Five Year Plan for 1981-85.

168

TABLE 2
CENTRAL GOVERNMENT BUDGET, 1980-83
(JD MILLIONS)

	<u>1980^(a)</u>	<u>1981^(a)</u>	<u>1982^(b)</u>	<u>1983^(b)</u>	<u>% Rate of Inc. 1980-83</u>
A. <u>Revenues</u>	<u>507.0</u>	<u>598.5</u>	<u>606.6</u>	<u>629.5</u>	<u>7.5</u>
1. Domestic	<u>226.1</u>	<u>309.2</u>	<u>360.2</u>	<u>396.0</u>	<u>20.5</u>
a. Tax	174.7	233.0	260.9	296.6	19.3
b. Non-Tax	51.4	76.2	99.3	99.4	24.6
2. External	<u>280.9</u>	<u>282.0</u>	<u>246.0</u>	<u>231.5</u>	<u>-6.2</u>
a. Arab aid	202.9	206.3	184.5	130.0	-13.8
b. Foreign Loans	78.0	75.7	61.5	101.5	9.2
3. Other (Loans repaid)	<u>-</u>	<u>7.2</u>	<u>0.4</u>	<u>2.0</u>	<u>-</u>
B. <u>Expenditures</u>	<u>563.1</u>	<u>647.1</u>	<u>656.3</u>	<u>717.7</u>	<u>8.4</u>
1. Current	<u>336.0</u>	<u>391.5</u>	<u>433.8</u>	<u>449.0</u>	<u>10.1</u>
2. Capital	<u>227.1</u>	<u>255.6</u>	<u>222.5</u>	<u>268.7</u>	<u>5.8</u>
a. Development	198.6	226.	198.8	N.A.	N.A.
b. Ordinary	28.5	29.4	23.7	N.A.	N.A.
C. <u>Deficit</u>	<u>56.1</u>	<u>48.6</u>	<u>49.7</u>	<u>88.2</u>	<u>-</u>

Notes: (a) Actual
(b) Preliminary

Sources: Central Bank, Monthly Statistical Bulletin, Jan 1984,
and Annual Reports for 1981 and 1982

TABLE 3
GOJ INCOME TAX REVENUES
AND PERCENTAGES, (1978 - 1983)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u> ^{1/}	<u>1983</u> ^{1/}
Income Tax Collections JD (000,000.0)	18.6	22.4	27.9	40.0	43.5	48.2
Income Tax as a % of total tax revenue	19.3%	18.9%	20.5%	23.4%	22.0%	21.1%
Income Tax as a % of domestic revenue	11.7%	11.9%	12.3%	12.9%	12.1%	12.2%
Income Tax as a % of domestic revenues and grants assistance	7.7%	5.6%	6.5%	7.8%	8.0%	9.2%

1/ Preliminary results

Sources: Central Bank, Monthly Stat. Bulletine,
Jan 84 and annual reports for 1981 and 1982.

TABLE 4
GOJ DOMESTIC REVENUES 1983-1984

DOMESTIC REVENUES - JD MILLIONS

	<u>1983, RESST.</u>	<u>1984, PROJ.</u>	<u>% INC.</u>
Income and Profit Tax	48,171	52,200	8.36
Customs Taxes	158,630	170,000	7.17
Other Taxes	21,798	23,000	5.51
Subtotal	228,599	245,200	7.26
Licenses	22,573	30,400	34.67
Fees	38,438	47,640	23.94
Port, tel & tel	21,526	34,935	62.29
Subtotal	82,537	112,975	36.88
Interest and profits	56,191	56,500	0.55
Other revenues	28,679	34,325	19.69
Totals	396,000	449,000	13.38

II.C - Project Inputs

The total project cost, as indicated in section IV is approximately \$3,483,000. AID inputs consist of technical assistance and training and total \$2,000,000 for the 64 month span of the project. GOJ contributions are estimated to be the JD equivalent of \$1,483,000 consisting of appropriate managerial/technical staff support, counterparts, provision of a computer and related costs, and facilities/service support for the IRS technicians.

1. AID Inputs - Technical Assistance

The project originally called for a total of 72 months of IRS technical assistance. The total technical assistance under the project will be increased to 142 person months. A total of 46 months of assistance were provided through 12/31/83. The project extension through 12/31/86 requires an additional 96 months of assistance. This will consist of: the services of 3 long-term advisors, (a team leader for 32 months, two ALP advisors for 24 months each), and 16 months of short-term assistance.

A. Long-Term Advisors

The advisory team will consist of three long-term advisors supplemented by short term advisors. The long-term advisors will have a general knowlege of all areas of tax administration and specilized skills.

Team Leader/Compliance Advisor

The Compliance Advisor is responsible for assisting the DIT in developing the institutional capacity to assure the highest possible degree of taxpayer compliance with the new tax law. This involves the following areas.

(1) Taxpayer motivation: The advisor will make appropriate recommendations regarding tax law, administrative policy, and internal proceoures aimed at motivating and facilitating taxpayer compliance with law.

(2) Assessment Efficiency: The advisor will assist the DIT in developing and refining the system of assessments, assessment review, and appeals.

(3) Collection Efficiency: The advisor will assist the DIT in assuring that adequate collection systems and procedures are establisheo.

The compliance Advisor is also a generalist in the field of tax administration and is expected to provide guidance and assistance as necessary in administrative areas such as organization, management, training, and personnel. The Compliance Advisor will also serve as Team Leader with overall responsibility for the implementation of the Project. Team leader responsibilities include the following:

(1) Serves as principal advisor to the Director of the DIT and other appropriate DIT officials. Advises and offers recommendations on all aspects of income tax administration.

(2) Supervises directly all IRS and contract personnel assigned to the Project. Assigns tasks and evaluates performance of subordinates.

(3) Liaises and coordinates with (a) the USAID Project Officer and other USAID Officials; (b) the Tax Administration Advisory Services Division of IRS (IRS/TAAS); (c) the Director of the Income Tax Department and other GOJ officials.

(4) Develops specific project plans, reports, and other communications required by USAID and IRS/TAAS.

(5) Monitors all contracts and agreements under the training component of the project.

Data Processing Advisor - Systems

The System Advisor will work primarily with the Systems, Procedures, and Analysis (SPA) group. The Advisor's role will be to provide guidance and direction in developing a capacity for the following:

- (1) Analysis of manual and ADP needs, and preparation of the detailed plans required for implementation of systems to meet those needs.
- (2) Writing Programmer Requirement Packages (PRP's) for programs to be written by the Computer Section.
- (3) Develop test data and predetermined results for systems acceptability testing (SAT). Testing of programs written by the Computer Section to insure they function as intended.
- (4) Reviewing, analyzing and writing procedures to detail document processing from the moment of receipt to final disposition for both manual and ADP operations.
- (5) Conduct feasibility studies for proposed computer support.
- (6) Train users of computer outputs how to use reports effectively and how to request additional computer output for new or special needs.

- (7) Develop a plan for the orderly conversion of ADP operations from the old system and hardware, to the new. This will include identification of programs and files requiring conversion and time frames required for the conversion process.

While the role of the Systems Advisor will be advisory, he will perform his task by demonstrating the work to be performed and by providing on-the-Job training to the systems staff. The Systems Advisor has a major role in the evolution and development of the SP&A group as well as in the computerization of the Department of Income Tax functions.

Data Processing Advisor - Programming

The Programming Advisor will work with the Computer Section in developing the programming skills necessary to support and maintain the Department's computer installation. The advisor will provide guidance and direction to the programming staff and assist in writing computer programs as deemed necessary. His specific duties will include the following:

- (1) Advise on proposed hardware, software and related equipment required by the Department.
- (2) Advise on site preparation, installation, acceptance testing, review of bonds and guarantees and maintenance and servicing arrangements.
- (3) Provide the programming staff with job training in COBOL programming and other available software.
- (4) With the assistance of his counterpart, the advisor will oversee the modification and writing of all computer programs.
- (5) Develop and document operating procedures for computer operations (i.e. back-up production files) and develop a system designed to schedule and control the associated computer work flow.
- (6) Develop and document programming standards for all programming activities, i.e. naming conventions, testing conventions, copy libraries, production libraries, etc.

B. Short-Term Technical Assistance

A total of 16 months of short-term technical assistance is included for specialized expertise where required, and to provide for assistance beyond the work-load capacity of the long-term advisors. A total of 3-5 months of short-term assistance will be required to provide data processing assistance prior to the arrival of the long-term advisors. An additional 2 months of short term assistance will be required to replace the Compliance Advisor during his home leave. A total of 6 months of short term assistance is allocated for the development of the Public Information and Training Section.

The following list is representative of the functions which may be addressed by the short-term advisors. It should be noted, however, that primary objectives of the short-term advisors are to exploit targets of opportunity and to provide specialized assistance when problems occur in the course of implementation.

Feb-April 84	Short-term ADP assistance	3 months
April-May 84	ADP Assistance	2 months
June-July 84	Tax Compliance Assistance (Replacement of Compliance Advisor)	2 months
Sept-Nov. 84	Public Information/taxpayer assist.	2 months
April-May 85	Revision of training plan and assist to Training Office.	2 months
July-Aug. 85	Audit Techniques/methods	2 months
October 85	Public Information Assistance	1 month
April-May 86	Monitor Public Information and Training efforts.	2 months

2. AID Inputs-Training

Training represents a continuing project focus. The original project viewed training in the context of participant training through the IRS/INTAX program, and in the development of a training capacity within the DIT. While the general framework of the training component remains the same, the project will be directed more towards institution building. Project objectives are to be addressed through the organizational growth of two new work groups or functions with the DIT, the Systems, Procedures and Analysis Group and the Public Information and Training Section, and through the improvement of the Computer Section. The training component of the project will address specifically training needs of these entities in addition to other agreed upon training needs of the DIT.

A. Participant Training

1. INTAX

The Project originally envisioned 8 DIT participants in the Intax Program. As of 12/31/83, only 3 participants have completed the course. The INTAX Program is a particularly appropriate training opportunity for staff assigned to the SPA, and 6 staff members will attend the course over the life of the project. Additional special programs will be developed in conjunction with the INTAX to provide specialized training in similar groups in the IRS. A total of 6 other supervisory or senior level employees within the DIT will also attend INTAX seminars as well with specialized follow-up programs arranged around their functions within the DIT.

2. Specialized Training

a. Public Information and Training Section

Specialized training programs will be organized either in IRS or in an appropriate institution for staff members of the Public Information and Training Section (PIT). The training would consist primarily of observational training opportunities in IRS training and taxpayer information centers coupled with appropriate short courses. Training courses of approximately 3 months in length will be provided for 2 employees.

b. Systems Procedures and Analysis Group

In addition to training under the INTAX Program, 3 months Training courses in statistical analysis will be provided to 2 employees of the SPA group.

c. Computer Section

The project originally noted the need for on-going data processing training particularly in respect to programming and system design/analysis. It was also recognized that the small size of DIT made impractical an in-house data processing training capacity. With USAID assistance, the DIT attempted to prepare with the University of Jordan a self study course. A number of lesson modules were prepared and tested by the DIT and the UOJ. Results were not encouraging. Several points were quickly evident:

- The nature of the subject material mandated use of the English language as opposed to Arabic. Most of the students did not possess the necessary background.
- Self Study as a learning mechanism was culturally foreign to many of the students.
- The UOJ was not capable of preparing the lesson modules in a manner that was understandable to the students.

In view of the results of the testing of the actual modules development of the self study course has been curtailed.

Specialized training for the Computer Section will be performed in a more traditional manner. Training and evaluation of potential will be carried out as on-the-job training by the IRS advisor. As candidates of sufficient technical background and language capability are identified, specialized training courses through IRS or another institution will be arranged. Courses of approximately 6 months are envisioned for 3 employees.

241

B. Development of the Training Capacity within the DIT

The training function within the DIT has become well established in certain areas. Basic training courses for newly hired auditors/assessors in accounting, auditing and tax law have been most successful. With the use of resources within the DIT and those provided by AID approximately 150 employees have received a total of 450 months of training. The training courses which were developed are continuing for new employees hired as a result of normal turnover/attrition and for increases in staff necessitated by the conversion to self-assessment. Through the end of the project USAID will continue to assist the DIT in the presentation of the following courses for newly hired assessors:

- Basic and advanced accounting for income tax
- Auditing
- Tax Law

USAID will also assist the DIT in the development and presentation of additional in-service courses including English language training. In accordance with past practice USAID will consider financing, on a case by case basis, a portion of the DIT's out-of-pocket costs for the presentation of the training courses. By the end of the project the DIT should be prepared to present all of the basic training courses as an in-house training function through the Public Information and Training Section.

3. AID Inputs - Local Consulting and Other Services

In addition to personnel resources to be provided by IRS the use of some services available within Jordan are anticipated. The requirements for such local services include up to 15 person months of additional programming or other data processing expertise and the services of a bilingual administrative assistant for 24 months.

Programming and Data Processing Assistance.

Given the small size of the DIT and the nature of the ongoing requirements in the area of data processing, it is unrealistic to expect the development of a programming and systems/design capacity which is capable of performing complete (or very major) revisions of the computer programming system. Exercises such as the development of the programs for the new computer are exceptional circumstances. The DIT can expect to develop computer section personnel to an advanced maintenance level. From this perspective DIT should be able to operate existing programs and make minor programmatic modifications to the programs to accommodate changes in procedures, and new or modified information requirements. The requirement will exist, however, for occasional advanced programming expertise where the requirements exceed staff capabilities. During the course of the project the advisors will seek to identify and utilize as needed additional assistance from capable local firms, institutions, or individuals.

Bilingual Administrative Assistant.

Project experience to date has indicated the need for clerical and administrative assistance in excess of what the DIT can reasonably provide. Particularly with a basic team expanded to three long-term advisors there will be a constant requirement for secretarial, translating, and routine support services, in addition to that available to the counterpart groups. In the past many of these clerical services have been performed by the Advisors themselves which is an ineffective use of their time. To resolve this problem a local administrative assistant will be hired for a period of approximately 24 months to provide required clerical and administrative support.

4. GOJ Inputs

GOJ inputs will total approximately \$1,483,000 over the life of the project. Project inputs through the original PACD of 12/31/83 are detailed in the original PP and amount to \$551,000. The GOJ inputs have been estimated for the period of project extension as \$931,000, and are detailed within this section. GOJ inputs consist of: (1) support to technical assistance; (2) support to training efforts; (3) the provision of a computer and related equipment/software; and (4) GOJ Personnel.

(A) Support to Technical Assistance

The GOJ will directly support the AID financed technical advisors and the counterpart groups through provision of office facilities, supplies, and related operational support. The GOJ contribution under this input is estimated to be \$145,500.

a. The GOJ will provide office space and facilities for the three long-term advisors, short-term advisors, and counterpart personnel assigned to the SPA group and the PIT Section. Facilities includes necessary office furniture and equipment, office supplies, telephone and other required services.

b. The advisory team and counterpart personnel will require other support services and personnel on a regular basis including the following: (1) secretarial services in arabic and english; (2) messenger services; (3) local transportation as required; and (4) printing, photocopying etc.

(B) Support to Training Efforts

The GOJ contribution to the training component consists of: (1) provision of an adequate training facility; (2) employee time to serve as trainers or instructors for courses carried out as an in house function; (3) employee time for employees who will be trained; (4) appropriate materials and equipment for the continuation of training beyond the life of the project; and (5) international travel costs for specialized training in the U.S. and other sites outside of Jordan. The value of DIT support to the training component of the project is estimated to be \$290,600.

(C) Computer and related costs

The GOJ will supply all necessary computer hardware and related costs as a part of its contribution. The initial computer cost (the first generation of data processing equipment) was purchased and installed by the DIT in 1981 and was considered a part of the GOJ contribution to the project. The project extension envisions the purchase and installation of a new computer system designed to accommodate the DIT's expanded requirements attributable to the changeover to self-assessment, and the expanded utilization of automated data processing in tax administration.

The IFB for the new computer system was issued in 12 October 1983. An IRS data processing consultant offered comments on the terms and conditions of the IFB prior to the issuance. The contract was tentatively awarded in March 1984 to Data General. The final award is expected by 30 April. The new computer system and related costs are considered a GOJ contribution to the project in the amount of \$327,400.

In view of the anticipated lead time until the new computer system is installed and operational the DIT has been required to upgrade the existing system to permit an expansion of the data base. The additional equipment required to upgrade the existing system is similarly considered a GOJ input to the project. The new equipment purchased is valued at \$21,600.

(D) GOJ Personnel

The total contribution of GOJ personnel is valued at approximately \$226,900. This input consists of counterpart personnel and other project related employee time.

For purposes of definition, counterpart personnel will be employees assigned to the SPA and the PIT work groups. As indicated in section II D, Project Outputs, minimum staffing levels for the groups are 6 professional employees for the SPA, and 4 employees for the PIT. A minimum of two counterparts will also be assigned from the computer section to work with the Programming Advisor assigned to that group. Thus, the GOJ contribution for counterpart personnel is calculated as the staff cost of 12 professional employees, or \$226,900, for the period of the project extension.

II.D. Project Outputs

The Project extension can best be viewed from the perspective of the refined project outputs. The revised outputs indicate that the project purpose will be achieved through the organizational development and growth of selected sections of the DIT and through technology transfer.

A. Output 1: A functioning Systems, Procedures and Analysis (SPA) Group.

The operational functions of assessment and collection are the central focus of the DIT. The efficiency and utility of the operational functions is completely dependent upon the systems, through which work is performed/reviewed/analyzed. Similarly, the results of operations must be analyzed with findings presented to management in a coherent form. The DIT must have an organizational unit capable of designing/testing/reviewing and implementing information and document processing systems, both manual and automated. The group must also be capable of addressing statistically the requirement of monitoring compliance. The task of designing information and document processing systems, both manual and ADP, and analysis falls to the SP & A group. The SP&A group is more fully described in Annex G.

Output No. (1) is therefore the establishment of the SPA group within the DIT. The SPA group will consist of 6-10 appropriately qualified employees who will serve, as a group, as counterparts to the IRS Advisors. At project completion it is anticipated that this group will be able to continue the ongoing review and modification and design of systems and procedures and provide the DIT with an analytic capacity which it does not now possess. Specific indicators which will indicate output achievement are as follows:

- Assignment of qualified staff, consisting of both ADP and management analysts, to full time duties with authority to make inquiries in all parts of the DIT.
 - Capacity for ongoing review and modification of existing systems, and development of new manual and automatic systems.
 - Development of a manual of procedures for each activity within the department.
 - Monitoring and reporting the level of conformance of DIT personnel with written procedures.
 - Preparation of statistical reports of compliance patterns.
- B. Output 2: Complete Conversion to the Self-Assessment Tax System.

28 X

The DIT recognizes the benefits to be derived from a system in which each taxpayer assesses his own tax. The DIT's first attempt at self-assessment began in 1983. The number of self-assessment documents filed exceeded even the most optimistic and informed estimates. With the experience gained the DIT is now ready to increase the numbers of persons required to file self-assessment documents annually which will lead to the complete conversion to a self-assessment system. Specific indicators of output achievement are:

- a- An increasing number of self-assessments (and self-assessment audits) each year.
- b- Decreasing number of agency assessments with gradual shift of personnel assigned this duty to the task of examining self-assessments documents.
- c- Development of procedures for systematic processing, review, selection and prioritization of self-assessment documents for audit within the statutory period of limitations.

C. Output 3: An Operational Automated Data Processing System.

Output 3 refers to the project emphasis on the development of an ADP system. Because the shift to a self-assessment tax is accompanied by an exponential growth in the number of documents to be processed, the ability to utilize modern electronic data processing equipment to support compliance efforts is essential to the success of the project. This output is directed towards the development of ADP support through the adaptation of existing systems to new hardware and the development and implementation of new applications possible as the result of expanded computer capacity. The following are indicators of the accomplishment of this output.

- Immediate access to correct and current taxpayer account information.
- The ability to input, process and utilize third party information in the return selection and examination process.
- A current and correct taxpayer master file.
- Ability to generate notices to taxpayers from computer files.
- Written procedures for correct document control.
- Ability to maintain or adjust existing programs and to write additional programs for new applications and tax law changes.

21

D. Output 4: Public Information and Training Section.

The DIT has had and continues to have significant requirement for training and educational activities, including the requirement to provide taxpayers with the knowledge and skill to prepare self-assessments. The commitment to self-assessment also means that the level of technical staffing in the Department is much higher. Normal attrition rates will require regular training classes for newly hired assessors. The quantity and quality of material now required to meet these changing needs justifies the employment of specialists whose sole function is the preparation and presentation of educational materials. These tasks fall to the Public Information and Training Section (PITS) which is more fully described in annex H.

Output No. 4 is therefore the development of a small unit of 4-5 employees within the DIT with the responsibility for the preparation and presentation of taxpayer education materials, guidance, and instruction. The group will also develop, coordinate, and monitor training activities internal to the DIT particularly in respect to the ongoing training for new assessors/auditors. Specific indicators which would illustrate the development of a Public Information and Training capacity are:

- The conduct of an annual public information campaign to keep the public aware of their annual self-assessment responsibilities.
- The development and presentation to the public of an educational campaign leading to increased accounting and record keeping for tax purposes.
- Preparation of interpretative materials to guide the public through the preparation of self-assessment tax returns.
- Preparation and presentation of job-specific training courses for assessors/auditors.

III. Analyses

A. Economic Feasibility

The economic feasibility analysis remains as presented in the original project paper. The economic relationship to the project goal of increased revenues and the progress to date toward goal achievement are addressed in Section II A 3, Sector Goals.

B. Social Soundness

The social soundness analysis remains as presented in the original project paper except in the context of equity under the tax law. The new tax law is discussed in the PES.

C. Technical Feasibility

The technical feasibility analysis remains as presented in the original project paper.

D. Administrative Feasibility

The administrative feasibility analysis remains as presented in the original project paper. In respect to the administrative environment, the PES discusses fully the reorganization of the DIT which occurred in October 1981.

E. Environmental concerns

The environmental analysis and determination remains as presented in the original project paper.

IV. Financial Plan and Analysis

The Income Tax Assistance Project is an institution building activity. Although generation of revenue is the raison d'etre of the DIT, the revenue is the result of law, and not economic activity. The DIT is not therefore a revenue producing entity for purposes of financial analysis. The scope of the financial analysis of the project is therefore limited to: (A) budgetary analysis; (B) a review of contingencies and inflation; and (C) a discussion of project financial implementation. Discussion of recurrent cost aspects of the project and the financial management capacity of the DIT remain as presented in the original PP.

A. Budgetary Analysis

The revised budget is summarized in Table 5. The total project cost is estimated at \$3,482,500. AID inputs total \$2,000,000 and include the provision of technical assistance and training. GOJ inputs total \$1,482,500 or 43% of project costs and include: (a) support to the technicians; (b) support to training inputs; (c) commodities in the form of computer equipment; and (d) the provision of counterpart personnel.

This project paper amendment extends the life of the project, provides additional funding, and modifies somewhat the direction of the project. These changes are reflected in Table 6 which indicates the original project budget for the U.S. contribution and the line item changes to the original budget estimates.

The increased funding for technical assistance reflects the life of project requirement for 142 months of assistance rather than the 60 months originally planned. Requirements for participant training have similarly increased. The original estimates included a total of 26 months of participant training. The revised estimate will provide 72 months of such training. These increases in technical assistance and participant training are consistent with the institution building emphasis of the activity. The new project outputs include the formation of two new work groups and the strengthening of the Computer Section. The additional technical assistance and training is focused upon these three organizational elements. The Technical Assistance Component of the revised project budget also contains a provision for local consulting and other services to supplement the efforts of the Advisors and DIT personnel resources. These services will enable the DIT to develop ongoing relationships with local firms and individuals who can be used to supplement the DIT's resources in the areas of programming after project completion. The revised budget indicates a relative reduction in the U.S. contribution to the development of an in-country training capacity. This change is reflective of progress which has been realized to date. In certain fields, specifically accounting, auditing, and tax law the DIT now possesses this training capacity and courses have been conducted with success. As more in-service work is performed with DIT resources less AID funding is required.

Table 7 indicates actual project expenditures through 12/31/83 and the project resources required for the balance of the project. A total of \$589,700 of the original grant of \$1,000,000 has been utilized. The remaining funding of the original grant of \$410,300 and the additional grant of \$1,000,000 will provide 96 months of technical assistance 62 months of participant training and additional support to in-country training.

B. Contingency and Inflation

Budget tables have been prepared to conform with guidance contained in State 234165 (83) and State 052165 (83). Amounts are indicated in constant dollars with March 1984 as the base period. Local currency costs are converted at a rate of .370 JD = \$1.00. In accordance with NE/DP guidance, a physical contingency provision has been added to all base year costs, except expenditures incurred prior to 12/31/83. A physical contingency of rate of 5% has been used rather than the usual provision of 10% indicated in State 052165. The 5% factor is used in that project implementation is relatively straightforward. Technical assistance costs are obtained through a PASA with IRS. The salary scales, benefits, and support requirements for technicians are known in sufficient detail for planning purposes. The bulk of participant training will be through the INTAX training

program and the costs are also known. While the exchange rate for local currency can fluctuate somewhat it can be expected to remain more or less stable, and in any event, less than 30% of the U.S. Contribution will be through local currency. The U.S. contribution does not contain any commodity costs. There are no significant undefined elements of the project. Thus, a physical contingency of 5% should be quite adequate. The total physical contingency for the U.S. contribution is \$62,900.

As indicated in the Financial Implementation Plan, Table 8, physical contingencies have been added to projected expenditures on a quarterly basis. Inflation factors have been calculated on a cumulative basis using the rates provided in State 234165. For dollar costs the following annual factors were used: 7.5% for 1984; 7% for 1985; and 6.0% for 1986. The annual factor for L/C costs in Jordan was 7.5% for the period of project implementation. The total inflation provision calculated for the project extension period is \$90,200.

C. Project Financial Implementation

Table 8 indicates project financial implementation planning from 1/1/84 through the PACD of 12/31/86 a period of 36 months. AID inputs to the project will end with the departure of the Team Leader/Compliance Advisor in Aug/Sept. of 1986. The additional period of 3 months until the PACD is intended to accommodate any slippage.

The key factor is financial implementation planning is the timely arrival of the two additional long-term advisors, (the Team Leader/Compliance Advisor is on-site). Project Planning envisions the arrival of the two additional advisors for assignment in July/August 1984.

The principal mechanism for project implementation is a PASA agreement with the IRS for the necessary technical assistance. As the PASA agreement is in existence, it need only be amended. Because of the specialized nature of the expertise to be provided there is no realistic alternative to the IRS for assistance in the field of tax administration. It should however be noted that Data Processing skills are in great demand world wide. Although IRS will use it's best efforts to locate qualified personnel, there is a possibility that the IRS may be unable to provide both of the Data Processing Advisors required. In this circumstance USAID Jordan would seek the necessary services on a contractual basis, (direct or host country) outside of the PASA, the funding for which would be correspondingly reduced. The financial implementation plan indicates that local consulting services will be utilized to supplement DIT resources, from time to time. These services will be obtained through a host country contract, financed by AID, on a case by case basis.

Training costs for participants will be implemented through the PIO/P process and through IRS. It is anticipated that most required participant training will be provided directly by IRS.

Project implementation and methods of financing can be summarized as follows:

		<u>AMOUNT (000)</u>
PASA	Reimbursement to IRS	1028.4
PASA related Mission Costs	Direct Payment	461.0
Participant Training Costs	Fund Transfer	204.4
HCC for consulting and other services	Reimbursement	64.8
Incountry Training Costs	Direct Payment or Reimbursement	88.3
Contingencies and Escalation	N / A	<u>153.1</u>
Total Funding		2,000

Internal Control and Audit

The Income Tax Assistance Project has a very low level of vulnerability in respect to the payment process. A total of 1,232.8 or 67% of project financing will be disbursed through internal fund transfers for the PASA and participant training. Mission support costs are normal operating expense costs which are provided in accordance with USAID Jordan policy, with little risk in the payment process. The remaining project financing will be used for in country services which will be monitored directly by the IRS advisors in addition to USAID Jordan staff.

The necessity for financial audit of the project is similarly minimal. IRS is responsible for the internal audit of PASA costs and related internal control requirements. Training through AID/W will be audited in conjunction with normal provisions for DIT operations. Mission support costs are straightforward operating expense activities performed under the Amman JAO function and do not represent a high audit potential. The remaining project funds total only 8% of total financing and represents services which are reimbursed, or paid directly after performance.

TABLE 5 - 28 -
 REVISED
 SUMMARY BUDGET
U.S. \$ (000.0)

<u>INPUTS</u>	<u>U.S.</u>	<u>GOJ</u>	<u>TOTAL</u>
<u>Input No. 1-Technical Assistance</u>	1,554.2	145.5	1,699.7
Long-Term Technical Assistance	1,206.9		1,206.9
Short-Term Technical Assistance	282.5		282.5
Consulting and Other Services	64.8		64.8
GOJ Support for Technicians		145.5	145.5
 <u>Input No. 2-Training</u>	 292.7	 290.6	 583.3
Participant Training in the U.S.	204.4	102.3	306.7
Development of Capacity for In- country Training	88.3	188.3	276.6
 <u>Input No. 3 - Computer Equipment</u>		 574.6	 574.6
 <u>Input No. 4 - GOJ Personnel</u>	 <u> </u>	 <u>382.1</u>	 <u>382.1</u>
Project Cost	1,846.9	1,392.8	3,239.7
Provision for Contingencies	62.9	42.0	104.9
Provision for Inflation and Price Escalation	<u>90.2</u>	<u>47.7</u>	<u>137.9</u>
 TOTAL PROJECT COST	 2,000.0	 1,482.5	 3,482.5

TABLE 6 - 29 -
 U.S. CONTRIBUTION
 ADDITIONAL FUNDING FOR EXTENSION
 U.S. \$ (000.0)

<u>INPUTS</u>	<u>ORIGINAL BUDGET</u>	<u>ADDITIONAL FUNDING</u>	<u>REVISED BUDGET</u>
<u>Input 1 - Technical Assistance</u>	751.4	802.8	1,554.2
Long-Term:	557.1	649.8	1,206.9
PASA Costs	381.3	426.8	808.1
Mission Costs	175.8	223.0	398.8
Short-Term:	194.3	88.2	282.5
PASA Costs	158.9	61.4	220.3
Mission Costs	35.4	26.8	62.2
Consulting and Other Services		64.8	64.8
 <u>Input 2 - Training</u>	 248.6	 44.1	 292.7
Participant Training:	105.6	98.8	204.4
IINTAX	105.6	10.0	115.6
Specialized Training		88.8	88.8
Development of Capacity for Incountry Training	143.0	(54.7)	88.3
 Project Cost	 1,000.0	 846.9	 1,846.9
Provision for Contingencies		62.9	62.9
Provision for Inflation		90.2	90.2
 TOTAL PROJECT COST	 1,000.0	 1,000.0	 2,000.0

36X

TABLE 7
Detailed Budget
U.S. Contribution
U.S. \$ (ooo.0)

<u>Inputs</u>	<u>Expenditures to 12/31/83</u>		<u>Expenditures 1/1/84-PACD</u>		<u>Revised Total Budget</u>			
	<u>P/M</u>	<u>Dols.</u>	<u>P/M</u>	<u>Dols.</u>	<u>P/M</u>	<u>Dols.</u>	<u>FX</u>	<u>LC</u>
<u>Input No. 1</u>								
<u>Technical Assistance</u>	<u>46</u>	549.2	<u>96</u>	1005.0	<u>142</u>	1554.2	1151.3	402.9
Long-term Advisors	<u>36</u>	410.4	<u>80</u>	796.5	<u>116</u>	1206.9	931.0	275.9
PASA Costs		295.0		513.1		808.1	808.1	
Mission Costs		115.4		283.4		398.8	122.9	275.9
Short-term Advisors	<u>10</u>	128.9	<u>16</u>	153.6	<u>26</u>	282.5	220.3	62.2
PASA Costs		109.9		110.4		220.3	220.3	
Mission Costs		19.0		43.2		62.2		62.2
Consult. and other Serv.		9.9		54.9		64.8		64.8
<u>Input No. 2</u>								
<u>Training</u>	<u>10</u>	40.5	<u>62</u>	252.2	<u>72</u>	292.7	197.6	95.1
Participant Training	<u>10</u>	18.8	<u>62</u>	185.6	<u>72</u>	204.4	197.6	6.8
INTAX	<u>10</u>	18.8	<u>38</u>	96.8	<u>48</u>	115.6	108.8	6.8
Specialized Training			<u>24</u>	88.8	<u>24</u>	88.8	88.8	
Development of Training Capacity /Incountry Training		21.7		66.6		88.3		88.3
<u>Project Cost</u>		589.7		1257.2		1846.9	1348.9	498.0
Provision for Contingency				62.9		62.9	45.4	17.5
Provision for Inflation				90.2		90.2	64.9	25.3
<u>Total Project Cost</u>		589.7		1410.3		2000.0	1459.2	540.8

37

TABLE 8
FINANCIAL IMPLEMENTATION PLAN
U.S. \$ (000.0)

PROJECT TOTAL	EXPEND THROUGH 12/31/83	FY 84				FY 85				FY 86				TOTAL EXPENDITURE 1/1/84 - PAID			
		1/1/84 TO 9/30/84	1st	2nd	3rd	4th	TOTAL	1st	2nd	3rd	4th	TOTAL	1st		2nd	3rd	4th
U.S. INPUTS																	
Technical Assistance	1554.2	549.2	298.9	37.2	65.0	196.7	384.4	106.7	76.3	110.8	90.4	321.7	106.6	81.0	75.2	58.3	1005.0
Long-term	1206.8	410.4	204.7	21.2	26.7	158.0	304.4	86.0	60.4	71.3	80.7	287.4	85.9	79.0	63.4	58.3	796.5
Short-term	282.5	120.9	75.6	10.6	29.6	35.4	48.5	18.9	9.9	29.6	9.9	29.5	18.9	-	10.6	-	153.0
Local Consult.	64.8	9.9	18.6	5.4	8.7	4.5	31.5	1.8	9.9	9.9	9.9	4.0	1.8	1.8	1.2	-	54.9
Training	292.7	40.5	73.9	8.6	45.7	19.6	118.9	37.1	14.9	41.1	25.4	59.4	3.8	26.0	26.0	3.8	252.2
Participant	204.4	18.8	37.3	8.6	26.2	11.1	103.9	33.3	11.1	37.3	22.2	44.4	3.8	22.2	22.2	-	185.6
Incountry	88.3	21.7	36.6	8.6	19.5	8.5	15.0	3.8	3.8	3.8	3.4	15.0	3.8	3.8	3.8	3.8	66.6
U.S. Project Cost	1846.9	589.7	372.8	45.8	110.7	216.3	503.3	143.8	91.2	151.9	116.1	381.1	110.4	107.6	101.2	61.9	1257.2
Provision for Contingency	62.9	-	18.6	2.3	5.5	10.8	25.2	7.2	4.6	7.6	5.1	19.1	5.5	5.4	5.1	3.1	62.9
Provision for Inflation	90.2	-	4.2	-	-	4.2	34.0	5.7	5.4	11.7	11.1	52.0	12.6	14.2	14.0	10.4	90.2
Total U.S. Project Cost	2000.0	589.7	359.6	48.1	116.2	231.3	562.5	158.7	101.2	171.2	133.7	452.2	128.5	127.2	121.1	75.4	1410.3
GOJ INPUTS																	
GOJ Support to Technicians	145.5	63.0	22.3	7.4	7.4	7.5	29.7	7.4	7.4	7.4	7.1	29.7	7.4	7.4	7.4	7.5	81.7
GOJ Support to Training	290.6	106.5	84.1	12.2	22.5	19.4	75.0	20.1	15.6	21.5	18.1	54.2	18.7	17.3	9.1	9.1	184.1
Participant Training	107.3	28.0	17.5	-	10.3	7.2	39.2	10.9	6.4	12.4	9.1	17.6	9.5	8.1	-	-	74.3
Incountry Training	188.3	78.5	36.6	12.2	12.2	12.2	36.6	9.2	9.2	9.1	9.1	36.6	9.2	9.2	9.1	9.1	109.8
Computer Equip/Commodities	574.6	225.6	349.0	21.6	-	327.4	-	-	-	-	-	97.2	24.3	24.3	24.3	24.3	349.0
GOJ Personnel	382.1	155.2	32.5	10.0	10.0	10.9	97.2	24.3	24.3	24.3	24.1	97.2	24.3	24.3	24.3	24.3	226.0
GOJ Project Cost	1382.0	551.1	457.9	52.0	40.7	365.2	202.7	51.0	47.3	53.2	50.4	181.1	50.4	49.0	40.8	40.9	841.7
Provision for Contingency	42.0	-	22.9	2.6	2.0	18.3	10.1	2.6	2.4	2.7	2.1	9.0	2.5	2.5	2.0	2.0	42.0
Provision for Inflation	47.7	-	7.2	-	-	7.2	14.0	2.0	2.0	4.2	5.0	26.5	6.0	6.0	6.4	7.3	47.7
TOTAL GOJ Project Cost	1482.5	551.1	480.0	54.6	42.7	380.7	226.8	54.4	52.5	60.1	57.4	216.6	58.9	58.3	49.2	50.2	931.4
TOTAL Project Cost	3482.5	1140.8	839.6	102.7	158.9	622.0	789.3	213.1	153.7	231.3	191.1	668.8	187.4	185.5	170.3	125.6	2341.7

38X

V. Implementation Plan

The following key project implementation actions have been completed through 3/31/84.

- Project Agreement signed 8/81
- Implementation Letter No. 1 issued 8/81
- Initial CP's satisfied 9/81
- PIO/T issued and PASA Agreement signed 10/81
- Long-Term ADP Advisor/Team Leader arrives 10/81
- Short-Term Collection Advisor arrives for 1 month assignment 11/81
- Short-Term Compliance Advisor arrives for 2 1/2 months assignment 2/82
- Two participants depart for 3 months of training at IRS INTAX seminar 3/82
- Short-Term Training Advisor arrives for 2 month assignment 3/82
- Comprehensive training plan submitted to AID for approval 5/82
- Short-term Compliance Advisor arrives for 1 month TDY 7/82
- Remaining CP on in-country training satisfied 8/82
- DIT signs agreement with University of Joroan for assistance in developing ADP training to be funded by AID 9/82
- Long-term Compliance Advisor arrives at post. 10/82
- Short-term Media Advisor arrives for 1 month. TDY to help with publicity for self-assessment 11/82
- IRS/TAAS Director arrives for Program Review. 12/82
- Short-term ADP training Specialist arrives for 2 month TDY to help University of Joroan with the development of ADP Course. 1/83
- Mid-term Project Evaluation completed. 3/83
- Director General of DIT completed observational training visit to IRS and CIAT conference 6/83
- Data Processing Consultant completed 1 month assignment and prepared survey of revised computer and data processing requirements. 9/83
- IRS Commissioner and IRS/TAAS Director hold annual IRS project review. 10/83
- PACD extended to 12/31/84 as temporary measure until additional project development work completed. 11/83
- Services of short term data processing consultant obtained to keep system operational prior to arrival of long-term advisors. 11/83
- Data Processing Systems Advisors arrives for 3 month TDY. 2/84

The following are target dates for project implementation activities.

- Three participants depart for IRS INTAX seminar 4/84
- Project paper completed and approved. 5/84
- Amendment to Project Agreement signed 5/84
- PIO/T and PASA amenable providing for extension of IRS services. 5/84
- Long-Term Data processing Advisors arrive for tour 7/84
- Short-Term advisor arrives for 2 month assignment in the area of public information/training. 9/84
- DIT satisfies covenant to Project Agreement by assigning staff to SPA group. 9/84
- Three participants depart for INTAX seminar 10/84
- Annual IRS/USAID Project review and development of revised work plan 11/84
- New computer (financed by GOJ) installed, tested and operational 12/84
- Training Advisor arrives for 2 month assignment to review training plans and assist in operations of PITS. 4/85
- Three participants depart for INTAX and specialized training. 4/85
- Director General of DIT attends CIAT conference 6/85
- Short Term advisors arrive for 2 month assignment to provide assistance in the area of audit techniques. 7/85
- Interim project evaluation completed. 8/85
- Three participants depart for INTAX and specialized training. 10/85
- Annual IRS/USAID Project Review and development of specific work plan. 11/85
- Public information advisor arrives for 1 month TDY. 10/85
- Three participants depart for INTAX seminar and specialized training. 4/86
- Training advisor arrives for 2 month TDY to monitor and advise on in-house training efforts. 4/86
- Final IRS/USAID Program Review. 7/86
- Long-Term ACP advisors Depart. 7/86
- Compliance Advisor/Team Leader departs. 10/86
- PACO. 12/86
- Final Project Evaluation. 6/87
- TOD. 9/87

Project Implementation

The revised project life is approximately 66 months (8/81-12/86). The initial project was anticipated to last 30 months. The extension through 1986 will provide an additional 36 months. As a working methodology the IRS tax team prepares a detailed annual work plan in November of each year, which specifies the tasks which the Advisors will undertake.

During the period of the project extension, the Advisors will work generally within the framework of the newly established work groups, the SPA and the PITS, and, with the Computer section. Annex J is a summary of the activities to be undertaken which will lead to the accomplishment of the project purpose.

The activities are grouped under general objectives which correspond broadly to the Project outputs:

- Management/Administration: creation of the SPA group.
- Training: Creation of the Public Information and Training Section.
- Self Assessment and returns examination.
- Collections and Taxpayer identification.
- Automated Data Processing.

Project Monitoring

Project monitoring will be performed in the manner described in the original project paper

Vi. Evaluation Plan

The project has undergone an initial interim evaluation in March 1983 approximately 18 months after the project began. The results of that evaluation were incorporated into this project paper amendment. Original project design envisioned two evaluations with a final evaluation 6 months after project completion.

In view of the project extension through 12/31/86 and the institution building nature of the revised project, USAID will arrange for another interim evaluation in addition to the final evaluation at project completion.

1. The interim evaluation will take place approximately one year after the arrival of the two additional long-term advisors, and the establishment of the two new work groups, the SPA and the PIT. The evaluation will focus on the following areas.

- a. Progress of the DIT in providing adequate personnel for the new work groups and the computer section
- b. The operational status of the new computer system and progress in developing/implementing the new programs and related procedures.
- c. Achievements of the new work groups in respect to the project outputs and project purpose.

2. The final evaluation would take place within six months of the departure of the advisors and the completion of the project. The final evaluation would be broad in scope and would review the overall progress of the DIT. Particular emphasis would be given to the degree of success with which the DIT is able to maintain the systems developed during the project and to continue to make improvements and modifications to the system. The evaluation team would have full access to and draw heavily on the results of the IRS evaluation. It is anticipated that a senior IRS official would participate in the evaluation.

Specific attention will be given to the following:

- a. Capability developed within the DIT to continue existing programs and implement improvements after project completion.
- b. The quantity and quality of training conducted within the DIT.
- c. The extent to which implemented systems are conducted independently by Departmental employees with minimum assistance from the advisors.

USAID project evaluations will utilize statistical data developed by the IRS as both baseline data and as a measure of progress in assessing the achievement of project outputs, project purpose, and goal. Evaluation personnel drawn from AID/W, if any, would in all probability be direct hire personnel and accordingly funded from operating expenses. Should project monitoring or the initial in-house evaluation indicate implementation difficulties, additional evaluations may be scheduled as required.

VII. Conditions, Covenants, and Negotiating Status

A. Conditions Precedent to Disbursement

No conditions precedent to disbursement are envisioned in the amendment to the Project Agreement.

B. Special Covenants

The following special covenant will be included within the amendment of the Project Agreement.

The Grantee covenants that it will within 180 days, except as AID may otherwise agree, establish within the DIT the two new work groups described within Annex 1 to the Agreement, and assign a sufficient level of qualified staff to the groups.

A N N E X A

LOGICAL FRAMEWORK

ANNEX A
LOGICAL FRAMEWORK

PROGRAM-SECTOR LEVEL

NARRATIVE SUMMARY: THE BROADER OBJECTIVES TO WHICH THIS PROJECT CONTRIBUTES:

To increase the generation of domestic revenues.

To enhance the capacity for public administration within the GOJ.

VERIFIABLE INDICATORS: MEASURES OF GOAL ACHIEVEMENT:

Income Tax Revenues to increase at the same rate or a greater rate as other tax revenues.

Increased ability to implement effectively tax policy

MEANS OF VERIFICATION:

GOJ Tax collection and statistical data.

IMPORTANT ASSUMPTIONS:

1. Continued economic stability and growth.
2. Improvements in tax administration will lead to greater revenues.
3. Tax law changes do not decrease base or reduce tax rates.

PROJECT LEVEL

NARRATIVE SUMMARY: PROJECT PURPOSE:

Modernization and improvement of GOJ tax administration capacity.

VERIFIABLE INDICATORS: CONDITIONS THAT WILL INDICATE PURPOSE HAS BEEN

ACHIEVED: END OF PROJECT STATUS:

1. New organizational units functioning and able to continue independently after project completion.
2. Self assessment implemented and a capacity to continue efforts to monitor and improve compliance.
3. New computer system and programs in place and the capacity to operate ongoing systems efficiently.
4. Improved record keeping, reporting, and analysis through the use of computers.

MEANS OF VERIFICATION:

1. Review training record of USAID and GOJ status reports.
2. Review and analysis of collection and assessment statistics.
3. Examination of computer output reports.

IMPORTANT ASSUMPTIONS:

Continuation of present management commitment of support and participation in (a) implementation of necessary systemic changes, and (b) staffing and training to provide for continuing capability.

OUTPUTS

- A. Output 1: A functioning Systems, Procedures and Analysis (SPA) Group.

VERIFIABLE INDICATORS

- Assignment of qualified with authority to make inquiries in all parts of the DIT.
- Capacity for ongoing review and modification of existing system, and development of new manual and automated systems.
- Development of a manual of procedures for each activity within the department.

- Monitoring and reporting the level of conformance of ITD personnel with written procedures.
- Preparation of statistical reports of compliance patterns.

B. Output 2: Complete Conversion to the Self-Assessment Tax System.

VERIFIABLE INDICATORS

- An increasing number of self-assessments (and self assessment audits) each year.
- Decreasing number of agency assessments with gradual shift of personnel assigned this duty to the task of examining self-assessments documents.
- Development of procedures for systematic processing, review, selection and prioritization of self-assessment documents for audit within the statutory period of limitations.

C. Output 3: An Operational Automated Data Processing System

VERIFIABLE INDICATORS

- Immediate access to correct and current taxpayer account information.
- The ability to input, process and utilize third party information in the return selection and examination process.
- A current and correct taxpayer master file.
- Ability to generate notices to taxpayers from computer files.
- Written procedures for correct document handling.
- Ability to maintain or adjust existing programs and to write additional programs for new applications and tax law changes.

D. Output 4: Public Education and Training Section.

VERIFIABLE INDICATORS

- The conduct of an annual public information campaign to keep the public aware of their annual self-assessment responsibilities.
- The development and presentation to the public of an educational campaign to leading to increased accounting and record keeping for tax purposes.
- Preparation of interpretative materials to guide the public through the preparation of self-assessment tax returns.
- Preparation of presentation of a training course for assessors which is job-specific to the ITD.

MEANS OF VERIFICATION:

1. Review of programs and procedures in operation.
2. Personnel documents and interviews.
3. Examination of facilities, documentation and operational records.

IMPORTANT ASSUMPTIONS: ASSUMPTIONS FOR ACHIEVING OUTPUT:

1. Active management support for appropriate changes required to implement tax system modifications.
2. GOJ provides adequate incentives to attract and retain qualified ADP and other personnel.

INPUTS:

NARRATIVE SUMMARY

AID Technical assistance and training.

GOJ Project support, GOJ personnel and ADP equipment

VERIFIABLE INDICATORS: IMPLEMENTATION TARGETS (TYPE AND QUANTITY):

AID 1. 142 staff months of assistance; 116 long term and 26 short term

2. 72 staff months training
3. Support of training facility

GOJ 1. Office space, facilities and supplies.

2. Counterparts and support staff working with the advisors
3. Availability of computer and data entry equipment

MEANS OF VERIFICATION:

AID AID Mission files

GOJ On-site inspection.

IMPORTANT ASSUMPTIONS: ASSUMPTIONS FOR PROVIDING INPUT:

GOJ will made adequate resources available for required personnel and support.

Annex B

AID/W Project Extension Approval

UNCLASSIFIED

STATE 043142

ACTION A/DZ INFO CHG A/ICM GENON

LOC: DISA 18 287
12 PZB 84 2144
CA: 47828
CERG: AID
DIST: AID

VZCZCAJ0120
RR RUEHAM
DE RUEHC #3142 042214Z
ZNA UUUU ZZB
R 111949Z FEB 84
FM SECSTATE WASHDC
TO AMEMBASSY AMMAN 0981
BT
UNCLAS STATE 043142

ACTION COPY

E.O. 12958: N/A

INFO:

SUBJECT: INCOME TAX ASSISTANCE PROJECT AMENDMENT
278-8247

REF: AMMAN 02745

FOR DIRECTOR BOLLINGER FROM AA/NE FORD

1. PURSUANT TO THE AUTHORITY DELEGATED TO ME BY A.I.D. DELEGATION OF AUTHORITY NO. 188, DATED DECEMBER 11, 1981, REGARDING AUTHORIZATION OF PROJECT AND NON-PROJECT ASSISTANCE, AND TO THE REDELEGATION OF AUTHORITY APPROVED FOR DIRECTORS OF A.I.D. MISSIONS IN JORDAN, MOROCCO, TUNISIA AND YEMEN, DATED MARCH 10, 1982, I HEREBY REDELEGATE AN AD HOC AUTHORITY FOR THE DIRECTOR, USAID/JORDAN, TO APPROVE A PROJECT PAPER AMENDMENT FOR THE INCOME TAX ASSISTANCE PROJECT (278-8247) TO INCREASE THE LIFE-OF-PROJECT (LOP) FUNDING NOT TO EXCEED DOLS. 1 MILLION, FOR A TOTAL LOP FUNDING LEVEL OF DOLS. 2 MILLION, AND TO EXTEND THE PROJECT TO DECEMBER 31, 1984.

2. THIS REDELEGATION IS IN ACCORDANCE WITH INFORMATION CONTAINED IN THE REFTEL TO ALLOW USAID/JORDAN TO RESPOND TO DEPARTMENT OF INCOME TAX REQUIREMENTS BY

CONVERTING THE PROJECT INTO A LONGER TERM EFFORT FOCUSED DIRECTLY ON INSTITUTION BUILDING AND TECHNOLOGY TRANSFER. THIS ADDITIONAL FUNDING WILL SUPPORT THE EXPANSION OF THE PROJECT AS DESCRIBED IN REFTEL AND WILL COVER THE INCREASED COST ASSOCIATED WITH THIS EXPANSION.

3. AID/A WILL ADVISE BY SEPT 84 WHEN THE CONGRESSIONAL NOTIFICATION WAITING PERIOD HAS EXPIRED. SWELTZ

#3142

NNNN

DS

UNCLASSIFIED

STATE 043142

BEST AVAILABLE DOCUMENT

51

STATE 065412

SUBJECT INCOME TAX ASSISTANCE PROJECT AMENDMENT			COMMENTS (Cont'd on back)	
RPRO	CONT	9/1 + 1/8		DATE AUTHO RECEIVED
DATE	3/6			
REPLY FOR SIGNATURE OF		INFO COPIES TO	DATE REPLY SENT	

← RECORD COPY

CORRESPONDENCE CONTROL RECORD

OPTIONAL FORM 102 (Revised 8-81) NSN7540-00-148-9831 50102-103

U.S. GOVERNMENT PRINTING OFFICE: 1980-280110

UNCLASSIFIED

STATE 065412

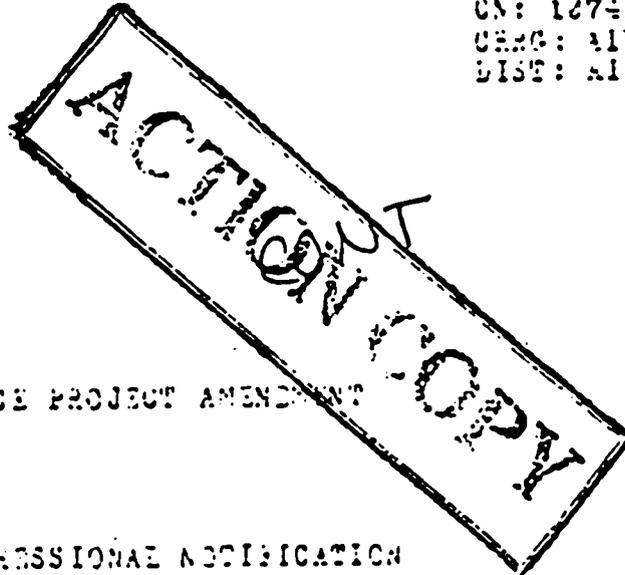
ACTION AID2 INFO AMB DOM CHRON

45 -

120203J0675
 RR BUEHAM
 DE RUEBU #5412 0651359
 ZNR UUUUU ZZR
 R 052729Z MAR 84
 FM SECSTATE WASHDC
 TO AMEMBASSY AMMAN 9435
 BT
 UNCLAS STATE 065412

EOC: DIS 15 404
 05 MAR 84 1429
 UN: 10740
 URG: AIL
 DIST: AIC

UUUU
NNNN



AIDAC

E.O. 12958: N/A

TAGS:

SUBJECT: INCOME TAX ASSISTANCE PROJECT AMENDMENT
 2780247

UUUU
NNNN

REF: STATE 065412

1. FURTHER TO REF PARA 3. CONGRESSIONAL NOTIFICATION FORWARDED FEBRUARY 29, 1984 AND WAITING PERIOD EXPIRES MARCH 15, 1984.

2. PLEASE ADVISE DATE GRANT AMENDMENT SIGNED AND FORWARD COPY TO THE PROJECT OFFICER, JANE NANDY.
 02/10CH/SARD. SEULTZ

UUUU
NNNN

BT
#0412

NNNN

BEST AVAILABLE DOCUMENT

DS

UNCLASSIFIED

STATE 065412

UUUU
NNNN

ANNEX C

PROJECT AND COUNTRY CHECKLIST

ANNEX E

STATUTORY CHECKLIST

I. COUNTRY CHECKLIST

II. PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1 applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESP.

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

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FWA Sec. 624A; Sec. 653(D)

(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 amount)?

(a) Normal Congressional Notification procedures will be followed.

(b) Yes.

2. FAA Sec. 611 (a)(1). Prior to obligation in excess of \$100,00 will there be (a) engineering, financial or 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.

(b) Yes.

SFA

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? No further legislative action is required.
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.) N.A.
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? N.A.
6. FAA Sec. 209. Is project susceptible to 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. Project is not susceptible of such execution and there is no present indication that it will contribute to regional development programs.
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; and (c) encourage development and use of cooperatives, and 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) The project provides technical services from the Internal Revenue Service improved tax administration. Little impact in the 601(a) area is envisioned.

8. FAA Sec. 601(b). Information and conclusions 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 the services of U.S. private enterprise). No impact. The Project will fund primarily technical services from the Internal Revenue Service.
9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507. 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 in lieu of dollars. The Grantee will contribute about \$1,483,000 toward this \$3,483,000 activity.
10. FAA Sec. 612(o). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? Jordan is not an excess currency country.
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 1982 Appropriation 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? None of the assistance is for the production of any commodity for export.
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests? Yes.
N.A.

56

14. FAA 121(d). If a Sahel Project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? N.A.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria N.A.

2. Development Assistance Project Criteria (Loans only) N.A.

3. Economic Support Fund Project Criteria

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

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? No

c. FAA Sec. 534. Will ESP funds be used to finance the construction of, the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? No N.A.

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N.A.

III. STANDARD ITEM CHECKLIST

Listed below are the 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? N.A.
- 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(o). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? The cooperating country does not so discriminate.
- 4. FAA Sec. 604(e); ISCCA of 1980 Sec. 705(a). 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? (Exception where commodity financed could not reasonably be procured in U.S.). N.A.

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one or these areas? No
6. FAA Sec. 603. Is the shipping excluded from 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? No
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? 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? (a) Yes The Internal Revenue Service has been providing services to date under this project. Continuation of those services will satisfy relevant criteria.
(b) N.A.
8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes
9. FY - 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States. Only a PASA and host country contracts are envisioned under the Project.

B. Construction

1. FAA Sec. 601(a). If capital (e.g., construction) project, will U.S. engineering and professional services to be used? N.A.
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? N.A.
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 (except for productive enterprises in Egypt that were described in the CP)? The project is for less than \$100 million and does not involve construction of productive enterprise.

C. Other Restrictions

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? N.A.
2. FAA Sec. 301(a). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N.A.
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. Will arrangements preclude use of financing:

- a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilizations as a method of family planning, or to coerce or provide financing incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?
- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?
- c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?
- d. FAA Sec. 662. For CIA activities?
- e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?
- f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?
- g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues?

Yes. to all questions.

Yes

Yes (Improved tax administration is not considered "law enforcement".)

Yes

Yes

Yes

Yes

- h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA Section 209(o) (Transfer of FAA funds to multilateral organizations for lending)? Yes
- i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes
- j. FY 1982 Appropriation Act, Sec. 511. To aid the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
- k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes
- 5. FY 1984 Continuing Resolution. Have all provisions of the FY 84 CR been considered and found to be either inapplicable or satisfied? These include prohibitions on assistance to the PLU, SWAPO of various countries, minority contracting considerations, restrictions in the marotics area of preference for private sector funding where practical. Yes

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1983 Appropriation Act Sec. 133. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or, transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

No

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

No

BEST AVAILABLE DOCUMENT

-2-

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No
4. PAA Sec. 532(c), 620(a), 620(f). 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? No
5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981. N/A
6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? No

64X

-3-

7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? No
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? There is no known instance of such acts.
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(a); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds? No
10. FAA Sec. 620(s). -If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Yes

BEST AVAILABLE DOCUMENT

-4-

Consideration" memo:
 "Yes, taken into account
 by the Administrator at
 time of approval of
 Agency OYB." This
 approval by the
 Administrator of the
 Operational Year Budget
 can be the basis for an
 affirmative answer during
 the fiscal year unless
 significant changes in
 circumstances occur.)

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No

12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.) Jordan has paid all of its outstanding UN obligations.

13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? No
 Has the country aided or No

661

BEST AVAILABLE DOCUMENT

- 60 -

-5-

abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No
16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 35th General Session of the General Assembly of the U.N. of Sept. 25 and 26, 1981, and failed See taking into consideration memorandum.

67

BEST AVAILABLE DOCUMENT

-5-

to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

17. ISDCA of 1981 Sec. 721.
See special requirements for assistance to Haiti.

N/A

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No.

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

No

68

-7-

b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

N/A

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

N/A

A N N E X D

PROJECT AUTHORIZATION

May 6, 1984

Douglas L. Sheldon, Controller

Authorization to Amend the Income
Tax Assistance Project

Walter G. Bollinger, Mission Director

Problem: Your signature is required on the attached project authorization amendment to provide an increase in funding of \$1,000,000 in the Income Tax Assistance Project and to extend the Project Assistance Completion Date (PACD) to 31 December 1986.

Discussion: The Income Tax Assistance Project was authorized in August 1981 with the objective, or project purpose, of enhancing the GOJ institutional capacity for income tax administration. The Project Agreement was signed on 26 August 1981 and provided \$1,000,000 in AID funds.

A project evaluation in March 1983 recommended a project extension. Significant changes in the Department of Income Tax (DIT) in respect to the method of assessment and in the administration of the department have presented an opportunity for an expanded effort oriented towards institution building.

As detailed in the amended project paper the new project focus and emphasis will require an extension of the PACD and additional funding. The additional funding primarily provides the 90 person months of IRS Advisory services to the DIT. Additionally, the PP makes provision for Jordanian Technical and Administrative support for the DIT and the IRS Team.

State 043142 dated 12 February 1984 provided an ad hoc delegation of authority for you to approve the project paper amendment and authorize the additional funding and PACD extension.

State 065412 dated 6 March 1984 indicated that a Congressional Notification on the subject project was forwarded 29 February 1984 and would expire on 15 March 1984. State 130372 of 4 May 1984 advised that the CN waiting period expired without objection.

Recommendation: (1) That you sign the attached Amendment of Project Authorization, which will increase the approved level of project funding from \$1,000,000 to \$2 million extend the PACD to 31 December 1986. (2) That you sign the face sheet of Project Paper Amendment.

APPROVE: _____

Walter G. Bollinger
Director, USAID/J

CONT: DSheldon:la

Clearances: DD:Gower _____
RLA:KO'Donnell _____
PO:FRishoi _____
PRG:DLeaty _____
ENG:WLibby _____

BEST AVAILABLE DOCUMENT

FIRST AMENDMENT

TO

PROJECT AUTHORIZATION

Name of Country : Hashemite Kingdom of Jordan
 Name of Project : Income Tax Assistance
 Number of Project: 278-0247

1. Pursuant to Section 532 of the Foreign Assistance Act of 1961, as amended, the Income Tax Assistance Project was authorized by the USAID/Jordan Mission Director in August 1981.. That authorization is hereby amended as follows:
 - A. The Project is defined to consist of improving and modernizing, through institutional development and otherwise, the technical capacity of the Department of Income Tax.
 - B. The amount of funds authorized for the Project is increased by \$1,000,000 to a new total amount of \$2,000,000. Subject to availability of funds in accordance with the A.I.D. OYB/ allotment process, obligation of this \$1,000,000 increase is planned over a one-year period from the date of this amended authorization.
 - C. The planned life of the Project (i.e., the Project Assistance Completion Date) is hereby extended to 31 December 1986..
2. The original authorization, cited above, remains in force except as hereby amended.
3. An amendment to the Project Agreement may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, subject to the above and such other terms and conditions as A.I.D. may deem appropriate.

 Walter G. Bollinger
 Director, USAID/Jordan

Clearances:

COM: BSheldon _____
 POG: BLeacy _____
 PO: BPrishoi _____
 PIA: KO'Donnell (SPAFF) _____
 ENG: MLibby _____
 ED: GGower _____

Date: _____

Annex E

Summary of Prior Experience

Annex E. Summary of Prior Experience

AID and the IRS have provided assistance to the Department of Income Tax through short-term technical assistance and training activities, and through the Income Tax Assistance Project.

Assistance Prior to the Project

USAID supported training for GOJ tax officials since 1963. A total of 322 months of training was provided to 40 employees through 1980. From August 1978 through April 1981 approximately 20 months of short term advisory assistance was provided to the DIT by USAID/IRS at a total cost of approximately \$215,000. An initial survey team developed a long-range plan and comprehensive analysis of the DIT's requirements and a long-range plan for implementation. Follow-up visits were made by USAID and IRS staff to review progress on recommendations and to provide further assistance. The scope of involvement and accomplishments of pre project assistance are detailed in Annex H to the original project paper

Project accomplishments to Date

The success of short-term assistance prompted the GOJ to seek an expansion of the assistance through the Income Tax Assistance Project. The Project Agreement was signed in August 1981. The initial project evaluation was completed in March 1983 and detailed progress through the initial 18 months of project implementation. The evaluation abstract is contained in Annex I to this project paper amendment. Project accomplishments are also detailed in the IRS advisors monthly progress reports. The attached report prepared by the IRS Advisors summarizes project activities during the last 12 months i.e. through 31 March 1984.

REPORT OF STATUS AND SUMMARY OF ACCOMPLISHMENTS OF INCOME TAX ASSISTANCE
PROJECT AS OF MARCH 31, 1984

I. BACKGROUND

Successive evaluations of the activities under the initial Income Tax Assistance Project have occurred in August of 1982, and in March, 1983. The March, 1983 evaluation and summary was based upon a revised workplan which eliminated elements of the original workplan which were accomplished, or which were judged unfeasible based on the changing circumstances. This summary is intended to be part of the foundation for a new and expanded effort to increase the effectiveness of the Department of Income Tax as a principal contributor to the public finances of Jordan.

II. GENERAL OBSERVATIONS

As will be detailed below the strides made during the past 12 months were modest, but measured against the backdrop of the adverse circumstances into which the Department was cast, they demonstrate a continuing commitment to place increasing reliance on the Income Tax system as a tool for public finance. Some of the the more significant adverse circumstances which hindered progress are as follows:

1. As noted previously the Department was stripped of virtually its entire technical staffing just prior to the beginning of the original project. Thus while ADP advancements were possible, the ability of the department to conduct any activity other than training of new tax technicians was almost non-existent. At the same time as the Department was endeavoring to rebuild its staff of about 80 assessors from almost nothing, the first round of self-assessment clearly demonstrated the need for a staff of two to three times of that which was required under the old agency assessment system. The institutional strain produced in any organization which attempts to double or triple in size is great; when that same organization is required to bootstrap itself at the same time the challenge is enormous. In retrospect, prior evaluations and workplan revisions did not accurately foresee the impact the 1981 upheaval would have on the Department.

2. The late passage of the new tax law was noted previously as a problem of timeliness, but the full impact of that statute was not realized until later. Combined with a near universal underestimation of the number of taxpayers who would comply with the self-assessment law, was a lack of appreciation for the impact that the reduction in the tax rate in the fourth calendar quarter of the year and the concomitant requests for refunds would have on the department. This tremendous workload highlighted the limitations of the DIT's existing ADP hardware. Ultimately, requests for refund had to be calculated, audited and checks prepared by hand. This process was barely completed in time to release some employees so that preparation for the 1983 self-assessment filing season could proceed.

3. There remained a lack of what was termed an Organization and Methods staff, or O&M group. In retrospect the reason for this is relatively clear. There were barely enough trained and qualified personnel to perform the front line work. There was certainly not enough time to identify and develop people into mid-level type positions as envisioned for the O&M staff.

4. As noted above the unanticipated geometric growth in the flow of papers and documents resulting from the new tax law highlighted the inadequacies of the Department's first generation ADP hardware. Aside from the fact that it suddenly became too small for the workload, was the additional circumstances that there was a distinct lack of technical progress among the programming staff in the Department, and the inability to locate a replacement for the ADP advisor who completed his two year tour in September and departed post.

III. ACCOMPLISHMENTS DURING THE PRECEDING TWELVE MONTHS

Despite the significant problems noted above, there has been a rather long list of minor advances which, taken together, provides clear indicia of a commitment to, and potential for the Department of Income Tax to become fully functional and dynamic organization within the next two years. Some of the more important activities and accomplishments are as follows:

1. The Department planned and executed a massive recruiting and training effort which has increased total staffing from near zero in 1981, to 450 as of March 31, 1984. Of this number, 215 are fully trained and qualified assessing officers, and another 160 perform semi-technical tasks such as collections, third party information technicians etc. The fact that there now exists job categories classified as semi-technical represents an advance in that it recognizes that not all personnel must be fully trained as assessors.

2. The Department has institutionalized its field collection activity and has eight full time persons assigned the task of researching delinquent accounts and making contact with offenders. One benefit which is at least partially attributable to this effort was an increase in the total revenue collected for the 1982 tax year despite a significant reduction in the rate of tax imposed on individuals.

3. In January of 1984 the Department launched without outside help, its second annual public information campaign to assist taxpayers wishing to comply with the new self-assessment tax structure. While the campaign was largely a replication of the effort undertaken during the last filing season with the help of an IRS specialist, it perhaps was instrumental in part in insuring that self-assessment would not be a one year phenomenon as had been the case in the recent past.

4. Although there was no formal O&M group formed within the department, there was some progress in the decision-making process in that direction. Prior IRS surveys and reports noted a lack of delegation and consultation in the decision-making process. During the past 12 months there was evidence of staff discussion and delegation in areas of collections, examinations and ADP planning. While there remains a lack of full staff participation and research, the efforts in this area so far are encouraging and should lead to the promotion of qualified employees to mid-level staff positions.

5. The Department has broadened the categories of taxpayers required to file tax returns, and has initiated a rudimentary form of unidentified taxpayer survey. Lists of known businesspersons and professionals have been obtained from trade groups and licensing agencies and compared to data extracted from the computer. While this effort has been rather crude and uncertain, now that the precedent has been set and the value of the exercise demonstrated the activity is ripe to become a routine exercise using the new computer hardware.

6. There has been instituted a crude examination priority classification system for self-assessment returns. While this was born of necessity due to the unexpectedly large number of returns filed, it has forced the recognition that the Department cannot now, and probably will never be able to conduct examinations on 100% of the tax returns filed. Later should come the recognition that such wide examination coverage is not necessary or even desirable in a self-assessment tax system.

7. The Department has commissioned a complete study of its organizational structure, to be performed by the Jordanian Institute for Public Administration. The analysts agreed to cooperate with the tax team in preparing their findings. The study is to recommend changes in the organizational structure, and is to include the preparation of job descriptions for all positions in the Department.

8. The Department is committed to a complete upgrading of its physical facility. A new 6 story building is scheduled for occupancy in June of 1984, and another building is scheduled to be started soon after. Thus the operations of the Department which are now at three widely separated locations may be consolidated as early as the end of 1985

A N N E X F

PROJECT GRANT AGREEMENT

FIRST AMENDMENT
TO THE
GRANT AGREEMENT

BETWEEN

THE HASHEMITE KINGDOM OF JORDAN

AND

THE UNITED STATES OF AMERICA

FOR

INCOME TAX ASSISTANCE

DATE:

AMENDMENT Number One Dated _____, between the United States of America, acting through the Agency for International Development ("A.I.D.") and the Hashemite Kingdom of Jordan ("Grantee").

WHEREAS, the Grantee and A.I.D. entered into a Project Grant Agreement, dated August 26, 1981 ("Agreement"); and

WHEREAS, The Grantee and A.I.D. desire to amend the Agreement further to record mutually agreeable changes to the Agreement;

NOW THEREFORE, the parties hereby agree that certain sections of the Agreement are amended in their entirety, and new sections are added, to read as follows:

1. Article 2, SECTION 2.1. The Project: The Project, which is further described in Annex 1, will consist of efforts to enhance the capacity for income tax administration within Jordan. Annex I, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.
2. Article 2, SECTION 2.2. Project Funding: This amendment obligates an additional One Million United States Dollars (\$1,000,000) to this Grant for a cumulative total of Two Million (\$2,000,000). With the above described obligation of funds, A.I.D.'s financial contribution to the Project under this Agreement is hereby complete.
3. Article 3. SECTION 3.1 The Grant: To assist the Grantee to meet the cost of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees as stated above to grant the Grantee under the terms of this Agreement not to exceed Two Million U.S. Dollars (\$2,000,000). The Grant may be used to finance foreign exchange costs, as defined in SECTION 6.1., and local currency costs, as defined in SECTION 6.2., of good and services required for the Project.
4. Article 3. SECTION 3.2. Grantee Resources for the Project:
(b) It is estimated that the total resources to be provided by the Grantee for the Project over the life of the Project will be approximately the equivalent of U.S. \$1,483,000, including costs borne on an "in-kind" basis.
5. Article 3. SECTION 3.3. Project Assistance Completion Date: (a) The "Project Assistance Completion Date" (PACD), which is December 31, 1986 or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed, and all goods financed under the Grant will have been furnished for the Project, as contemplated in this Agreement.
6. Article 5. SECTION 5.4 Special Covenants: The Grantee covenants that it will within 180 days, of the date of execution of this Amendment No. One, and except as A.I.D., may otherwise agree in writing, establish within its Department of Income Tax the two new organizational units or work groups described within Annex 1 to the Agreement and assign a sufficient level of qualified staff to those units or groups.

IN ALL OTHER RESPECTS, the above-specified Project Agreement of August 26, 1981 as previously amended, remains in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, The Hashemite Kingdom of Jordan and the United States of America, each acting through its respective duly authorized representative, have caused this Amendment to be signed in their names and delivered as of the day and date first above written.

THE HASHEMITE KINGDOM OF JORDAN

THE UNITED STATES OF AMERICA

BY: _____
OMAR ABDULLAH DOKGHAN
PRESIDENT, NATIONAL PLANNING COUNCIL

BY: _____
WALTER G. BOLLINGER
DIRECTOR, A.I.D. MISSION TO JOR

Amendment Number One

Annex 1 to the Project Agreement

Project Description

- A. The objective of the Income Tax Assistance Project remains as indicated in the original Project Agreement, namely, the improvement of the capacity for income tax administration within the Department of Income Tax (DIT). The Project, as revised, will focus on the institutional growth and development of the DIT as the means through which the Project objective will be attained. The Amendment to the Project Agreement provides additional funds and an extension of the Project Assistance Completion Date.

To accomplish the Project objective, efforts will be directed towards the following activities.

1. A Systems, Procedures, and Analysis work group will be established within the DIT to provide an organizational unit capable of: designing, testing, implementing, and evaluating information and document processing systems and monitoring compliance through statistical analysis.
2. Conversion to the self assessment method of income taxation.
3. A revised automated data processing system will be developed and installed.
4. A Public Information and Training Section will be established within the DIT for the preparation and presentation of educational materials and guidance for the taxpayers and to monitor DIT internal training programs.

B. Project Components

The Project consists of the following major elements:

1. USAID Contribution - Technical Assistance

USAID will provide a revised total of approximately 142 person-months of U.S. technical assistance, including three long-term advisors for a total of approximately 116 person-months, and approximately 26 months of short-term technical assistance. The long-term advisors will be specialists in the fields of automated data processing and tax administration and compliance. The short-term advisors will provide assistance in training and other fields as required during the course of the Project. Additionally, USAID will provide financing for limited amounts of specialized Jordanian expertise and administrative support for the Technical Advisors.

2. USAID Contribution - Training

USAID will provide approximately 72 person-months of participant training for appropriate employees of the Department of Income Tax. USAID will also assist the GOJ in the development of internal training needs. The USAID contribution will be directed toward the preparation and initial presentation of appropriate short-term courses. It is anticipated that at the completion of the Project, either the DIT or another institution will be able to continue the effective presentation of the courses developed.

3. GOJ Contribution - Support to Technical Assistance

The GOJ will directly support the USAID-financed technical assistance through provision of office space and facilities, office supplies, and required operational support services.

4. GOJ Contribution - Support to Training

The GOJ contribution to the training effort will consist of an adequate training facility, training staff, recurrent cost funding, employee time for training as required, appropriate materials and equipment for the continuation of the in-service training beyond the life of the project, and international travel costs for training in the U.S.

5. GOJ Contribution - Computer Facility/Commodities

The GOJ will provide an appropriate computer system installed and operational in the Department of Income Tax. The GOJ will provide any additional discs, supplies, or other required material to ensure that the computer facility remains operational. The GOJ will ensure the provision of necessary maintenance of the computer facility and all other costs related to the computer facility.

6. GOJ Contribution - Personnel

The GOJ will provide adequate staffing to the work groups which will function as counterpart units to the technical assistance team. A minimum of 6 qualified employees shall be assigned to the Systems, Procedures and Analysis Group. A minimum of two qualified employees shall be assigned to the Public Information and Training Section. Two Programmer/Analysts shall be designated as counterparts from the Computer Section.

C. Project Cost Estimates and Financial Plan

The revised total project cost is estimated at \$3,483,000 of which the U.S. contribution is \$2,000,000. Table 1 is the summary project budget. As indicated in Table 1, the USAID contribution consists of funding allocations for two inputs - - technical assistance and training.

7
L. Project Implementation

The Project will be implemented over a period of approximately 32 months from the signing of the Amendment to the Project Agreement. An abbreviated implementation schedule follows this section. Further implementation details for specific project components will be the subject of Project Implementation Letters.

<u>ACTIVITY</u>	<u>PROPOSED DATE</u>
1. Amendment to the Project Agreement signed.	May 1984
2. Issuance of revised PIO/T and PASA.	June 1984
3. Arrival of long-term data processing advisors.	August 1984
4. DIT assigns staff to Systems, Procedures, and Analysis Group and Public Information & training section. Covenant 5.4 satisfied.	September 1984
5. Participants depart for training.	October 1984
6. Public relations campaign developed for self-assessment cycle.	October 1984
7. New computer system installed and operational.	December 1984
8. Participants depart for training.	April 1985
9. Short-term Training Advisor arrives to review in house training program and assist with Public information and Training Section.	April 1985
10. Interim project evaluation completed.	August 1985
11. Annual Project review and development of revised workplan.	September 1985
12. Participants depart for training.	October 1985
13. Participants depart for training.	April 1985
14. Long-term advisors depart.	September 1986
15. Project Assistance Completion Date.	December 1986
16. Final Project evaluation.	July 1987

F. Project Evaluation

A total of two additional project evaluations will take place during the life of the project. An interim evaluation will review progress in July 1985. The final evaluation is scheduled for July 1987.

86

TABLE 1
 REVISED PROJECT BUDGET
 (\$ 000)

INPUTS	ORIGINAL BUDGET			PROJECT AMENDMENT			REVISED BUDGET		
	AID	GOJ	TOTAL	AID	GOJ	TOTAL	AID	GOJ	TOTAL
<u>Input 1 - Technical Assistance</u>	751	64	815	803	82	885	1,554	146	1,700
Long-term Advisors	557		557	650		650	1,207		1,207
Short-term Advisors	194		194	88		88	282		282
Consult. & Other Services				65		65	65		65
GOJ Support for Technicians		64	64		82	82		146	146
<u>Input 2 - Training</u>	249	106	355	44	185	229	293	291	584
Participant	106	28	134	99	74	173	205	102	307
In-Country Training	143	78	221	(55)	111	56	88	189	277
<u>Input 3 - Computer Facility</u>		226	226		348	348		574	574
<u>Input 4 - GOJ Personnel</u>		155	155		227	227		382	382
79 Project Cost	1,000	551	1,551	847	842	1,689	1,847	1,393	3,240
Provision for Contingency				63	42	105	63	42	105
Provision for Inflation				90	48	138	90	48	138
Total Project Cost	1,000	551	1,551	1,000	932	1,932	2,000	1,483	3,483

18

Annex G

Description of the Systems, Procedures,
and Analysis Group

Annex G. Description of the Systems Procedures and Analysis Group

The operational functions of assessment/audit and collection are the central foci of the DIT and represent the means through which the Income Tax Law is implemented and enforced. The efficiency and productivity of the operations functions and the DIT are dependent on: (1) the systems and procedures, manual and automated, through which work is performed/reviewed/recorded/analyzed; (2) the analysis and evaluation of results, with findings presented to management in a coherent form; and (3) the internal coordination within the DIT which ensures that efforts are appropriately directed, and that resources are not dissipated.

The Systems Procedures and Analysis Group (SPA) is the organizational entity which responds to these requirements. The DIT must have an operational unit below the level of the Director and his key assistants capable of performing internally the necessary review, development and implementation of systems and methods and undertake required analysis. The SPA is intended to address the following general concerns.

Perspective:

The Director, Deputy Director, and a very few key assistants must concern themselves with the broad scope of activities in the Department. Virtually all other staff operate within the confines of

narrow, specific, functions, SPA group employees are charged with taking the same global view of DIT as the Director. They assist the Director by undertaking special analyses and approaching problems from this broad perspective rather than that of a single specialized area of tax administration.

Coordination:

Tax Administration is a complex task which requires a coordinated effort particularly in respect to systems and procedures. The SPA ensures that necessary information flows smoothly through out the organization with a minimum of wasted effort and motion.

Data Processing

Data Processing is the primary means through which information is stored, disseminated, and analyzed. All sections within the DIT are reliant in one way or another on the availability and accuracy of computer generated information. It is a specific responsibility of the SPA group to ensure that data input and output is accurate, timely, and useful.

Role of the SPA within the DIT

The SPA group is the mechanism through which the Advisors address the DIT's continuing requirements for:

- 1) Continual review, updating, testing and modification of the DIT's systems and procedures, manual and automated.
- 2) Systematic analysis and review of trends and characteristics of taxpayer compliance and recommendations for appropriate response.
- 3) Development of recommendations for procedures and methods to implement income tax administration policy formulated by the Director and to advise the Director on projected effects and consequences of proposed policies.
- 4) A planning unit capable of preparing revenue projections and implementations of proposed tax policies.

In respect to ADP operations the SPA group will be specifically responsible for:

- 1) Writing procedures to detail document processing from receipt to the final filing for each type of document.

- 2) Identifying work that needs to be automated and present a detailed plan of how this can be accomplished to the Director-General for his approval and prioritization.
- 3) Writing specifications for programs to be written by the Computer Section. This would include the inputs needed, the processing to be done, and the reports and other files to be generated.
- 4) Testing for systems acceptability (SAT). This would require making test documents which would test every situation required by the program specifications and the pre-calculated results of the processing.
- 5) Training the users of the computer outputs to use the reports effectively. This will be done after the procedures have been written and a copy of the procedures will be given to each user during training.
- 6) Tracking the progress of the development effort and reporting the progress along with the problems encountered to the Director-General on a regular basis.
- 7) Reviewing the various functions to ensure that procedures are being followed and encouraging suggestions from the employees for ways to improve and streamline the operation. They will report their findings and recommendations to the Director-General.

Relationship of the SPA to the Computer Section

The SPA serves as the coordinating unit between the computer section and the rest of the DIT. The role of the SPA in relation to the Computer Section is to:

- Receive and review requests for new programs or specific reports, output, or information from other sections of the DIT. If the request is determined to have merit the SPA will:
 - (a) Draw up specifications for the program or program modification in a manner which will be intelligible to the computer section.
 - (b) Test the program which the computer section designs and writes.
 - (c) When the program is perfected the SPA in consultation with other organizational elements, prepare procedures to implement the program.
 - (d) The SPA will then oversee the implementation of the program and the efficiency of the procedures, monitor the use of the program for accuracy, and train the recipients of the Data Output in its effective use.

- Examine independently the data input to the computer and output from the computer from the perspective of timeliness, accuracy, and utility.
 - (a) The SPA will coordinate with other sections of DIT to ensure that Data presented to the computer section is accurate, through methods and procedures
 - (b) The SPA will examine computer output to ensure that it meets, to the extent practicable, the needs of the users.

The role of the computer section in relations to the SPA is the correct operation of the approved programs within the computer section's procedural framework, correct and timely entry of data to the data base in accordance with the specified procedures, provision of necessary reports and other output. The computer section is also responsible for designing, documenting, writing programs to the specifications developed by the SPA, and making necessary corrections and program modifications.

Relationship of the SPA to the IRS TAX Team

The SPA serves as a counterpart group, as a whole, to the tax team. Two of the advisors will work directly with the group, and the SPA will carry out the functions under the guidance and instruction of the team. The objective is to develop the SPA to a point where at the

end of the project the group can continue to perform the system review and analysis functions which have heretofore been largely done by the advisors.

Relationship of the SPA to the Operational Functions of Audit

Assessment and Collection

The SPA is generally charged with ensuring that procedures and practices and administrative services support the operational functions. The SPA measures the efficiency and productivity of the workflow and the resultant flows of information and revenue. The SPA proposes administrative policies which will have the effect of increasing revenue and smoothing the process through which revenue is collected. The SPA measures and proposes methods to improve compliance. The SPA is specifically charged with coordination with the internal audit function to ensure that systems and procedures meet internal control requirements.

Relationship of the SPA to the Director General and Senior Management of the DIT

The SPA has a mandate to review operations throughout the DIT. It is therefore a suitable group for the director and senior management to utilize to perform special studies and research as may be required and to assist the director in long range planning for the department.

The Director should utilize the SPA for periodic statistical analysis of characteristics of compliance and the implications thereof. Because of its broad scope of operations the SPA should prove to be an excellent training ground for future supervisors and senior employees

Staffing of the SPA

The SPA should initially be staffed with 6 full time professional staff members and supported by 2 secretaries one of whom is qualified in English. As the section develops and the workload increases the staff should increase within a few months to 8-10 professional employees.

It will not be necessary to utilize within the group personnel currently assigned to key supervisory positions. The individuals selected should be college graduates (with appropriate backgrounds in accounting, business, or economics) who are fully trained assessors. In summary, the candidates should be promising new employees who were hired in 1982 or 1983, who have completed the in service training program and have served at least a few months in either assessments or collections. To be most effective the skills necessary for this group are:

- 1) They must collectively know how the ITD operates now and where to go for detailed information concerning the various functions;

- 2) They must have good English skills with at least one fluent enough to act as a documents translator;
- 3) They must be able to communicate well both in written and spoken Arabic;
- 4) Some knowledge of the computer is helpful but not necessary.

It is acknowledged that these employees will not have specific experience, for the most part, in functions which the SPA will perform. They will receive on-the-job training from the advisors and specialized training. Employees should be assigned to the SPA on the understanding that they will be provided with significant training and, that they would normally be expected to remain within the section for a period of at least three years, thereby ensuring that the DIT benefits from the training provided. After the first year, a supervisor should be selected from the employees within the section, who would receive special training and guidance to lead the group and to enable the group to continue after the departure of the advisors.

Annex H

Description of the Public Information and Training Section

Annex H. PUBLIC INFORMATION AND TRAINING SECTION

Public information and training are two functions which have always existed within the DIT to some degree. The functions have normally been performed on an ad hoc basis. Particularly with the advent of self-assessment, the DIT has recognized an increasing need for an organizational unit capable of providing continuous review, updating and monitoring of the information available to the taxpayer in the form of guidance and instructions. Similarly, the DIT has recognized that staff training is a continuous process both in respect to providing basic or introductory training for new employees, and in upgrading the skills of experienced employees.

The Public information and training section is the unit which addresses both of these requirements. The two functions are combined because both represent staff functions which are somewhat outside the operational scope of the rest of the DIT, and both functions are primarily educational in nature. In view of the relative small size of the DIT and the intermittent nature of the training requirements the training function does not require a full time organizational unit.

A. Public Information and Education

Any system of income taxation relies to a great extent on voluntary compliance by the taxpayers. Self assessment is particularly dependent on the taxpayer being able and willing to comply with the

law. Compliance is therefore to a great degree dependent on the extent to which the public understands what is expected for compliance.

Taxpayers also need reminders to encourage them to perform what is at best an unpleasant duty, i.e. paying taxes.

The role of the PIT is: to provide information and educational material to the public; and to encourage the taxpayers to file self-assessment returns, comply with withholding and other requirements, pay their taxes. The role of the PIT is also to explain how to comply with the Law, i.e., what the DIT expects of the taxpayer. It is responsibility of the PIT to explain in a manner understandable to the public how the Income Tax Law is to be applied. Specific functions to be performed by the PIT in relation to public information are the following:

- Develop and present an annual public relations campaign to remind the public of their duties and responsibilities under self-assessment, and possible consequences for failure to comply.
- Arrange for interviews, magazine articles, forms, etc. for the Director General and other senior GOJ Officials to explain income taxation and the taxpayer responsibilities.

- Recommend public relations activities with the objective of developing a positive public image of the Department of Income Tax.
- Develop public information materials which explain how the taxpayers are expected to comply with the law in the form of pamphlets, and written instructions.
- Review continually and update informational material based on administrative division, court rulings etc. which modify the interpretation of the income tax law.
- Provide special materials and train assessors assigned to the taxpayer information services.
- Respond to all correspondence and queries, in consultation with the legal section, as to the interpretation of the law and procedures to be followed in complying with the law.

Training Responsibilities

The process of staff training is a continuous one. With normal attrition the department can expect approximately 50 new employees each year mostly within the audit/assessment section. A number of training courses have been developed to provide introductory training to new

assessors/auditors. An in-service rotation type training program has also been developed to round out the training. Other employees require specialized training outside of the DIT. The PIT training function will consist of the review monitoring and development of courses which are to be presented within the DIT. Virtually all of the introductory training courses will be provided, eventually, from within the DIT. The PIT will also be responsible for identifying employees suitable for specialized training, making appropriate arrangements for the training.

Specific training functions which will be performed include the following:

- Develop in conjunction with supervisors and the Director an annual training plan.
- Review and update the inhouse training courses. Obtain instructors from other sections, or from outside the DIT if necessary. Monitor the course presentation.
- Develop in conjunction with the Director new training courses to be offered to both new or experienced employees.
- Identify employees and opportunities for specialized training courses and oversee all arrangements for the training.

- Develop a series of tests to monitor the overall effectiveness and implement a procedure to test and monitor

The Public Information and Training group should initially be staffed by 4 professional employees and supported by a secretary qualified in english and arabic. Depending on workload the staff could grow eventually to a maximum of 6 employees. At least two of the four employees should probably be hired from outside the DIT with backgrounds in education and the writing or development of educational materials. One or two of the employees should be qualified assessors/auditors knowledgeable in the tax law with experience in the DIT's top actions.

Annex I

PES Abstract and Correspondence

ACTION AIDS INFO AMB DCM ECON CHRON

VZCZCAJ0878
2P RUEHAM
DE RCTEC #6312 1462611
ZNR UUUUU ZZH
P 260412Z MAY 83
FM SECSTATE WASHDC
TO AMEMBASSY AMMAN PRIORITY 4121
BT
UNCLAS STATE 146312

LOC: DISK 9 625
28 MAY 83 0611
CN: 02706
CRFG: AID
DIST: AID

BEST AVAILABLE DOCUMENT

CONT.

AIDAC

E C. 12356 N/A
TAGS

SUBJECT: JORDAN INCOME TAX ASSISTANCE PES

1. USAID/JORDAN IS TO BE CONGRATULATED ON A PARTICULARLY WELL-RESEARCHED AND SKILLFULLY WRITTEN SUBJECT PES. THIS PES FOCUSES VERY WELL ON THE EXTERNAL FACTORS THAT HAVE AFFECTED THE EARLY IMPLEMENTATION STAGES OF THE PROJECT. IT ADDRESSES PURPOSE AND GOAL LEVEL ASSUMPTIONS IN LIGHT OF KEY CHANGES IN REVENUE AND TAX LAW CHANGES, MANAGEMENT AND STAFF CHANGES AND ASSESSES HOW THESE CHANGES AFFECT PROGRESS TOWARD ATTAINMENT OF THE ORIGINAL PROJECT PURPOSE. IN THIS CASE, ALTHOUGH THE UNEXPECTED STAFFING AND MANAGEMENT CHANGES HAVE CAUSED SOME DELAY AND CREATED ADDITIONAL UNEXPECTED TRAINING REQUIREMENTS, THE PES CLEARLY ANALYZES HOW THE NEW SITUATION COULD ENHANCE PROSPECTS FOR ACHIEVEMENT OF PROJECT PURPOSE.

2. ONE ORGANIZATIONAL WEAKNESS, HOWEVER, IS THAT THE EVALUATION FORMAT DOES NOT BREAK THE EXTENSIVE DISCUSSION ON ASSUMPTIONS AND HOPE INTO SEPARATE, SPECIFIC SUBSECTIONS. WITH THIS EXCEPTION, WE FIND THAT THE EVALUATION DOES PROVIDE INFORMATION AND ANALYSIS, WHERE POSSIBLE AND RELEVANT AT THIS POINT IN THE PROJECT SCHEDULE, FOR THE BASIC LIST OF ITEMS INCLUDED IN THE

STANDARD PES DOCUMENTATION.

3. TAKEN AS A WHOLE, WE WELCOME THIS PES AS A TIMELY CONTRIBUTION TO THE NE BUREAU'S CURRENT EVALUATION EXERCISE. FYI: COPIES WILL BE SENT TO THE OTHER NE BUREAU MISSIONS AS AN EXAMPLE OF A DOCUMENT WORTH READING FOR ANYONE SETTING OUT TO DEFINE, STRUCTURE AND PRESENT A PES OR EVALUATION. END FYI.

4. THE NE BUREAU SUPPORTS AN EXTENSION OF THE PAGE. THE PES PRESENTS SOLID EVIDENCE WHY DELAY OCCURRED, HOW IT HAS BEEN RECTIFIED AND WHY THE CONCLUSION FOR AN EXTENSION IS VALID.

5. THE NE BUREAU HAS DETERMINED THAT, BECAUSE OF THE DETAIL PROVIDED IN THIS INITIAL PES, SUBSEQUENT EVALUATIONS WILL NOT NEED TO REDISCUSS THESE EVENTS AND CAN FOCUS ON FURTHER DEVELOPMENTS AGAINST THIS BACKGROUND.

112

EW UNCLASSIFIED STATE 146312

6. CONGRATULATIONS AGAIN ON A JOB WELL DONE. SHULTZ
RT

UNCLASSIFIED

STATE 146312

BEST AVAILABLE DOCUMENT

NEAR EAST EVALUATION ABSTRACT

PROJECT TITLE(S) AND NUMBER(S)

MISSION/AID/W OFFICE

Income Tax Assistance

USAID/JORDAN

A.I.D. GRANT NO. 278-0247

Project Description: This project is a technical assistance /training effort, implemented through a PASA with the IRS, aimed at improving the capacity for income tax administration within the GOJ Department of Income Tax (DIT). Project objectives will be achieved by: (1) Development and implementation of improved operational systems for income tax assessment, collection, clerical processing, and administrative services; (2) development of the GOJ capacity for training in management and systems development; and (3) enhancement of the operational automatic data processing capacity within the DIT.

AUTHORIZATION DATE AND U.S. LOP FUNDING AMOUNT	PES NUMBER	PES DATE	PES TYPE
August 17, 1981	83-1	MARCH 1983	X Regular Other (Specify)

ABSTRACT PREPARED BY:	ABSTRACT CLEARED BY,	DATE	Special
STANLEY A. STALLA	CONT, RROMANO <i>[Signature]</i>	<u>3/25/83</u>	
ASSISTANT PROJECT	PRG, DLEATY <i>[Signature]</i>	<u>5/27/83</u>	Terminal
DEVELOPMENT OFFICER	PO, TPEARSON <i>[Signature]</i>	<u>7 2 1 8 3</u>	
MARCH 23, 1983	RLA, KODONNELL <i>[Signature]</i>	<u>3/28/83</u>	

- (1) This interim project evaluation was originally scheduled for the 2nd quarter of FY 82 as an in-house review aimed at reviewing the GOJ's progress in staffing the computer facility and keeping its equipment operational, and assessing the general degree of support accorded the project. However, a decision was made to postpone this evaluation to the 2nd quarter of FY 83 because: 1) the arrival of one of the two key long-term IRS advisors (the compliance advisor) was delayed almost one year, and this advisor was to participate in the development of a revised workplan and in reviewing project objectives with respect to audit/assessment/compliance; 2) the IRS backstop office had planned an annual project review/evaluation for December, 1982; and 3) the GOJ was in the process of implementing the self-assessment provision of the new 1982 Income Tax Law.
- (2) To date, a total of 31 months of long and short-term technical assistance have been provided, and approximately 90 person months of training have taken place. The advisors have made substantial progress in the development of a tax administration capability, particularly in respect to ADP applications. The most notable accomplishments to date include substantial improvement in the data entry and tax payer accounts processing system, initiation by the DIT of precedent-setting enforcement action for non-compliance, completion of a comprehensive training needs study and establishment of methods and priorities for future training. However, project implementation is approximately one year behind schedule due to the delayed arrival of the tax compliance advisor, the massive internal reorganization undergone by the DIT and, uncertainty surrounding the composition and passage of the comprehensive revision to the Income Tax Law. In order to obtain assistance in the implementation of the self-assessment provision of the new tax law and the restructuring and rebuilding of the DIT, the DIT will request a one year extension of the project. Because of a lesser level of expenditure to date than envisioned, as well as a restructuring of the training component, the proposed extension will not require additional funding.

BEST AVAILABLE DOCUMENT

BEST AVAILABLE DOCUMENT

ACTION MEMORANDUM FOR THE DEPUTY ASSISTANT ADMINISTRATOR FOR NEAR EAST
THRU : NE/TECH, Kenneth H. Sherper *KH*
FROM : NE/TECH/SARD, Jane Nandy
SUBJECT : Jordan Income Tax Assistance FES

Problem: A decision is needed on what review the subject FES requires.

Background: The Income Tax Assistance Project began in August, 1981, and provides a total of \$1 m to the GOJ Department of Income Tax (DIT). This follow-on to previous short-term activities represents a technical assistance/training effort to improve the capacity of income tax administration in the DIT. IRS provides both long- and short-term technical assistance. The FES is routine and has been done 18 months into the project.

Discussion: NE/TECH/SARD and NE/DP/PAE have reviewed the subject FES and feel that USAID/Jordan is to be congratulated on a particularly well-researched and skillfully (if somewhat copiously) written document. It is also a timely contribution to the NE Bureau's current evaluation exercise and should be held up as a document worth reading for anyone setting out to define, structure and present a FES or evaluation.

The conclusions of the FES are well-summarized in the abstract:

The most notable accomplishments to date include substantial improvement in the data entry and taxpayer accounts processing system, initiation by the DIT of precedent-setting enforcement action for non-compliance, completion of a comprehensive training needs study and establishment of methods and priorities for future training. However, project implementation is approximately one year behind schedule due to the delayed arrival of the tax compliance advisor, the massive internal reorganization undergone by the DIT, and uncertainty surrounding the composition and passage of the comprehensive revision to the Income Tax Law. In order to obtain assistance in the implementation of the self-assessment provision of the new tax law and the restructuring and rebuilding of the DIT, the DIT will request a one-year extension of the project. Because of a lesser level of expenditure to date than envisioned, as well as a restructuring of the training component, the proposed extension will not require additional funding.

The FES presents solid evidence why delay occurred, how it has been rectified and why the conclusion for an extension of the PACB is valid.

Recommendation: (1) That the NE Bureau support an extension of the PACB. (2) That the NE Bureau agree the FES stands on its own merit and does not need formal FRC/TEAC review. (3) That the NE Bureau agree because of the detail provided in this initial FES, subsequent evaluations will not need to rediscuss

these events and can focus further developments against this PES background.
(4) That AID/W cable USAID/Jordan congratulations on a job well done.

Attachment: PES

Approve

BL

Disapprove

Date

22 Apr 83

Clearance:

NE/TECH/SARD: WMiner	<u>Draft</u>
NE/DP/PAE: RZimmerman	<u>Draft</u>
NE/NE:RBrown	<u>Draft</u>

Annex J

Detailed Project Activity Work Plans

PROJECT ONE: MANAGEMENT/ADMINISTRATION: CREATE SYSTEMS, PROCEDURES AND ANALYSIS GROUP

A. BACKGROUND

The first IRS survey identified problems associated with the Department of Income Tax' organizational structure and operational deficiencies stemming from, among other things, communications and information gaps in the management infrastructure. The recommended solution to these problems was the creation of what was called an "Organization and Methods" or "O&M" group. While efforts to staff this group continued during the life of the initial project term it was not until the end of this term that it was realized that there was a simple lack of personnel with the requisite mix of managerial and technical skill to carry out the tasks envisioned for this group. Faced with the combined effects of an almost entirely new technical staff, and a workload swelled by self-assessment returns and refund claims, most management actions were taken on a purely ad hoc basis and no progress on this project was possible or registered.

Following the scheduled completion date of the initial two year project and at the request of the Department, the IRS conducted a survey of the status of the future needs for ADP systems and hardware. In the part relevant to project one, the survey concluded that the most successful ADP applications were those that began as successful manual systems, then transferred to electronic equipment to perform the more laborious and time consuming processing. The survey report noted that in successful ADP operations, the work of designing manual systems and converting them to ADP applications is performed by specialists called Systems Analysts whose function is to study, design and document the processing systems, write procedures and train system users, prepare specifications for ADP programmers, and validate the input and output from ADP equipment.

3. PURPOSE AND SCOPE

The purpose of the new Systems, Procedures and Analysis group (or SP&A) will be broader than that contemplated for the O&M group in the original project. This broadening is in recognition that the shift to a self-assessment tax system places increased burdens on management. The self-assessment tax system manager must have information about compliance patterns, because a successful self-assessment system can only be built upon a taxpaying public confident that the tax laws are being enforced fairly and uniformly. This confidence follows from enforcement actions taken by the Department of Income tax which are balanced and equitable. Because skilled technical staffing is always a finite commodity which ususally falls short of the available workload, the assimilation and distillation of large volumes of information generated by self-assessment can be performed economically only by ADP methods.

The broad purpose of the SP&A group is to design information systems which will yield data needed to plot effective compliance enhancement strategies. It is also the function of the SP&A group to insure insofar as possible that all required functions leading to a complete and successful conversion to self-assessment have been delegated to responsible officials.

C. PLANNED ACTIVITIES

1A. SELECT STAFFING FOR SYSTEMS, PROCEDURES AND ANALYSIS GROUP

SCHEDULED START: APRIL '84

The SP&A group will function primarily as the counterpart of the IRS tax team advisors. It will have an interest in all areas of the Department's operations and will perform staff inquiry and analysis in all areas, and especially in ADP activities. Because of the large anticipated workload for this group, it should be staffed with a minimum of six people. Three should be skilled, or have an aptitude for ADP systems design. The remaining three persons should have experience in all areas of the Department's technical operations and should possess good writing skills. Some management experience or aptitude is desirable, and at least one of the non-ADP staff persons must be fluent in English and Arabic.

13. PREPARE JOB DESCRIPTIONS FOR THE DEPARTMENT

SCHEDULED START: JUNE '84

The lack of specific job definition has been a problem since the first IRS survey team. Lack of understanding of the work expected leads to necessary tasks left undone. Because the SP&A group will function in all areas of the Department it is natural that the group start by studying all jobs in the Department in terms of the organizational mission and structure, and to write descriptions and instructions which will insure that all functions have been made the responsibility of some specified person.

1C. PREPARE DOCUMENT HANDLING PROCEDURES

SCHEDULED START:

Presently errors are made because document handling procedures are given orally without a written reference. Correct procedures are forgotten, or not transmitted uniformly to newly hired personnel. Inconsistently applied procedures leads to errors in Department records.

1D. REVISE EMPLOYEE INCENTIVE AND BONUS SYSTEM

SCHEDULED START:

The first IRS survey identified the public employment salary structure as a disincentive to the attraction and retention of highly skilled and qualified technicians, particularly in the ADP area. This can be partially offset by a system of Bonuses and Awards. In order to be successful, the new system must be perceived as fair and equitable. Objective criteria must be established and utilized to the extent possible.

1E. ENVIRONMENTAL SURVEY OF NEW BUILDINGS

SCHEDULED START:

The plan to consolidate Departmental operations into three buildings in one location presents an excellent opportunity to tailor the facilities to suit the changing needs to self-assessment.

1F. TRANSFER OF INACTIVE HISTORICAL FILES TO MICROFICHE

SCHEDULED START:

Use of filing system is inhibited by the presence of large numbers of files not used on a regular basis. This activity will identify no-activity files and place them on microfiche.

REPRODUCED FROM THE ORIGINAL

PROJECT TWO: TRAINING: CREATION OF PUBLIC INFORMATION AND TRAINING SECTION

A. BACKGROUND

The prior project, and earlier IRS surveys identified shortcomings in the Department's training programs. A lengthy report on training needs was undertaken early in 1982, but for a variety of reasons, not the least of which was the 1981 organizational upheaval noted above, many of these recommendations could not be fulfilled. In addition to the problems identified previously, the change to a self-assessment tax system has burdened both the Department of Income Tax and the taxpaying public in new ways. The burden to the former results from a dramatically increased workload resulting from the number of assessments made each year. This in turn requires the department to maintain a larger staff of technical and semi-technical personnel. Natural attrition among an expanded staff now demands that the Department be prepared to routinely conduct training for newly hired assessors and others who replace those who quite, retire, or otherwise leave the department.

The burden on the taxpaying public results from the imposition of the requirement that they annually render some self-styled statement to the Department summarizing their financial activities for the period. Prior to the enactment of the 1982 tax law there was no inducement for taxpayers to routinely maintain reasonably accurate books of account for their business transactions. Since it is the income tax law which now makes this demand on taxpayers it is naturally incumbent upon the Department to undertake programs which in time will enable the public to prepare increasingly accurate self-assessment tax forms.

B. PURPOSE AND SCOPE

This project will attempt to establish an full time section whose twofold purpose is to (a) insure that all employees receive needed job specific training in a timely manner and (b) prepare and disseminate appropriate educational materials to enable the taxpaying public to prepare increasingly more correct self-assessment documents.

C. PLANNED ACTIVITIES

2A. CREATE AND STAFF PUBLIC INFORMATION AND TRAINING SECTION

SCHEDULED START:

The Department should recruit two full-time persons with proven skill and experience in the field of education and public relations. One should also have some managerial or administrative skill or potential, and should be named head of the section. The other should have skill in the preparation of written educational materials for a variety of literacy levels.

BEST AVAILABLE DOCUMENT

BEST AVAILABLE DOCUMENT

2B. CONDUCT DEPARTMENT WIDE SURVEY OF TRAINING ACHEIVEMENTS

SCHEDULED START:

In order to correctly design a training program it will be necessary to identify the level of achievement of each employee.

2C. CONDUCT COBOL TRAINING PROGRAM

SCHEDULED START:

The Department expects installation of a new computer which should be ready early in the project. Also, expanded information needs are being generatead by the new self-assessment tax system. The department needs to add programmers to the staff to assist in preparing the new computer as an effective tool for tax administration. Potential programmers should be selected from applicants within the department, with priority given to those with characteristics identified in the recent IRS survey report.

2D. CONDUCT TRAINING IN FUNDAMENTALS OF ADP AND SYSTEMS ANALYSIS

SCHEDULED START:

At no time during the initial two year project has there emerged an ADP technician within the department who demonstrates the requisite skill to conduct the analysis necessary to prepare sophisticated ADP applications. This activity is aimed at offering a combination of textbook work and OJT for persons assigned to the SP&A group.

2E. MANAGEMENT TRAINING FOR SP&A GROUP

SCHEDULED START:

In order for non-ADP members of the SP&A group to become fully effective as compilers and communicators of management information they must have management skills. This activity contemplates early INTAX training for those selected to the SP&A group.

2F. PREPARE/ADAPT STANDARDIZED TRAINING COURSES AND TEXTS

SCHEDULED START:

Because of the regular attrition that will accompany an expanded staff standardized courses in Accounting, Auditing and Tax: Law should be prepared to insure uniformity in the presentation of the material needed to perform assesment duties correctly. Courses to provide specialized training in criminal investigative techniques will be developed and presented.

PROJECT THREE: SELF-ASSESSMENT AND RETURNS EXAMINATION**A. BACKGROUND**

With the enactment of the tax law of 1982, Jordan again made an effort to convert from a relatively inefficient agency assessment method of collecting income tax revenue, to the self-assessment system wherein each taxpayer is assessed and pays his proper tax each year. The second assessment period draws to a close in April, 1984 and it appears that efforts to institutionalize this system in Jordanian society stand a good chance of succeeding. If this essential effort is to succeed finally, substantial organizational adjustments will be required.

B. PURPOSE AND SCOPE

The purpose of this project will be to complete the conversion from the older agency assessment process to a full self-assessment system. This project is concerned with conducting those activities which in sum will equal a balanced enforcement effort.

C. PLANNED ACTIVITIES**2A. PROMULGATE ACCOUNTING AND RECORDKEEPING STANDARDS****SCHEDULED START:**

Accurate Self-assessments can only be prepared by taxpayers who systematically maintain books of account and records of transactions which are significant for income tax purposes. It is the duty of the Department to specify standards to the benefit of taxpayers.

2B. CONDUCT PUBLIC INFORMATION CAMPAIGNS**SCHEDULED START:**

The concept of self-assessment and recordkeeping is not widely understood in Jordan. It is the duty to the Department to inform taxpayers what is expected of them in the way of recordkeeping and to annually conduct information campaigns to assist in the preparation of correct returns.

2C. CONDUCT COMPLIANCE MEASUREMENT SURVEY**SCHEDULED START:**

The necessary process of influencing taxpayer behavior consists not only of assisting them with preparing records and returns, but also of reacting to areas of error or abuse. Compliance measurement devices can be used to pinpoint such areas and guide in the preparation of corrective measures.

BEST AVAILABLE DOCUMENT

3D. CREATE EXAMINATION PRIORITY CLASSIFICATION SYSTEM

SCHEDULED START:

The large number of self-assessment returns received during the first filing season serve to point out that it is not possible or necessary to examine the accuracy of each document. Priorities and criteria for the selection of certain returns must be established and adhered to if the concept of balance and equity in the process is to be achieved.

3E. PHASE-OUT AND ELIMINATION OF AGENCY ASSESSMENTS

SCHEDULED START:

As the ADP data base is corrected to give an accurate national index of taxpayers, and the taxpayer accounts system gives accurate data about pre-1982 assessments it should be possible to schedule the remaining agency assessments and complete the conversion to self-assessment.

3F. PROMULGATE AND IMPLEMENT PROCEDURES FOR PROSECUTION CASES

SCHEDULED START:

In the balanced enforcement approach to self-assessment, a vital companion to taxpayer service and information is the idea of prosecution for flagrant ignorance or abuse of the law. Criteria for identification, and procedures for evidence accumulation and presentation to be used by Assessors specializing in this field are necessary.

PROJECT FOUR: COLLECTIONS AND TAXPAYER IDENTIFICATION

A. BACKGROUND

Great strides have been recorded in the area of collections and taxpayer identification since the first IRS survey. Methods to control flow of funds from withholding agents, and internal controls over funds collected are two of the most notable. Also significant is action taken by a field collection force organized during the first project to make the Department an active, rather than merely a passive collector of revenue.

B. PURPOSE AND SCOPE

The duties of the Collection section consist of detecting taxpayers who are delinquent either in the payment of taxes or in the filing of returns. This project is directed to collecting revenue due the department.

C. PLANNED ACTIVITIES

4A. ESTABLISH COLLECTION CLASSIFICATION AND PRIORITY SYSTEM

SCHEDULED START:

With the large number of cases and amount of assessed tax in the accounts, some method of determining priorities for collection action is in order. Once a corrected taxpayer account list is provided by the ADP section, accounts should be categorized by amount and age as a potential measure of collectability. Provision will be made for accounts which are "doubtful" due to age, amount, or for other reason and effort will be directed to the appropriate accounts.

4B. DEVISE AND IMPLEMENT SYSTEMATIC DELINQUENCY PROCEDURES

SCHEDULED START:

Delinquency consists of taxpayers who fail to self-assess as required by law, and taxpayers who refuse or fail to pay assessed taxes in a timely manner. Systematic procedures will ensure that the best method of contact with the taxpayer will be selected and thereby the maximum benefit can be realized from the collectors' time.

PROJECT FIVE: AUTOMATIC DATA PROCESSING

SCHEDULED START:

A. BACKGROUND

The majority effort expended by IRS advisors since the first survey team visited in 1978 has been in the area of Automatic Data Processing. Achievements to date have been mixed. There is appreciation in the Department for the fact that a modern, self-assessment tax system cannot function without the processing speed obtainable only with modern computers. The first generation hardware currently being used has proven useful for some tasks, but for a variety of reasons including the inability to attract qualified programmers and technicians, the need is recognized to move to state-of-the-art hardware and systems.

B. PURPOSE AND SCOPE

The purpose of this project is to make the computer a useful tool in the compliance enhancing efforts of the Department of Income Tax, and to develop the staffing necessary to keep a newly designed system operating.

C. PLANNED ACTIVITIES

5A. CORRECT AND PUREIFY TAXPAYER ACCOUNT DATABASE

SCHEDULED START: April '84

The original ADP effort began with an attempt to transfer the bookkeeping effort for the taxpayer accounts to ADP methods. In order to get as much utilization of the existing hardware, an effective and efficient computer file structure was designed. Unfortunately what it gained in efficiency and economy, it lost in fragility and corruptability. For reasons which will never be entirely certain data has been lost and corrupted rendering the computer output so unreliable as to be useless. The first effort will be to correct information in the machine and to identify and correct manual systems which lead to corruption of the database.

5B. DEVELOP PURIFIED NATIONAL NAME AND ADDRESS INDEX FILE

SCHEDULED START: April '84

The original index contains numerous errors and cannot be relied upon with any degree of regularity. The index must be redesigned and reprogrammed for the new system incorporating safeguards to prevent circumvention of validation routines. The system must incorporate automatic updating and error resolution cycles. New records must contain adequate reserved space for future additions to the data fields.

5C. DEVELOP DATA ENTRY VALIDATION SYSTEM

SCHEDULED START:

Current data entry validation method (visual) is not acceptable for the procession of self-assessment returns. A program must be written for the duplicate entry of each document, followed by computer comparison of the entries and an error listing whenever there is a mis match. A by-product of such a system is a system to evaluate quality of data entry by operators.

5D. DEVELOP COMPUTERIZED FILE NUMBER ASSIGNMENT SYSTEM

SCHEDULED START:

The current manual system of assigning and recording file numbers does not contain adequate safeguards against duplicate file numbers, transposition of digits, etc. The new system would have an operator query the computer for the next available number, and the operator would immediately input the taxpayer name, address, and all other pertinent information. This would serve as an addition or update of the National Index file.

5E. REDESIGN TAXPAYER ACCOUNT SYSTEM

SCHEDULED START:

Following the correction of the old taxpayer accounts, the new computer hardware will combine the ability to conduct math verifications of self-assessment and other documents, issue bills and notices of adjustments and delinquencies, and immediate, on line access to taxpayer ledger balances for all years.

5F. DEVELOP COMPUTERIZED THIRD PARTY INFORMATION SYSTEM

SCHEDULED START:

The third party information section provides the best available background for preparing accurate assessments, or reassessments. The present manual system is capable of matching only a very small percentage of third party information to self-assessment returns. Criteria for input of selected third party information will be developed and programs written to identify under-reporters and non-filers.

BEST AVAILABLE DOCUMENT

5G. DEVELOP RETURNS CLASSIFICATION SYSTEM

SCHEDULED START:

Self-assessment produces more documents than can be checked by present staffing, and it is considered a disadvantage to attempt 100% examination coverage. A program must be developed to assist in the selection of returns for examination according to criteria designed to maximize the level of voluntary compliance.

BEST AVAILABLE DOCUMENT