Report Number : ICRR0021214

1. Project Data

Project ID	Project Name
P102778	REVENUE ADMIN MODERN (RAMP)
Country	**Practice Area(Lead)**
Croatia	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-74710	30-Jun-2013	126,099,200.00
Bank Approval Date	**Closing Date (Actual)**	
28-Jun-2007	30-Jun-2015	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	68,000,000.00	0.00
Revised Commitment	15,593,808.70	0.00
Actual	15,778,017.35	0.00

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2. Project Objectives and Components

a. Objectives

The project development objective (PDO) in both the Loan Agreement (5) and the Project Appraisal Document (PAD, p. 7) was to achieve further improvements in efficiency, taxpayer services and tax compliance through capacity building and systems improvement in the Croatian Tax Administration (CTA). Although the objective was not changed during implementation, there were revisions to the associated outcome targets.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

Component I. Organizational Consolidation and Functional Realignment of Tax Office, including Physical Facilities (Appraisal estimate US$35.36 million; actual at closure US$7.41 million)

This component financed CTA's consolidation of the thirteen existing office locations (representing about 1,500 staff members and about 30 percent of all tax returns) into a new headquarters complex in Zagreb, the capital city. The new building would include a tax academy and an Information Communications (ICT) center. The component also sought to facilitate improved organizational and staffing arrangements, taxpayer services and enforcement processes, and human resource management policies. Civil works, new ICT systems, training and advisory services, would permit the centralized, automated, and high-volume processing of paper tax returns.

The component supported CTA's efforts to strengthen and consolidate its Large Taxpayers' Office (LTO) set up in 2005 at a single location, including the provision of ICT, training and technical advisory services. It was estimated that approximately 1,200 major taxpayers generated about 20 percent of total tax revenue. The Zagreb LTO realignment would create separate sections for every tax administration function (such as taxpayer services, audit, and arrears collection) and provide targeted stakeholder outreach and selection and create a single point of contact for services with specialized attention to enforcement, complex accounting and legal issues (ICR, p. 4).

Component II. Knowledge and Professional Upgrading of Tax Officials and Stakeholders (Appraisal estimate US$9.52 million; actual at closure US$0.57 million)

This component aimed to raise the professionalism, competence, and integrity of tax officials and the knowledge of taxpayers and other stakeholders (e.g., accountants, tax professionals, public officials) through support to CTA to upgrade its human resource management and training systems and provision of equipment to the CTA Tax Academy for distance learning in four selected locations. These capacity-building measures complemented ongoing assistance to the CTA from the European Union (EU) and other donors.

Component III. Technological Upgrading for Services, Management Information System, and Taxpayer Identification Number (TIN) Implementation Support (Appraisal estimate US$20.40 million; actual at closure US$7.69 million).

This component leveraged technology to improve e-taxpayer services, enhance management decision-making, and facilitate the exchange of tax-related information among Government agencies. The component supported CTA's efforts to: modernize business processes and IT systems including e-tax; develop software applications, data security, business continuity and disaster recovery capacities; it would also integrate operational dataflow with resource management information. The component provided initial support to CTA and selected Government agencies to implement the Tax Payer Identification Number (TIN) through the provision of technical advisory services and equipment.

Component IV. Modernization Management and Project Support (Appraisal estimate US$2.72 million; actual at closure US$0.10 million)
This component supported development and implementation of CTA's Strategic Plan for modernization and project management, procurement, financial management, audits, stakeholder consultation, change management, dissemination of materials, and project monitoring and evaluation through the provision of technical advisory services, training and equipment.

Changes in Components at Restructuring

In the first restructuring the major new building was dropped as the identified site could not be secured. Instead the focus shifted to upgrading existing buildings. In the second restructuring, the idea of implementing the Compliance Risk Management System (CRMS) was introduced as well as a Data Recovery Back-up Center (DRBC). All components and activities of the Project were connected to this core tax administration function, which would strengthen voluntary compliance and help to combat tax fraud. Project resources were reallocated to: ensure adequate ICT support; strengthen CTA's corporate governance; and strengthen human resources capacities (above draws from ICR, 4-7).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The total project cost was originally estimated to be US$126.10 million, but the final cost was only US$15.78 million.

Financing: The project was financed by an IBRD loan for US$68.0 million of which only US$15.78 was disbursed. The low disbursement was due to the cancellation of several activities related to the knowledge and professional upgrading component, the technological upgrading component and the envisaged new headquarters building. This resulted in a cancellation of US$52.22 million of which €25 million (US$33.5 million) had been set aside for the proposed new building.

Borrower Contribution: A contribution by the Borrower of US$58.10 million was indicated in the PAD, but no contribution was made.

Dates: In the second restructuring the project closing date was extended by two years from June 30, 2013 to June 30, 2015.

Restructurings: The first project restructuring in September 2010, did not revise the project closing date nor amend the PDO. However, it introduced changes to the methodologies, baselines and intermediate targets for two of the four PDO indicators to accommodate the changed project activities. The results framework and the intermediate results indicators were streamlined, reducing the original 27 intermediate indicators that appeared in the PAD, replacing them with just eight intermediate results indicators that were more aligned with the remaining project activities.

A further restructuring (level 2) approved in June 2013 extended the closing date, cancelled a further

US$2.22 million, and reallocated the loan proceeds to focus on institutional reform components, including the introduction of a CRMS.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The tax reforms were to be underpinned by the development and implementation of a strategic plan for tax modernization over the next five years. The project sought to harmonize CTA policies and operations with EU accession requirements.

The project supported an important part of the EU pre-accession agenda in the period up to Croatia's accession as the 28th EU member state on July 1, 2013. Fiscal reforms were central to the Government of Croatia's (GoC) medium-term agenda of structural and institutional modernization that was intended to promote the accession. The PDO aimed to improve efficiency, taxpayer services and tax compliance, and was aligned with the GoC program that sought to create the conditions for accession by improving the investment climate, achieving fiscal consolidation and by strengthening governance. The PDOs were relevant to the World Bank's Country Partnership Strategies, which also focused on EU accession and convergence. They were aligned with the objectives of the Country Assistance Strategy, (2005-2008) at the time of loan approval, which were upgrading fiscal management systems, reducing fiscal vulnerabilities and modernizing the public sector. The PDO was also aligned with the subsequent *Croatia Country Partnership Strategy for FY2009-2012*, (extended to FY2013), which sought to support the completion of Croatia's EU accession, contributing to two of the four pillars of the Bank program; sustaining macroeconomic stability; and strengthening private sector-led growth and accelerating convergence with the EU. The CPS for FY2014-2017 followed Croatia's EU membership and sought to assist Croatia's continued convergence with the EU. The Project was aligned with the pillar that sought to support Croatia's fiscal adjustment. However, the efficiency objective was primarily to ensure the implementation of improved tax compliance and administration systems rather than the civil works for a new office building (ICR, 10).

Rating
Substantial

b. Relevance of Design

The initial project design was focused on construction (civil works) and was only loosely relevant to the stated objectives. This was a misjudgment, since many of the key reforms were achieved without the recourse to a new building. The proposed building detracted from the focus on the reform elements until it was dropped. Following this, the CTA was able to focus on institutional capacity and ICT systems, which were the two issues most relevant for EU accession. The causal chain between Bank funding, outputs and intended outcomes was not clear, likely because of rushed preparation due to the pressure to implement quickly. For example, a large amount was set aside for training without a clear plan on how this would be spent, and eventually much was reallocated to other categories,

The design did not address the need to change the mindsets of the CTA leadership. Change management technical assistance would have been highly appropriate since the project was attempting to re-engineer the business processes and effect significant structural and organizational changes. The results framework was vague and inadequate in this regard.

The longer preparation phase could have been financed by the Project Preparation Facility approved in 2007, but was never activated. Alternatively, the development of the project as an Adaptable Program Loan may have been more appropriate for a project that required such a long lead time for ICT procurements, civil works and careful business process re-engineering. This was not supported at the time by the GoC due to the urgency it associated with EU accession (ICR, 10-11).

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Improving the Efficiency of Tax Administration

Rationale
The project sought to reduce CTA operational costs, provide for streamlined and effective data processing, to reduce tax evasion and corruption, facilitate e-taxpayer services and increase tax revenues. Croatian taxpayers would benefit through improved customer service, reduced compliance costs, simplified forms and refund procedures, improved transparency and fair tax assessments. All Croatians could also expect to benefit from increased tax revenues raised at a lower cost. Ultimately, this process would lead to a smoother transition for Croatia's accession to the EU.

Outputs

- A fully fledged national Large Tax Office (LTO) has been in operation since 2012, achieving the target.
- The ratio of staff in inspection functions as a percentage of total staff in the LTO was 59 percent in October 2015 against a target of 65 percent. Thus, this target was not achieved by that date, and the ICR suggests (p. 13) this may have been due to salary levels being uncompetitive with the private sector.
- Time spent in training staff, including distance learning, of 18.75 hours per CTA staffer was targeted. By 2014 the number of hours training had reached 21.97 hours and at closure was 29.95 hours. This target was met.

- Ten e-learning modules were to be developed and implemented. This target was achieved.

Outcomes
The target was an improvement of at least 10 percent in the perception of tax officers regarding their terms of employment and working environment as measured by periodic surveys. The CTA conducted the first and second staff surveys based on the developed methodology in 2010 and 2012. The overall score for the perception of tax officers concerning the terms of employment and working environment was 3.05 and 3.14 on a five-point scale (where five is the highest rating), respectively. This represented an improvement of three percent, which fell well short of the target of 10 percent, but was measured three years prior to the end of the project. No further surveys took place, so due to the lack of evidence it is assumed that this outcome was likely not achieved.

According to the ICR (p. 8), "insufficient attention was paid to winning the hearts and minds of key CTA directors and staff during project preparation. As a result, the project suffered from a lack of champions, lack of depth in ownership, depending largely on the interest of successive CTA directors, some of whom were appointed from outside of the CTA". The project team did not anticipate the changes in CTA leadership that took place following changes in government. Subsequent heads of the CTA, who had not been involved in the project design, were often unwilling to spend money on training and technical assistance, (which is why the training budget was drastically underspent), and the funds were mostly reallocated. IEG also points out that the PAD, the Project Papers and the ICR are vague on the details as to how money allocated for training would have been spent in any case.
Though not included in the results framework, the ICR notes (p 12) "that the CTA consolidated the number of regional and local tax offices by more than 50 percent during implementation." The CTA also introduced the functional realignment of the organizational and staffing arrangements covering the whole CTA network on the basis of six functions: registration, tax assessment and processing of tax returns, taxpayer services, tax audit, enforcement of tax collection and dispute resolution. This enabled tax officers to perform specialized functions rather than all tasks for a certain number of taxpayers. Criteria for the identification of large taxpayers were also established and CTA was able to recover a stable share of around 40 percent of revenue from this source. These reforms are at least partly attributable to the project.

The Project contributed to improving the efficiency of tax audits by supporting the implementation of an e-audit tool and financed preparation of a manual for the implementation of e-Audits, procurement of software to analyze large data and training of 52 auditors in how to use it. From May 2014 to September 2015, the CTA carried out 154 e-audits. Due to creating specialized audit staff and employing the e-audit tool, the efficiency of tax audits improved. The World Bank funded capacity building measures were intended to complement work by other agencies, notably the EU and other donors, while the International Monetary Fund (IMF) assisted the CTA in developing a strategy for tax administration and subsequent updates.

At the time of closure, the CRMS (added at the second restructuring) had not been implemented but was designed to provide a mass of data to analyze the risk of non-compliance for all types of taxes and categories of taxpayers. Croatia's loss of revenue due to tax evasion was in the range of 10-15 percent, mainly through non-filing, underreporting and underpayment. The Task Team Leader has advised IEG that this system is now fully implemented and has started to close the loss of revenue gap. Similarly, the Data

Recovery Back-up Center (DRBC) started under the project, (and now implemented using own funds), is nearing completion. "These outputs were important for the achievement of the project but were too complex to be finished in the remaining time available before the closing date (ICR, 11-12)."

Rating
Modest

Objective 2

Objective
Improving Taxpayer Services.

Rationale
The PDO indicator to monitor improved taxpayer services was, "the perception of taxpayers regarding the quality of services provided by the CTA and its' integrity". Periodic surveys were conducted to monitor the perceptions of taxpayers. These surveys covered the following dimensions: integrity of officials, the quality of the service, the taxpayer offices, and the quality of the system. Three surveys were planned based on responses from 190 private citizens, 494 self-employed taxpayers and 678 companies.

Outputs
There were no formal outputs, but each survey can be regarded as an output. Two surveys were completed (in 2010 and 2013), but the final survey in 2015 at the end of the project was not carried out.
Outcome
An index measuring taxpayers’ views with respect to dimensions, such as the tax system, tax offices, tax administration officials and a tax administration system, increased from 2.66 in 2010 to 3.19 in 2012/2013. This represented a 20 percent improvement exceeding the five percent target. However, it was not possible to assess the end of project performance for the outcome because the CTA did not conduct the further planned survey at the end of the project in 2015. However, since the second survey showed an improvement in the index four times higher than the target and given the fact that towards the end of the project electronic filing was introduced, which proved very popular with the public, in IEG's view the upward trend in customer satisfaction was likely to be maintained. The ICR also points out that there was greater attention to customer service because of the introduction of a dedicated phone line and an email service for customer enquiries (ICR, p. 15).

Rating
Substantial

Objective 3

Objective

Improving Taxpayer Compliance

Rationale

To improve taxpayer compliance, an upgraded e-filing system was introduced as well as mechanisms to increase the average number of assessments per inspector.

Outputs

- The project financed the development and implementation of an upgraded e-filing system that was introduced together with the launch of the new CTA website. The percentage of legal entities filing electronically increased from three percent in 2007, to 99.2 percent in 2014 fully achieving the target.
- An indicator measuring "stop filers" (entities who have ceased filing) for the medium and small taxpayer segment for value added tax falls short of the target of two percent and was not achieved. This result needs to be treated with caution according to the ICR (p. 17). When Croatia experienced a prolonged economic recession in the aftermath of the 2008 global financial and economic crisis, the proportion of "stop filers" increased because many small and medium-size businesses filed for bankruptcy.
- The annual average assessments by value per inspector was expected to improve by at least five percent by end-of-project from €348,075 in 2007. In 2014, the latest date for which a figure is available, the result was €348,707, so the target was not achieved. The ICR comments that the target was met in the Large Taxpayers Office (LTO), but not in the regional offices.

Outcomes

- The increase in taxpayer compliance rates, based on an internationally accepted method for estimating the tax gap, the difference in percentage of GDP between total taxes owed and taxes paid on time, was targeted to show a five percent improvement from 2.4 percent in 2008 to project closure. The last measurement, however, was in 2013, which showed an improvement to 1.52 percent; more recent data were unavailable.
- A decrease in compliance costs of ten percent from 2010 levels was targeted. A decrease of 12 percent had been achieved in 2012, but no survey occurred after that date as originally planned (ICR, 15-18).

Rating

Modest

5. Efficiency

The efficiency estimate was based on a hypothetical analysis of time savings by taxpayers from reduced time dealing with tax officials, the provision of more accurate information on CTA's website and through automated call centers, as well as the expansion of a simplified e-filing facility. The assumption was that taxpayers would be able to engage in more productive and income-generating activities. While this may be partly true, no evidence was put forward to demonstrate how much of such time savings were being used in this way. The actual time savings figures were not disclosed. Gains in operational efficiency could potentially also result from the modernization of CTA's operational functions including reduced costs to ensure tax compliance, streamlining of business procedures and data cleansing, but such savings were also not elaborated. The costs and benefits were estimated in the ICR (Annex 3) using data for 2007-2014 obtained from the Croatian Tax Administration and Statistical Office and the IMF World Economic Outlook. There were also said to be additional economic unquantified benefits that included reduced avenues for corruption, and greater transparency and accountability of the CTA.

On this basis, the ICR's economic analysis indicated that the Revenue Administration Project's economic efficiency was considerable: with an extraordinarily high economic internal rate of return (EIRR) of 259 percent and net present value of € 72.7 million (US$96.7 million) in real terms. This appears to IEG to be unrealistic and unlikely as well as disconnected from the efficacy ratings. The analysis did not consider the efficiency of the project in the professional training of tax officials. While at appraisal US$9.52 million was allocated, only US$0.57 million was actually spent. Nor did it take into account the impact of the CRMS and DBRC that were only completed after the project closed. The financial returns could also not be assessed, because the revenue increases observed during a prolonged period of negative economic growth could also be attributed to various revenue policy measures that were introduced simultaneously.

Although the project implementation period was increased by two additional years, the project only disbursed 17.44 percent of the original allocation, indicating that the allocational efficiency for the project was low. However, the results vary by component. The low allocation performance is largely due to Component 1, where the CTA was unable to procure a suitable site for the construction of the proposed headquarters building (ICR, 18-19).

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate	✓	259.00	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

With substantial relevance of project objectives, but modest relevance of project design, modest efficacy (two objectives modest and one substantial) and modest efficiency the overall outcome is rated as moderately unsatisfactory. This considers that despite some progress towards achieving the PDOs, the failure to complete results surveys at project closure had an adverse effect on measuring performance.

a. Outcome Rating

Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating

Improvements in CTA's systems are likely to be sustainable. The ability to handle the large increase in electronic filings (from three percent to 99 percent) has provided real benefits to taxpayers and has established a permanent demand for this level of service. According to the ICR (p. 20) the decrease in compliance costs of 17.4 percent as assessed by the taxpayer surveys in 2010 and 2015 appears to be well established. Evidence from Doing Business confirms that "the number of separate tax payments has more than halved from 40 in 2007 to just 19 in 2015, while the time taken to complete a tax return has also dropped from 232 hours in 2007 to 196 in 2014." In IEG's view, the establishment of the LTO and subsequent improvement of taxpayers' services is sustainable because the institutional arrangements are seen to be operating effectively. Expectations of both CTA management and the taxpayers have risen to a new level having embedded the revised regulatory framework and internal operating procedures.

The capacity in CTA that the project helped to build is being further strengthened because of initiatives by other development partners, especially the EU, which has financed a project to improve human resource management in the tax administration and another to upgrade the e-learning system (ICR, 20-21).

a. Risk to Development Outcome Rating

Negligible

8. Assessment of Bank Performance

a. Quality-at-Entry

The Bank team focused on tax administration challenges that were crucial for Croatia's successful accession to the EU. The project design was supported by diagnostics and analytical work. However, some significant shortcomings in project preparation later impacted project implementation. The most obvious amongst these was the failure to secure a suitable site for the CTA headquarters building. This led to much wasted effort during early implementation as the CTA focused on finding suitable locations instead of on the organizational issues that were paramount. In the end, this search was not fruitful as the Government had decided it was no longer affordable due to the worsening economic situation. The result was the cancellation of a large portion of the project funds.

A further shortcoming was that the project’s results framework was weak since the outcomes and outputs were not in alignment with the project components or the PDO indicators, making it difficult to track progress. It was also clear that project preparation was incomplete, as several important issues remained unresolved either as effectiveness conditions or as legal covenants. This resulted in start-up delays. Project preparation also failed to gain real "buy in" either from the CTA management or its staff. Hence, institutional reforms and capacity building components did not move forward as planned. A warning sign of this lack of commitment was that the project preparation facility advance was not activated. According to the ICR (21), "this was an early signal of weak ownership." Such problems were exacerbated after the elections in November 2011, which led to new leadership in both the Ministry of Finance and CTA management, who were often unaware of and not necessarily committed to this project.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Implementation supervision reports (ISRs), although identifying the main implementation challenges, continued to rate the project moderately satisfactory despite the very low disbursement rate. Task teams initially included an appropriate mix of operational and tax administration specialists, but according to the ICR (p. 21). "the effectiveness of supervision was seriously undermined by changes in leadership in the Bank’s team at critical points in project implementation." The project had five different task team leaders during its lifetime, so it is not surprising that the borrower complained that the lack of continuity on the Bank side contributed to delays in addressing issues in project design and project implementation. This could have been mitigated in part by involving the country office staff in a more active role during supervision, but also points to neglect in management oversight.

The project was restructured after almost three years of approval, even though the Bank team initiated revisions of the results framework prior to effectiveness. Restructuring was driven primarily by the authorities’ cancellation of the civil works component. The Bank team was more proactive in the final two years of the project; and the ratings were more realistic (ICR, p. 22). The team responded to a change in CTA management and refocused the project towards its institutional reform objectives. The fiduciary and safeguards aspects of the project was satisfactory. The Bank team also tried to help resolve differences between the CTA and its CRMS contractor, but resolution of this disagreement came too late to allow the completion of this output before the project closed.

Quality of Supervision Rating
Moderately Unsatisfactory

Overall Bank Performance Rating
Moderately Unsatisfactory

9. Assessment of Borrower Performance

a. Government Performance
The Ministry of Finance (MoF) was the principal supporter for tax administration reform, as it was key for successful EU accession process. MoF also needed to create support for reform within the CTA, and the new headquarters building was seen as an incentive for CTA management and staff to undertake the necessary organizational reforms. MoF succeeded in putting in place the legislative reforms required for implementing the TIN, but was not able to accomplish the human resource reforms that would for instance delink CTA salaries from the civil service pay scales (ICR, p. 22).

Initially, attention was overly focused on the civil works component at the expense of institutional reforms that would have a penetrating impact. When the issues around finding a suitable site for the building looked as though they might be resolved, MoF had to back away from funding the construction on the grounds of affordability, as by this time the global financial crisis was worsening and the ministry had to focus on cost-cutting and fiscal consolidation. From this point on, MoF played a limited role in project implementation until informed of implementation delays. Even though a feasible action plan were developed in 2011, the agreements were not enforced by the MoF. The project only accelerated its pace in 2013, and according to the ICR (p. 23) "this was primarily because of the commitment of a new Director General at CTA, rather than impetus from MoF." Pressure from the EU and IMF also likely played a role.

Government Performance Rating
Moderately Unsatisfactory

b. Implementing Agency Performance
CTA management focused on the new building at and neglected the institutional reforms, especially the need to create the LTO. CTA management had several competing demands and had neither the capacity nor the interest to implement the institutional reforms aspects in a timely manner (ICR, p. 23).

The CTA Director General was changed several times. According to the ICR (p. 23), "some did not have a tax administration background and had limited interest in the project." This resulted in a situation where the technical staff of CTA had to convince their management of the value of the reform process. This process took two years until a new Director-General at CTA accepted the value of major project components such as the LTO, the business process re-engineering and the process to launch the taxpayer identification number. Fairly negligible disbursements between 2009 and 2013 demonstrated CTA’s limited commitment to the project. In the last two years of the project, CTA management focused on the reform aspects of the project, creating the LTO and supporting the procurement for the CRMS ICT system and DRBC civil works.

Although the CTA had a functioning project unit it lacked adequate capacity for most of the project lifetime. The Bank formally requested a full time general procurement consultant and additional support for ICT and civil works procurements and such staff were eventually hired, but they were subsequently dismissed resulting in further project delays. At one point the CTA unilaterally down-sized the PIU while requesting a third project restructuring and a project extension. Admittedly, there were some delays that the implementing agency could not have anticipated (ICR, p. 23).

Implementing Agency Performance Rating

Moderately Unsatisfactory

Overall Borrower Performance Rating

Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The project paid little attention to monitoring and evaluation and developing an appropriate results framework to measure progress toward the PDO. Although the PAD indicates that information on some indicators would be developed during the first year of project implementation, it took several years to develop baselines and methodologies to track indicators. The design seems ambitious in its reach; however, lacked detail in measurement methodologies. It proposed generic “yardsticks” that would “generally include measures of the rate of taxpayers’ compliance, taxpayer services, and staff members’ performance,” (ICR pp. 8-9).

b. M&E Implementation

There were considerable delays in formulating a feasible results framework, The Bank made repeated requests to simplify the results framework, and reduce the number (27) of intermediate outcome indicators. The new indicators were agreed on only in in 2009, and confirmed in 2010 after the first restructuring.

There is little evidence that the M&E framework was used as a management tool to guide project activities, resource allocations or supervision by CTA or by Project Management (ICR, p. 9). CTA did not assume ownership of the monitoring arrangements and chose not to update project indicators towards project closing. The ICR advises (p. 9) that "Information for the PDO indicators and intermediate outcomes was available only through 2013 or 2014, and in some cases only through 2012. CTA did not undertake the planned taxpayer surveys at project closing in 2015 despite requests from the Bank team."

c. M&E Utilization

There is no evidence of M&E utilization.

M&E Quality Rating

Negligible

11. Other Issues

a. Safeguards

The environmental assessment for this Environmental Category B project as per OP, BP 4.01 was satisfactory as was overall safeguard compliance. The safeguards were less pronounced after the building component was dropped. When the project discovered ancient ruins at the DRBC site, all the correct national safeguards and procedures were followed although with a significant delay, allowing the CTA to protect this ancient heritage. An amendment to the contract was developed in accordance with Ministry of Culture requirements. There were no deviations or waivers from the Bank safeguards policy procedures. (ICR, p. 9).

b. Fiduciary Compliance

In 2008-09, financial management was rated moderately satisfactory. This was largely due to the project's poor performance rather than specific FM issues. The financial management reports were delivered on time and deemed satisfactory by the Bank. Given the small amount of disbursement that took place compared to initial estimates, it appears that there was little pressure on the FM function.

Procurement performance was more problematic, and rated as moderately unsatisfactory in consecutive ISRs. The project anticipated a full-time procurement manager, but this position was not always filled, contributing to delays in procurement especially in the early years. A new full-time procurement specialist was brought on board in January 2012, and the pace of procurement accelerated and the rating was upgraded. Hiring a senior IT consultant also helped the procurement manager to prepare and launch the bidding documents required for the CRMS implementation, but once the consultant left, CTA lacked the technical expertise to effectively deal with the contract management issues that arose during implementation (ICR, p. 9).

c. Unintended impacts (Positive or Negative)

None

d. Other

None

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	Negligible	Negligible	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The following main lessons are from the ICR:

Projects that are primarily geared to institutional reform should focus on change management components and activities even if these represent only a small part of the project cost. The project's fundamental task was tax administration reform. The civil works component was a distraction to this. From the outset, during preparation, attention should have focused on building ownership for the institutional reforms within CTA management and among other key internal and external stakeholders. These institutional reforms should have remained the focus of the project throughout project implementation.

Institutional stakeholder assessments and regular stakeholder consultations are a key requirement for institutional reform projects. Change management projects are likely to face institutional resistance. Undertaking a broad stakeholder assessment highlights where the support and resistance to the reforms would come from. Such an activity at the institutional level would have allowed the Ministry of Finance and the CTA to develop a change management plan including all the CTA management. Repeating this exercise periodically, when there were changes in institutional leadership would have helped inform and strengthen ownership among new stakeholders. This could have helped overcome resistance to use of project proceeds for training, advisory services and stakeholder engagement activities. In the event those responsible for leading and implementing the change process were not sufficiently consulted and involved and the project suffered without this commitment.

Projects should allocate adequate time for the implementation of complex ICT systems and ensure that dispute resolution arrangements are in place and used promptly. Complex ICT projects are frequently subject to implementation delays, often because of disagreements between the purchaser and the supplier. In retrospect, the two-year project extension approved for the implementation of the CRMS was based on a best-case implementation scenario. When a dispute arose between the purchaser and the supplier, there was inadequate time to resolve the dispute and then complete implementation. There were dispute resolution arrangements in place, but the parties were slow to bring these to bear. The availability of an experienced IT professional to advise the authorities could have helped them take this decision at an earlier stage.

The World Bank should ensure continuity in task team leadership to the extent possible. Maintaining continuity in task team leadership is difficult, but the Bank could commit to ensuring that the task leader that prepares the project also starts the implementation. This would focus more serious thought on implementation, results and M&E. World Bank management should place more emphasis on the need for a thorough handover process. The Bank could also empower country office staff to play a more important role as co-task team leaders, where appropriate, to provide for longer-term continuity.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR did not benefit from having a complete set of data, as the Borrower did not undertake the planned perception surveys at project closure. However, the ICR authors diligently managed to uncover some additional information from several sources. The ICR associated the indicators with components rather than objectives, which made comparisons difficult. There was also limited information on what was originally envisaged in the huge training budget that was eventually mostly reallocated. The ICR was candid about the progress of the project and creditably brought out the complex issues involved, including the relative lack of cooperation by the implementing agency on several aspects, and the reasons for the lack of buy-in due to the lack of continuity from five different task team leaders. The lessons were useful and well thought through.

a. Quality of ICR Rating

Substantial