ICR Review
Operations Evaluation Department

Report Number : ICRR11113

1. Project Data:		**Date Posted :** 11/12/2001		
PROJ ID:	P007489		**Appraisal**	**Actual**
Project Name :	Jm Tax Administration	**Project Costs (US$M)**	41.97	32.18
Country:	Jamaica	**Loan/Credit (US$M)**	13.2	13.2
Sector(s):	Board: PS - Central government administration (100%)	**Cofinancing (US$M)**	0	0
L/C Number:	L3758			
		Board Approval (FY)		94
Partners involved :	none	**Closing Date**	12/31/2000	03/31/2001

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2. Project Objectives and Components

a. Objectives

The project's objective was to raise revenue without increasing tax rates, thereby supporting macroeconomic stability, permitting high priority public expenditures and reducing the public debt .

b. Components

(i) Broaden the tax base by increasing the number of registered taxpayers and reducing deductions, exemptions and concessions; (ii) strengthen the organization and management of the tax administration; (iii) reduce tax evasion; (iv) improve tax collection; and (v) facilitate voluntary compliance.

c. Comments on Project Cost, Financing and Dates

Total cost was US$32.18 million, compared to the appraisal estimate of US$41.97. The shortfall was mainly due to the reduction of the scope of and lags in civil works (construction and renovation of revenue centers), an activity solely financed out of counterpart funds. Funds were reallocated within the project because of higher than estimated costs of developing the integrated computerized tax administration system (ICTAS) software and increased costs of the PCU due to the need to develop a new system rather than adapting one from Argentina, and increased training functions. Delays were caused by the need to develop the new system after determining that the Argentine system was not suitable for Jamaica, and the need for a year-long process of consultation to persuade Parliament to amend the tax legislation, exacerbated by a financial sector crisis which took precedence . Nonetheless, the project closed only 3 months late.

3. Achievement of Relevant Objectives:

The main objective was achieved (see (4)). (i) The tax base was broadened by requiring everyone having transactions with the tax administration to obtain a taxpayer registration number, allotted through a computerized system. (ii) Organization and management of tax administration were strengthened by restructuring the departments on functional lines, introducing modern management systems, improving training and pay structure, constructing new revenue centers and refurbishing existing offices; (iii) Tax evasion was reduced through automated systems to detect noncompliance; transfer of responsibility for monitoring compliance to the Inland Revenue Dept ., with its extensive geographical coverage and contact with taxpayers; creation of a Tax Assessment and Audit Dept . and a Tax Fraud Investigations Unit; implementation of computerized audit selection and case tracking; and amendment of the Revenue Administration Act to enhance enforcement; (iv) Tax collection was improved through the development of ICTAS which integrated all functions of the tax system, including taxpayer registration; tax filing and remittances; revenue accounting; audit selection, management and tax adjustment; and conversion of existing systems . (v) Voluntary compliance was improved by reducing costs through creation of 1-stop revenue centers dealing with all taxes; implementing ICTAS; simplifying forms and processes; and increasing equity, fairness and efficiency through.creation of a Taxpayer Appeals Dept. Extensive training was provided for all aspects of the project .

4. Significant Outcomes/Impacts:

Tax revenues increased by 8.9% in real terms, or from 22.3% of GDP in 1995/96 to 24.2% in 2000/01, without an increase in rates. The number of registered taxpayers increased by 60%. Average tax audit productivity increased by 60% for general consumption tax and 97% for income tax. Compliance costs for taxpayers have been reduced by providing one-stop centers for all tax services.

5. Significant Shortcomings (including non-compliance with safeguard policies):
None.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability:	Highly Likely	Highly Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:
(i) Legal changes likely to meet with opposition from vested interests should be accompanied by proactive efforts to explain their rationale to those affected. (ii) Changes in organizational structure and functions should precede IT system development, since uncertainty vis-a-vis the former makes it difficult to define system requirements. (iii) In projects with organizational restructuring, senior management positions should be filled as early as possible, putting people with a stake in the success of the project in positions of authority, and preventing those unlikely to be retained from obstructing change. (iv) The decision to use off-the-shelf software should be made only after careful analysis of requirements and a detailed evaluation of available packages in real life settings.

8. Assessment Recommended? ○ Yes ● No

9. Comments on Quality of ICR:
The ICR is of satisfactory quality. However, it does not always place the data in context. In particular, the impact of the increased tax revenues on the fiscal deficit is not shown, although this is presumably the ultimate objective of the project. In addition, no data are available on actual costs by procurement arrangements, so it is apparently not possible to determine how the funds were actually spent. Data on a number of the performance indicators are also not available. (Note: The TM subsequently provided adequate information.)